

## ROCHESTER FINANCING NO. 1 PLC

(Incorporated in England and Wales with limited liability, registered number 8641754)

Class of Notes	Initial Principal Amount	Issue Price	Interest rate	Ratings (S&P/Fitch)	Final Maturity Date
Class A1 Notes	£213,000,000	100%	1.45% margin above Three Month LIBOR and from the Step-Up Date 2.50% margin above Three Month LIBOR	AAA(sf)/AAAsf	The Interest Payment Date falling in July 2046
Class A2 Notes	£40,000,000	100%	2.607% per annum and from the Step-Up Date 2.50% margin above Three Month LIBOR	AAA(sf)/AAAsf	The Interest Payment Date falling in July 2046
Class B Notes	£20,000,000	97.82%	1.50% margin above Three Month LIBOR and from the Step-Up Date 2.50% margin above Three Month LIBOR	AA+(sf)/AAsf	The Interest Payment Date falling in July 2046
Class C Notes	£26,500,000	100%	1.50% margin above Three Month LIBOR	AA-(sf)/Asf	The Interest Payment Date falling in July 2046
Class D Notes	£31,200,000	100%	1.50% margin above Three Month LIBOR	A-(sf)/BBBsf	The Interest Payment Date falling in July 2046
Class E Notes	£13,200,000	100%	1.50% margin above Three Month LIBOR	BBB+(sf)/BBB-sf	The Interest Payment Date falling in July 2046
Class F Notes	£51,200,000	100%	1.50% margin above Three Month LIBOR	Not Rated	The Interest Payment Date falling in July 2046

The Step-Up Date is the Interest Payment Date occurring in January 2018.

From the Step-Up Date, the Majority Holder of the Residual Certificates has the right to exercise a purchase option in relation to the Portfolio which would lead to an early redemption of the Notes.

**Issue Date** The Issuer will issue the Notes in the classes set out above on or about 16 October 2013 (the **Closing Date**).

**Stand alone/programme issuance** Stand alone issuance.

**Underlying Assets** The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans sold by OneSavings Bank Plc (**OSB**), (the **Seller**) and originated by Advantage Home Loans Limited (**Advantage**), GMAC-RFC Limited (**GMAC**) (including those mortgage loans originated by GMAC under its trading name of High Street Home Loans (U.K.) Limited (**HSH**)) and Charter Court Financial Services Limited under its trading name of Precise Mortgages (**CCFS**) (each an

**Originator** and together the **Originators**) and secured over residential properties located in England, Wales and Scotland (the **Portfolio**) which will be purchased by the Issuer on the Closing Date.

See the sections entitled "*Transaction Overview – Portfolio and Servicing*", "*The Loans*" and "*Characteristics of the Portfolio*" for further details.

## **Credit Enhancement**

- Subordination of Notes:

In the case of the Class A1 Notes and the Class A2 Notes (together referred to as the **Class A Notes**): the subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes (other than amounts applied from the Class E Liquidity Reserve Fund to pay interest on the Class E Notes) and the Class F Notes.

In the case of the Class B Notes: the subordination of the Class C Notes, the Class D Notes, the Class E Notes (other than amounts applied from the Class E Liquidity Reserve Fund to pay interest on the Class E Notes) and the Class F Notes.

In the case of the Class C Notes: the subordination of the Class D Notes, the Class E Notes (other than amounts applied from the Class E Liquidity Reserve Fund to pay interest on the Class E Notes) and the Class F Notes.

In the case of the Class D Notes: the subordination of the Class E Notes (other than amounts applied from the Class E Liquidity Reserve Fund to pay interest on the Class E Notes) and the Class F Notes.

In the case of the Class E Notes: the subordination of the Class F Notes.

- In the case of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the availability of the General Reserve Fund; and
- Excess Available Revenue Receipts.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details.

## **Liquidity Support**

- The availability of the General Reserve Fund, as funded by the Class F Notes on the Closing Date.
- The application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in respect of the Rated Notes (other than the Class E Notes) in the Available Revenue Receipts.
- The availability of the Liquidity Reserve Fund, as funded by the Class F Notes on the Closing Date, to provide (subject to certain conditions) for any Revenue Deficiency in respect of the Rated Notes (other than the Class E Notes) in the event that Available Revenue Receipts and amounts of Available Principal Receipts are not sufficient.

- The availability of the Principal Reserve Fund, as funded by the Class F Notes on the Closing Date, to provide (on the earlier of the Interest Payment Date on which all Notes are redeemed in full or the Step-Up Date) additional amounts to provide for principal repayments on the Notes.
- In the case of the Class E Notes only, the availability of the Class E Liquidity Reserve Fund, as funded by the Class F Notes on the Closing Date, to provide (subject to certain conditions) for any Class E Revenue Deficiency in the event that Available Revenue Receipts are not sufficient.
- Interest due and payable on the Class A Notes outstanding will not be deferred. Interest due and payable on the other classes of Notes may be deferred in accordance with the Conditions. Any payments due on the Residual Certificates are subordinated to payments of interest on the Notes.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details.

<b>Redemption Provisions</b>	Information on any optional and mandatory redemption of the Notes is summarised on page 63 ( <i>Transaction Overview – Summary of the Terms and Conditions of the Notes and the Residual Certificates</i> ) and set out in full in Condition 7 ( <b>Redemption</b> ) of the terms and conditions of the Notes (the <b>Conditions</b> ).
<b>Credit Rating Agencies</b>	Fitch Ratings Ltd. ( <b>Fitch</b> ), and Standard & Poor's Credit Market Services Group Limited ( <b>S&amp;P</b> ), together with Fitch, the <b>Rating Agencies</b> ). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (the <b>CRA Regulation</b> ).
<b>Credit Ratings</b>	Ratings are expected to be assigned by Fitch and S&P to the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes as set out above on or before the Closing Date. The Class F Notes will not be rated. <b>The assignment of a rating to the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes is not a recommendation to invest in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</b>
<b>Listing</b>	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended, which includes the amendments made by Directive 2010/73/EU) (the <b>Prospectus Directive</b> ). This Prospectus has been approved by the Central Bank of Ireland (the <b>Central Bank</b> ) as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes (the <b>Rated Notes</b> ) and the Class F Notes (together

with the Rated Notes, the **Notes**) which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to Irish Stock Exchange Limited (the **Irish Stock Exchange**) for the Notes to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive. The Residual Certificates will not be admitted to the Official List nor will they be admitted to trading on the Main Securities Market.

**Obligations**

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

**Retention Undertaking**

On the Closing Date, OSB will undertake to the Issuer that it will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC) (**Article 122a**), referred to as the Capital Requirements Directive (**CRD**) or Articles 404 to 410 (**Articles 404 to 410**) of Regulation (EU) No. 575/2013 (the **CRR**) (as applicable) which replaces the provisions of Article 122a on 1 January 2014 (which in each case does not take into account any implementing rules in a relevant jurisdiction). Accordingly, references in this Prospectus to "Article 122a" are to Article 122a and, from 1 January 2014, Articles 404 to 410 of the CRR. As at the Closing Date, such interest will comprise not less than 5 per cent. of randomly selected exposures which would otherwise have been securitised in the transaction effected by the Issuer, as required by Article 122a or Articles 404 to 410 as applicable. Any change in the manner in which the interest is held will be notified to the Noteholders. The criteria against which the randomly selected securitised exposures have been retained by the Seller as of the Closing Date is described in section entitled "*Article 122a of the Capital Requirements Directive*". Each prospective Noteholder should ensure that it complies with the implementing provisions of Article 122a of the CRD or Articles 404 to 410 of the CRR as applicable in its relevant jurisdiction. See section entitled "*Article 122a of the Capital Requirements Directive*".

**Residual Certificates**

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

**Significant Investor**

OSB will on the Closing Date purchase 100 per cent. of each of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes. OSB will also hold 100% of the Residual Certificates on the Closing Date.

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

**ARRANGER**

**Morgan Stanley**

**LEAD MANAGERS**

**Morgan Stanley**

**The Royal Bank of  
Scotland**

The date of this Prospectus is 15 October 2013

## IMPORTANT NOTICE

**THE NOTES AND THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF THE ISSUER ONLY. NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ORIGINATORS, THE ARRANGER, THE LEAD MANAGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANK, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES OR THE RESIDUAL CERTIFICATES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE ORIGINATORS, THE ARRANGER, THE LEAD MANAGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANK, THE BACK-UP SERVICER, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR BY ANY PERSON OTHER THAN THE ISSUER.**

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

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

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

THE NOTES AND THE RESIDUAL CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE

**SECURITIES ACT**), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) (**U.S. PERSONS**) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

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

NONE OF THE ISSUER, THE ARRANGER, THE LEAD MANAGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

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

ONESAVINGS BANK PLC. ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE*", "*ONESAVINGS BANK PLC*", "*THE ORIGINATORS*", "*THE LOANS*", "*CHARACTERISTICS OF THE PORTFOLIO*" AND "*CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE ONESAVINGS BANK PLC. (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY ONESAVINGS BANK PLC AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY U.S. BANK TRUSTEES LIMITED AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE ORIGINATORS, THE ARRANGER, THE LEAD MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE SELLER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE, THE SECURITY TRUSTEE THE LEAD MANAGERS OR THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE LEAD MANAGERS THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE LEAD MANAGERS OR THE ARRANGER MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

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

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

IN THIS PROSPECTUS ALL REFERENCES TO **POUNDS, STERLING, GBP AND £** ARE REFERENCES TO THE LAWFUL CURRENCY FOR THE TIME BEING OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (THE **UNITED KINGDOM OR UK**). REFERENCES IN THIS PROSPECTUS TO **€, EUR AND EURO** ARE REFERENCES TO THE SINGLE CURRENCY INTRODUCED AT THE THIRD STAGE OF EUROPEAN ECONOMIC AND MONETARY UNION PURSUANT TO THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES AS AMENDED FROM TIME TO TIME.

In this Prospectus all references to the **Financial Conduct Authority** or **FCA** are to the United Kingdom Financial Conduct Authority and all references to the **Prudential Regulation Authority** or **PRA** are to the United Kingdom Prudential Regulation Authority which in each case before 1 April 2013 was known as the **Financial Services Authority** or **FSA**.



## **Forward-Looking Statements**

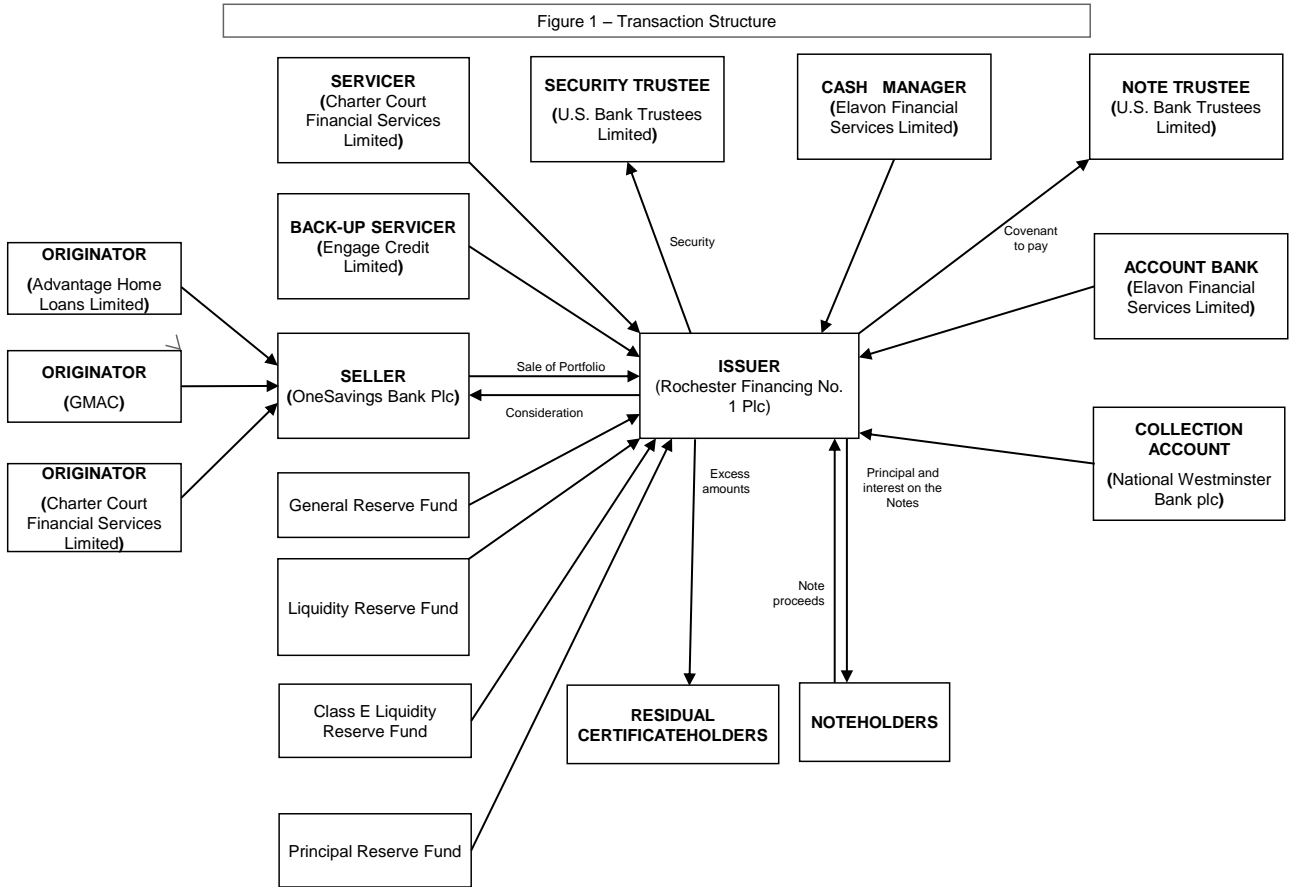
Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer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

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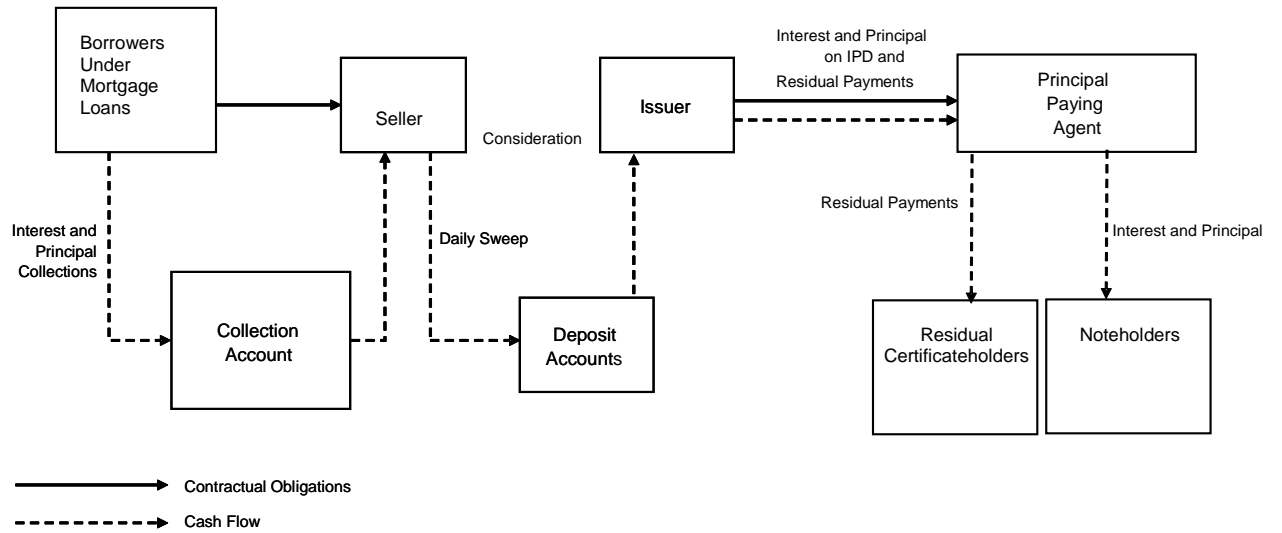
## STRUCTURE DIAGRAMS

### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



# DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS

Figure 2 – Cashflow Structure



## OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

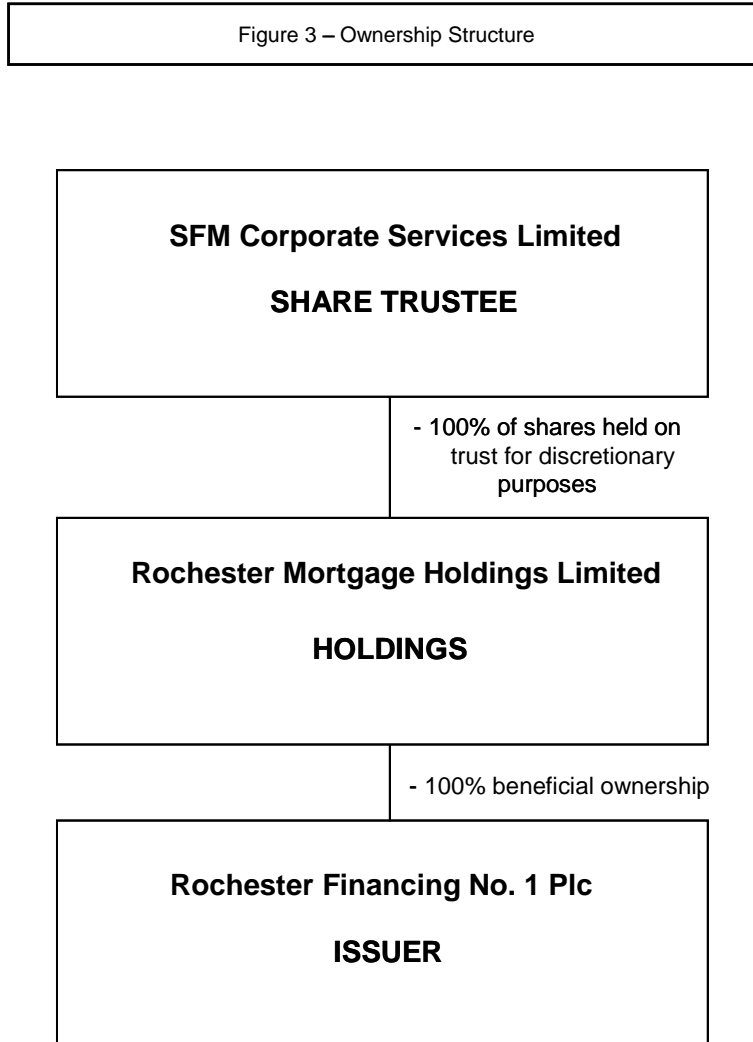


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

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

## TRANSACTION OVERVIEW – TRANSACTION PARTIES

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

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

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

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Issuer</b>	Rochester Financing No. 1 plc	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
<b>Holdings</b>	Rochester Mortgage Holdings Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
<b>Seller</b>	OneSavings Bank Plc	Reliance House, Sun Pier, Chatham, Kent ME4 4ET	See the section entitled " <i>OneSavings Bank Plc</i> " for further information.
<b>Servicer</b>	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton, WV10 6TD	Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
<b>Back-up Servicer</b>	Engage Credit Limited	114A Cromwell Road, London SW7 4ES	Back-up Servicing Agreement by, <i>inter alios</i> the Issuer, the Back-up Servicer and the Servicer. See the section entitled " <i>Summary of the Key Transaction Documents – Back-up Servicing Agreement</i> " for further information.
<b>Cash Manager</b>	Elavon Financial Services Limited, acting through its UK branch	125 Old Broad Street Fifth Floor London EC2N 1AR	Cash Management Agreement by, <i>inter alios</i> , the Issuer and the Cash Manager. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for

further information.

<b>Account Bank</b>	Elavon Financial Services Limited, acting through its UK branch	125 Old Broad Street Fifth Floor London EC2N 1AR	The Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The Bank Account Agreement</i> " for further information.
<b>Security Trustee</b>	U.S. Bank Trustees Limited	125 Old Broad Street Fifth Floor London EC2N 1AR	Deed of Charge. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Note Trustee</b>	U.S. Bank Trustees Limited	125 Old Broad Street Fifth Floor London EC2N 1AR	Trust Deed. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Principal Paying Agent and Agent Bank</b>	Elavon Financial Services Limited, acting through its UK branch	125 Old Broad Street Fifth Floor London EC2N 1AR	Agency Agreement by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Registrar</b>	Elavon Financial Services Limited, acting through its UK branch	125 Old Broad Street Fifth Floor London EC2N 1AR	In respect of the Notes, the Agency Agreement, by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Liquidation Agent</b>	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton, WV10 6TD	Liquidation Agent Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled " <i>Early Redemption of the Notes</i> " for further information.
<b>Corporate Services Provider</b>	Structured Finance Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings.
<b>Share Trustee</b>	SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed by the Share Trustee
<b>Collection Account Bank</b>	National Westminster Bank plc	135 Bishopsgate London EC2M 3UR	N/A
<b>Arranger</b>	Morgan Stanley & Co. International plc.	25 Cabot Square, Canary Wharf, London E14 4QA	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
<b>Lead Manager</b>	Morgan Stanley & Co. International plc	25 Cabot Square, Canary Wharf, London E14 4QA	Subscription Agreement. See the section entitled

"Subscription and Sale" for further information.

**Lead Manager**      The Royal Bank of Scotland plc      135 Bishopsgate, London, EC2M 3UR      Subscription Agreement. See the section entitled "Subscription and Sale" for further information.



## **RISK FACTORS**

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

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

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

### **Credit Structure**

#### ***Liabilities Under the Notes***

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Arranger, the Lead Managers, the Servicer, the Back-up Servicer, the Cash Manager, the Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

#### ***Limited Source of Funds***

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, interest earned on the Deposit Account, the General Reserve Fund, the Liquidity Reserve Fund, the Class E Liquidity Reserve Fund and the Principal Reserve Fund. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of a Note Acceleration Notice is described below (see further "*English law security and insolvency considerations*").

#### ***Limited recourse***

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal and interest from the Borrowers under the Loans and their Related Security in the Portfolio, (b) interest income on the Deposit Account, and (c) funds available in the Liquidity Reserve Fund, the Class E Liquidity Reserve Fund, the General Reserve Fund and the Principal Reserve Fund. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the Security by the Security Trustee, if:

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

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

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

#### ***Deferral of Interest Payments on the Notes***

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable other than in respect of the Class A Notes outstanding after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 17 (**Subordination by Deferral**) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Notes becomes immediately due and repayable in accordance with the Conditions. This will not constitute an Event of Default.

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

#### ***Credit risk***

The Issuer is subject to the risk of default in payment by the Borrowers and the failure by the Servicer, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of a Loan and its Related Security in order to discharge all amounts due and owing by the relevant Borrowers under its Loan, which may adversely affect payments on the Notes. This risk is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

#### ***Liquidity risk***

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers (if, for example such payment is made after the end of the Collection Period immediately preceding the Interest Payment Date). This risk is addressed in respect of the Rated Notes by the provision of liquidity from alternative sources as described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

***Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Residual Certificates***

The Class B Notes rank pari passu without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes.

The Class C Notes rank pari passu without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes.

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

The Class E Notes rank pari passu without preference or priority amongst themselves in relation to payment of interest and principal at all times, but (other than in respect of amounts of interest which are funded from the Class E Liquidity Reserve Fund) subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

The Class F Notes rank pari passu without preference or priority amongst themselves in relation to payment of interest and principal at all times but subordinate to all payments due in respect of the Rated Notes, as provided in these Conditions and the Transaction Documents.

The Residual Certificates are subordinated in right of any payment to payments of interest and principal on the Notes.

Payments of interest in respect of the Class E Notes may, to the extent that there is a Class E Revenue Deficiency, be paid from amounts standing to the credit of the Class E Liquidity Reserve Fund. Prior to the earlier of (A) the redemption in full of the Rated Notes, (B) the Final Maturity Date or (C) the Interest Payment Date on which the debit balance of the Class E Principal Deficiency Sub-Ledger is equal to 100% of the Principal Amount Outstanding of the Class E Notes, amounts standing to the credit of the Class E Liquidity Reserve will not be used for any other purpose than paying interest on the Class E Notes. This may result in interest on the Class E Notes being paid when amounts would not be available to pay interest on the Class A Notes, Class B Notes, Class C Notes or Class D Notes.

The subordination of the Notes and the Residual Certificates are further set out in "*Cashflows — Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflows — Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer*". There is no assurance that these subordination rules will protect the holders of Notes from all risk of loss.

***Revenue and Principal Deficiency***

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the Rated Notes (other than the Class E Notes), or amounts ranking in priority to the payment of interest on the Rated Notes (other than the Class E Notes), there is a Revenue Deficiency (taking into account amounts standing to the credit of the General Reserve Fund which can be applied as Available Revenue Receipts and are available to cover such amounts (subject to certain conditions)) the Issuer may apply Available Principal Receipts (if any) applied in accordance with paragraph (a) of the Pre-Acceleration Principal Priority of Payments to cure such Revenue Deficiency. If there remains a Revenue Deficiency following the application of items (a) to (e) of the definition of Available Principal Receipts as described below, the Issuer shall apply amounts standing to the credit of the Liquidity Reserve Fund (subject to certain conditions) to cure such Revenue Deficiency. If there remains a Class E Revenue Deficiency following the application of Available Revenue Receipts, the Issuer may apply amounts standing to the credit of the Class

E Liquidity Reserve Fund (subject to certain conditions) to cure any such Class E Revenue Deficiency. In the event that Available Principal Receipts are so used to meet a Revenue Deficiency or amounts are credited to the Liquidity Reserve Fund from Available Principal Receipts, the consequences set out in the following paragraph may result.

Application of any Available Principal Receipts to meet any Revenue Deficiency or the crediting of the Liquidity Reserve Fund from Available Principal Receipts to meet any Revenue Deficiency (in addition to any Losses and any Aggregate Arrears Balance) and the application of Available Principal Receipts to any any Subordinated Servicing Fee pursuant to item (i) of the Pre-Acceleration Principal Priority of Payments will be recorded first on the Class F Principal Deficiency Sub-Ledger until the balance of the Class F Principal Deficiency Sub-Ledger is equal to the amount by which, on the Closing Date, the sum of the Principal Reserve Fund Required Amount and the aggregate principal outstanding balance of the Loans in the Portfolio exceeded the aggregate Principal Amount Outstanding of the Rated Notes, and next on the Class E Principal Deficiency Sub-Ledger until the balance of the Class E Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class E Notes then outstanding, and next on the Class D Principal Deficiency Sub-Ledger until the balance of the Class D Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class D Notes then outstanding, and next on the Class C Principal Deficiency Sub-Ledger until the balance of the Class C Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, and next on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts including (other than in respect of the Class F Notes), amounts standing to the credit of the General Reserve Fund. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Acceleration Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger, second the Class B Principal Deficiency Sub-Ledger, third the Class C Principal Deficiency Sub-Ledger, fourth the Class D Principal Deficiency Sub-Ledger, fifth the Class E Principal Deficiency Sub-Ledger and sixth, following amounts being credited to the Liquidity Reserve Ledger and the General Reserve Fund Ledger up to the Liquidity Reserve Fund Required Amount and the General Reserve Required Amount respectively, the Class F Principal Deficiency Sub-Ledger.

In addition, the Principal Deficiency Ledger will also be debited for the Aggregate Arrears Balance. The Aggregate Arrears Balance arises if the aggregate principal outstanding balance of all Loans in the Portfolio which have not been paid in respect of an amount equal to 12 or more monthly payments (and have not been subsequently repaid) (excluding any Loan for which a Loss has been recorded on the Principal Deficiency Ledger) is over 5% of the aggregate principal outstanding balance of all Loans in the Portfolio. To the extent that the debit recorded on the Principal Deficiency Ledger is less than zero, Available Principal Receipts will (subject to availability) be applied as Arrears Reallocated Principal Receipts and form part of Available Revenue Receipts.

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

- the interest and other net income of the Issuer may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and
- there may be insufficient funds to repay the Notes on or prior to the Final Maturity Date of the Notes unless the other net income of the Issuer is sufficient, after making other payments to be made in priority thereto, to reduce to nil the balance on the relevant Principal Deficiency Sub-Ledger.

### ***Interest Rate Risk***

The Loans in the Portfolio are subject to variable and fixed interest rates while the Issuer's liabilities under the Class A1 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes are based on Three-Month Sterling LIBOR.

The Issuer's liabilities under the Class A2 Notes are initially based on a fixed rate. As of the Cut-off Date, Fixed Rate Loans made up 14.11 per cent. of the aggregate Current Balance of the Cut-off Date Portfolio. This proportion will decrease over time as the Fixed Rate Loans revert to a variable rate in accordance with their terms.

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, and as a result there is no hedge in respect of the risk of any variances in the Base Rate charged on any Loans 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.

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

The yield to maturity on the Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Notes. Prepayments on the Loans may result from refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under any applicable insurance policies. In addition, repurchases of Loans required to be made under the Mortgage Sale Agreement in certain circumstances will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition, if the Seller is required to repurchase a Loan or Loans under a Mortgage Account and its or their Related Security because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (to the extent not used to pay amounts in respect of Arrears Reallocated Principal Receipts, to credit the Liquidity Reserve Fund, or used to meet a Revenue Deficiency in accordance with item (a) of the Pre-Acceleration Principal Priority of Payments) (see "*Cashflows*" below).

At any time on or after the Interest Payment Date (a) falling in January 2018 or (b) on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Notes. In connection with such a redemption, in accordance with the terms of the Liquidation Agent Agreement and the Deed Poll, on any Interest Payment Date falling in or after January 2018, pursuant to the Liquidation Agent Agreement and the Deed Poll, the Majority Holder has the option to purchase the Loans and their Related Security comprised in the Portfolio at any time during the period beginning on (and

including) the Step-Up Date until (and including) the Interest Payment Date falling in October 2018 (the **Optional Redemption Window**) and thereafter subject to certain conditions for an amount equivalent to the aggregate of the Principal Amount Outstanding of the Rated Notes and interest accrued thereon and certain other amounts due from the Issuer.

If the Majority Holder has not exercised the Portfolio Option by the Market Portfolio Purchase Trigger Date, the Liquidation Agent, with the assistance of the Portfolio Manager, will seek to sell the Loans by auction. The Majority Holder will continue to have the right to exercise the Portfolio Option, but if the Majority Holder fails to exercise the Portfolio Option within the time periods set out in the Liquidation Agent Agreement, the Liquidation Agent shall instruct a Portfolio Manager (following a tender process) to assist in the auction of the Loans.

The occurrence of the Portfolio Option or a Market Portfolio Purchase will lead to a reduction in the average weighted life of the Rated Notes. See the section "*Early Redemption of Notes – Portfolio Option*" for more detail.

In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Notes.

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

#### ***Sales of the Loans on and from the Step-Up Date***

The sale of the Loans on and from the Step-Up Date pursuant to the Portfolio Option and the Market Portfolio Purchase is conditional upon the amounts being received from the purchase price (where applicable net of certain fees and expenses) being sufficient to repay in full all amounts due in respect of the Rated Notes and senior expenses. The sale proceeds are not required to satisfy any obligations of the Issuer in respect of the Class F Notes. Should the sale proceeds not exceed such minimum requirements, there may be insufficient amounts available to the Issuer to pay amounts due in respect of the Class F notes. In such circumstances the Class F Noteholders will have no additional claim against the Issuer.

#### ***Ratings of the Rated Notes***

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

The expected ratings of the Rated Notes to be assigned on the Closing Date are set out in "*Ratings*", below. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including without limitation, a reduction in the credit rating of the Cash Manager and Account Bank and the servicer ratings of the Servicer and Back-up Servicer) in the future so warrant. See also "*Change of Counterparties*" below.

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

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

As highlighted above, the ratings assigned to the Rated Notes by are based on (in the case of S&P), amongst other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings (and in the case of Fitch) the long-term and short-term issuer default ratings of the Cash Manager and Account Bank and the servicer ratings of the Servicer and the Back-up Servicer. In the event one or more of these transaction parties are downgraded, there can be no assurance that a replacement to that counterparty will be found which has the ratings required to maintain the then current ratings of the Rated Notes. If a replacement counterparty with the requisite ratings cannot be found, this is likely to have an adverse impact on the rating of the Rated Notes and as a consequence, the resale price of the Rated Notes in the market and the prima facie eligibility of the Rated Notes for use in certain liquidity schemes established by the European Central Bank and the Bank of England.

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

On 13 May 2013, the finalised text of a Regulation of the European Parliament and of the European Council amending Regulation EC 1060/2009 on credit rating agencies (**CRA3**) was published. CRA3 became effective on 20 June 2013 (the **CRA3 Effective Date**). CRA3 provides for certain additional disclosure requirements which will become applicable in relation to structured finance transactions. Such disclosures will need to be made via a website to be set up by the European Securities and Markets Authority (**ESMA**). The scope and manner of such disclosure will be subject to regulatory technical standards prepared by ESMA. The regulatory technical standards have not yet been published by ESMA and it is anticipated that they will be published in draft form within a year of the CRA3 Effective Date. Subsequently they will be subject to a consultation period. It is not possible for the Issuer or any other party to comply with the disclosure requirements until such time as the regulatory technical standards are made available. Additionally, CRA3 has introduced a requirement that issuers or related third parties of structured finance instruments solicit two independent ratings for their obligations; and should consider appointing at least one rating agency having less than a ten per cent. market share. Any consequences for the Issuer, related third parties and investors in transactions structured prior to the CRA3 Effective Date are not specified in CRA3. Investors should consult their legal advisors as to the applicability of CRA3 in respect of their investment in the Notes.

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

The terms of certain Transaction Documents require the parties thereto to obtain confirmation from the Rating Agencies to confirm that certain actions proposed to be taken by the Issuer and the Note Trustee, or as the case may be, the Security Trustee will not have an adverse effect on the then current rating of the Rated Notes (a **Rating Agency Confirmation**).

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

Any such Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the nature of the request, the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency

will not be responsible for the consequences thereof. A Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Rating Agency Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Certain Rating Agencies have indicated that they will no longer provide Rating Agency Confirmations as a matter of policy. To the extent that a Rating Agency Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

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

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

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

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including the Conditions and the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) of the other Transaction Documents to which it is a party or in respect of which (in the case of the Security Trustee) it holds security in respect of and at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of a Note Acceleration Notice in accordance with: (a) Condition **10 (Events of**



**Default**) unless it shall have been directed to do so by the holders of the Most Senior Class of Notes then outstanding; or (b) Residual Certificates Condition 9 (**Events of Default**) unless it shall have been directed by an Extraordinary Resolution of the Residual Certificates (and provided all of the Notes have been redeemed in full) and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

See further "*Terms and Conditions of the Notes – Condition 11 (Enforcement)*" and "*Terms and Conditions of the Residual Certificates – Condition 10 (Enforcement)*" below.

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

In relation to the covenant to be given by the Seller to the Issuer in the Mortgage Sale Agreement in accordance with the text of Article 122a regarding the material net economic interest to be retained by OSB in the securitisation and certain requirements as to providing investor information in connection therewith, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the Seller with such covenant and will not be under any obligation to take any action in relation to non-compliance with such covenant.

#### ***Meetings of Noteholders and Certificateholders, Modification and Waivers***

The Conditions and the Residual Certificates Conditions contain provisions for calling meetings of Noteholders and Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Certificateholders including Noteholders and Certificateholders who did not attend and vote at the relevant meeting and Noteholders and Certificateholders who voted in a manner contrary to the majority. The Conditions and the Residual Certificates Conditions provide that other than an Extraordinary Resolution in relation to a Basic Terms Modification, an Extraordinary Resolution or Ordinary Resolution passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and the Certificateholders irrespective of the effect it has upon them. An Extraordinary Resolution or Ordinary Resolution passed by any Class of Noteholders which is not the Most Senior Class of Noteholders or the Certificateholders shall be ineffective unless sanctioned by an Extraordinary Resolution of the Most Senior Class of Noteholders. While any Class A Notes are outstanding, the Class A1 Notes and the Class A2 Notes shall together constitute the Most Senior Class of Notes. The holders of the Class A1 Notes and the Class A2 Notes shall vote as one Class of Notes unless, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, an actual or potential conflict of interest between the holders of the Class A1 Notes and the Class A2 Notes would arise. Where the Note Trustee or, as the case may be, the Security Trustee, is of the opinion that an actual or potential conflict of interest between the holders of the Class A1 Notes and the Class A2 Notes would arise, an Extraordinary Resolution or an Ordinary Resolution will only be effective if sanctioned by both the holders of the Class A1 Notes and the Class A2 Notes.

The Conditions and the Residual Certificates Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document), to (a) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes, the Residual Certificates Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or as the case may be, the Security Trustee, materially prejudicial to the interests of the Most Senior Class of Notes (or if there are no Notes outstanding, the Certificateholders) or (b) any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error. The Note Trustee may also, without the consent of the Noteholders or the Certificateholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders or the Certificateholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such. See "*Terms and Conditions of the Notes –*

*Condition 12 (Meetings of Noteholders, Modification, Waiver and substitution)" and "Terms and Conditions of the Residual Certificates – Condition 11 (Meetings of Noteholders and Certificateholders, Modification, Waiver and substitution)" below.*

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

#### ***Risks relating to negative consent of Noteholders and Certificateholders***

(Other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice and other than in relation to Basic Terms Modifications of the Notes (but not, for the avoidance of doubt, the Residual Certificates)), an Extraordinary Resolution or an Ordinary Resolution may be passed by the negative consent of the relevant Noteholders or the Certificateholders. An Extraordinary Resolution or an Ordinary Resolution, as applicable, will be passed by a Class of Notes or the Certificateholders unless, within 40 days of the requisite notice first being given to such Class of Noteholders or the Certificateholders in accordance with the provisions of Condition 15 (*Notice to Noteholders*) and Residual Certificate Condition 14 (*Notice to Residual Certificateholders*), or in such other manner as may be approved in writing by the Note Trustee and such notice being made available through Bloomberg or any industry recognised successor to Bloomberg on a page associated with the Notes and/or Residual Certificates (unless impractical to do so due to changes in the Bloomberg system following the Closing Date) at the time it is given to Noteholders and Certificateholders (such notice will be repeated in the manner set out above 20 days after the notice is first given), (a) in the case of an Extraordinary Resolution, the holders of 10 per cent. or more in aggregate of the Principal Amount Outstanding of the Notes of such Class or by number of the Certificates then outstanding or (b) in the case of an Ordinary Resolution, the holders of 15 per cent. or more in aggregate of the Principal Amount Outstanding of the Notes of such Class or by number of the Certificates then outstanding, have informed the Note 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 in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice and other than in relation to Basic Terms Modifications of the Notes (but not, for the avoidance of doubt, the Residual Certificates)) could be passed without the vote of any Noteholders or the Certificateholders or even if holders of up to 9.99 per cent. in aggregate of the Principal Amount Outstanding of the relevant Class of Notes or by number of Certificates then outstanding objected to it and it is possible that an Ordinary Resolution could be deemed to be passed without the vote of any Noteholders or the Certificateholders or even if holders of up to 14.99 per cent. in aggregate of the Principal Amount Outstanding of the relevant Class of Notes or by number of Certificates then outstanding objected to it.

#### ***Rights of Noteholders, Certificateholders and Secured Creditors***

##### ***Conflict between Noteholders***

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

If, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, however, there is or may be a conflict between the interests of the holders of one or more Classes of Notes on one hand and the interests of the holders of one or more Classes of Notes on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the holders of the Class of Notes ranking in priority to other relevant Classes of Notes in the Priorities of Payment. If, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is a conflict of interest between the holders of the Class A1 Notes on one hand and the holders of the Class A2 Notes on the other hand, the Note Trustee or, as

the case may be, the Security Trustee, is required to have regard to the interests of each Sub-Class of the Class A Notes equally.

If any of the Notes of any Class are held by or on behalf of or for the benefit of OSB, the Issuer, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, those Notes of such Class will be deemed not to remain outstanding, for, *inter alia* the purposes of determining a quorum at a meeting of Noteholders, unless, except, in the case of the Seller, any holding company of the Seller or any other Subsidiary of such holding company (the **Relevant Persons**) where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Class of Notes (the **Relevant Class of Notes**) shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding. In such event, a Relevant Person would have no right to vote in relation to the Relevant Class of Notes.

### ***Conflict between Noteholders, Certificateholders and other Secured Creditors***

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and Condition 12.5.

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

OSB will subscribe for all of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes on the Closing Date. OSB will also hold 100% of the Residual Certificates on the Closing Date. See further the section "*Subscription and Sale*" below.

If any of the Residual Certificates are held by or on behalf of or for the benefit of OSB, the Issuer, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, those Residual Certificates will be deemed not to remain outstanding, for, *inter alia* the purposes of determining a quorum at a meeting of Certificateholders, unless, except, in the case of the Relevant Persons where all of the Residual Certificates are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case the Residual Certificates will be deemed to remain outstanding but shall, for the avoidance of doubt, be deemed to be outstanding in respect of the Portfolio Option.

### ***Absence of secondary market***

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

## *The Mortgages*

### *Knowledge of matters represented in Loan Warranties*

Although the Seller will give certain representations and warranties in respect of the Loans sold by it, the Seller was not the originator of any of the Loans comprised in the Portfolio and has acquired its interest in the Loans and their Related Security under mortgage sale agreements entered into by the Seller with the relevant Originator in respect of the relevant Loan. Accordingly, since, amongst other reasons, the Seller does not have direct knowledge as to certain matters relating to the actual origination of the Loans, certain warranties relating to the origination process are qualified by reference to the awareness of the Seller. It may be practically difficult for the Seller to detect a breach of warranty in respect of the Loans sold by it to the extent that the same relates to a matter outside of the immediate knowledge of the Seller where there is no ongoing active involvement of the relevant Originator. To the extent that a Loan Warranty is not expressed to be limited by reference to the awareness of the Seller, the Seller will nevertheless be liable to repurchase a Loan in relation to which there has been a breach of warranty (which the Seller fails to remedy within the agreed grace period) in accordance with the Mortgage Sale Agreement. The Seller and Servicer shall not monitor compliance with the Loan Warranties following the Closing Date, as to which please see the section "*Searches, Investigations and Warranties*" below. See also the section "*Credit Structure – Limited resources of the Seller*" above.

### *Claims against third parties*

The Seller has assigned its causes and rights of actions against solicitors and valuers to the Issuer pursuant to the Mortgage Sale Agreement, to the extent that they are assignable. However the Seller was not the originator of the related Loan and the said rights may therefore not have been effectively assigned to it by the Originator or seller of the Loan. The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the Originator in relation to the origination of any Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Seller has undertaken, where appropriate, to either instigate action against such solicitor or valuer or to request that the Originator takes such action, provided that the Issuer first indemnifies the Seller for the costs of taking such action, and subject to any limitations or conditions contained in the relevant documentation under which the Seller acquired title to the related Loan.

### *Seller to Initially Retain Legal Title to the Loans and risks relating to set-off*

The sale by the Seller to the Issuer of the English Loans and their Related Security (until legal title is conveyed) takes effect in equity only (and subject to the CCA Trust). The sale by the Seller to the Issuer of the Scottish Loans and their Related Security is given effect to by a Scottish Declaration of Trust by the Seller by which the beneficial interest in such Scottish Loans and their Related Security is held on trust by the Seller for the benefit of the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales. In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", below). Until such time, the assignment by the Seller to the Issuer of the English Loans and their Related Security takes effect in equity only (and subject to the CCA Trust) whereas in respect of the Scottish Loans and their Related Security held on trust pursuant to the Scottish Declaration of Trust by the Seller in favour of the Issuer, the Issuer will hold a beneficial interest only. The Issuer has not and will not apply to the Land Registry to register or record its equitable interest in the English Mortgages and may not in any event apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the **Registers of Scotland**) to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a bona fide purchaser from the Seller for value of any of such Loans and their

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

Further, prior to the insolvency of the Seller, unless (i) notice of the assignment was given to a Borrower who is a creditor of the Seller in the context of the English Loans and their Related Security, and (ii) an assignment of the Scottish Loans and their Related Security is effected by the Seller to the Issuer and notice thereof is then given to a Borrower who is a creditor of the Seller, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller under the relevant Loan. These rights may occur in relation to transactions or deposits made between Borrowers and the Seller and may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment or assignment is given to the Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given. For the purposes of this Prospectus, references herein to "set-off" shall be construed to include analogous rights in Scotland.

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

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

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

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

Notwithstanding the above, until the Issuer has confirmed that it has obtained the requisite licence under the Consumer Credit Act 1974 (the CCA), the Seller will hold the English Loans and their Related Security on a bare trust absolutely for the Issuer. The Scottish Loans and their Related Security will be held on trust for the Issuer under the Scottish Declaration of Trust. Following receipt by the Seller of such confirmation from the Issuer that it has obtained the requisite licence, such English Loans and their Related Security will be automatically assigned to the Issuer (the Scottish Loans and their Related Security continuing to be held in trust for the Issuer under the Scottish Declaration of Trust). In the event of the occurrence of a perfection event prior to the Issuer obtaining its licence under the CCA, the Issuer will not make any of the notifications or registrations or recordings required pursuant to the Mortgage Sale Agreement to perfect its title to the Loans and their Related Security. However it shall instead send written notice to each Borrower, informing such Borrower of the interests of the Issuer in respect of such Borrower's Loan and its Related Security pursuant to the CCA Trust or, as applicable, the Scottish Declaration of Trust and will only perfect its title to

the Loans and their Related Security once it has obtained its CCA licence. The Issuer is currently in the process of obtaining a CCA licence.

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

As described above, the sale by the Seller to the Issuer of English Loans will be given effect by an assignment with the Scottish Loans being given effect under the Scottish Declaration of Trust. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to certain "independent set-off" and "transaction set-off" as noted above. A right of independent set-off could arise where the relevant Borrower had a deposit account with the Seller. Pursuant to the Loan Warranties, the Seller has warranted that none of the Borrowers has at the Closing Date a deposit account held with the Seller. Should a Borrower open a deposit account with the Seller following the Closing Date, the Borrower in the event of the insolvency of the Seller, may be able to set-off any amounts held in the relevant deposit account against amounts owed by the Borrower pursuant to the Loan. The giving of notice to the Borrower would crystallise the Borrower's entitlement to set-off amounts as of the date of receipt of the relevant notice.

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

A right of transaction set-off could arise in favour of Borrowers against the Seller, in relation to connected transactions made between the relevant Borrowers and the Seller.

For example, the relevant Borrower may set off any claim for damages arising from any breach of contract by the Seller against the Seller's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Portfolio, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. 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. 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 the Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

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

### ***Product Switches and Further Advances***

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, a Further Advance or a Product Switch from time to time. In accordance with the Mortgage Sale Agreement, the Seller will be required to repurchase any Loan and its Related Security prior to agreeing any Product Switch or Further Advance with a Borrower. See further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by the Seller*".

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

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

### ***Selection of the Portfolio***

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Seller as at 30 June 2013 (the **Cut-off Date**). The portfolio as at the Cut-off Date (the **Cut-off Date Portfolio**) comprised of 3,823 Loans with a current balance of £411,928,629. The Portfolio that will be sold to the Issuer on the Closing Date will be randomly selected from the Cut-off Date Portfolio as at 30 September 2013 (following the removal of Loans that do not comply with Loan Warranty (w) that no Loan is more than one month in arrears and any other Loan in relation to which it is discovered there has been a breach of a Loan Warranty). In addition, an independent third party will randomly select Loans from the Cut-off Date Portfolio (following the removal of certain Loans as described above) prior to the selection of the Portfolio in an amount equal to at least 5% of the nominal value of the Portfolio which will be held as at the Closing Date by the Seller in compliance with Article 122a paragraph (1)(c) of the CRD (see "Article 122a of the Capital Requirements Directive" for further information). The characteristics of the Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of Loans prior to the Closing Date. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Cut-off Date Portfolio between the Cut-off Date and the Closing Date. Loans will be removed from the Cut-off Date Portfolio if it is discovered that a Loan Warranty has been breached in relation to any Loans, although there will be no active monitoring of the compliance of Loans with specific Loan Warranties other than in relation to Loan Warranty (w). Should Loans in relation to which Loan Warranties have been breached be included in the Portfolio, the only remedy of the Issuer is for the Seller to repurchase such Loan. There can be no assurance that the Seller will have the resources to repurchase any such Loans. In addition, the Seller and the Servicer will not be required to monitor compliance with the Loan Warranties following the Closing Date, as to which see further "*Searches, Investigations and Warranties*" below.

### ***Servicing and Third Party Risk***

#### ***Issuer Reliance on Other Third Parties***

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Account Bank has agreed to provide the Deposit Account to the Issuer pursuant to the Bank Account Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Back-up Servicer has agreed to provide back-up services in relation to the Portfolio pursuant to the Back-up Servicing Agreement, the Liquidation Agent has agreed to provide certain portfolio sale services pursuant to the Liquidation Agent Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party

and/or are removed without a sufficiently experienced substitute or any substitute being appointed in their place, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected. Whilst the Back-up Servicer is in place, there is no assurance it will be able to commence servicing in a timely manner (in particular if there is a default of the Servicer shortly after the Closing Date and the Back-up Servicer has not had sufficient time to undertake a full review of the requirements).

### *The Servicer*

Charter Court Financial Services Limited will be appointed by the Issuer as Servicer to service the Loans. The Servicer may not sub-delegate or sub-contract the performance of any of its powers and obligations under the Servicing Agreement other than in accordance with the limited provisions set out therein. The Servicer will be released and discharged from any liability under the Servicing Agreement provided that it acted as a prudent residential mortgage servicer in the appointment of any delegate or sub-contractor (such delegates or sub-contractors to be limited to any solicitor, arrears counsellor, valuer, asset manager, receiver, surveyor, estate agent, bailiff, property management agent or other professional adviser in respect of services normally provided by such persons) and the failure of any such entity to perform its obligations will not result in a termination event occurring under the Servicing Agreement.

If a Servicer Termination Event occurs in respect of the Servicer, then the Issuer (subject to prior written consent of the Security Trustee) will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Issuer shall use its reasonable endeavours to appoint a new servicer in its place whose appointment is consented to by the Security Trustee or the Back-up Servicer can be required by notice to act as Servicer within 60 calendar days of such Servicer Termination Event, as set out in the Back-up Servicing Agreement.

Any change in Servicer could delay collection of payments on the Loans and ultimately could adversely affect payments on the Notes. Such risk is mitigated by the provisions of the Servicing Agreement pursuant to which the Back-up Servicer will act as a substitute servicer following a Servicer Termination Event.

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

In accordance with the terms of the Servicing Agreement (and as more fully described therein), the Issuer is required under the Servicing Agreement to indemnify the Servicer against any and all proceedings, costs, liabilities, damages, claims, fines and expenses which the Servicer sustains or incurs or which may be brought or established against the Servicer, except where the relevant proceedings, costs, liabilities, damages, claims and expenses arise by reason of the Servicer's fraud, breach or negligent performance of or failure to perform any obligation of the Servicer under the Servicing Agreement.

You should note that the Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.



### ***Change of counterparties***

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Account Bank) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by S&P and the short-term and long-term issuer default ratings of Fitch. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable ratings criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Document who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest on the Rated Notes and/or the ratings of the Rated Notes.

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

### ***The Portfolio***

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

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

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

to make such payments may be reduced further if the powers of a mortgagee or heritable creditor in relation to obtaining possession of properties permitted by law, are restricted in the future.

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

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

***Declining property values***

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

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

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

***Lending Criteria***

The Portfolio comprises of Loans to Borrowers who have previously been subject to poor credit history, are self-employed, have self-certified their incomes or are otherwise considered by banks and building societies to be non-prime borrowers (such borrowers, **Non-Conforming Borrowers**). Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

The Loans have been underwritten generally in accordance with the underwriting standards described in the section entitled "*The Loans*" below. Those underwriting standards consider, among other things, a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property. Those underwriting standards are used with a view, in part, to mitigating the risks in lending to Non-Conforming Borrowers.

The Loans were not originated by the Issuer or the Seller and there can be no assurance (and no warranty is given) that these underwriting standards were applied in all cases or that Loans originated under different criteria have not been included in the Portfolio.

### ***Geographic Concentration Risks***

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

### ***Interest Only Loans***

Each Loan in the Portfolio may be repayable either on a capital repayment basis or an interest-only basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, it is generally recommended that borrowers ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. The Seller did not originate the Loans and is not aware if the relevant Originator verified or required proof that such repayment mechanism was in place and the Seller does not have the benefit of any investment policies taken out by Borrowers.

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

The Seller has not required, and has not required any person which sold it Loans to represent that it required, that such Policies be established with respect to any Interest-only Loans nor has the Seller required the benefit of any such Policies to be assigned to it. The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including (without limitation) the value of the Property, the Borrower's equity in the Property, the Borrower's age and employment status, the financial condition and payment history of the Borrower, tax laws and prevailing general economic conditions. In recent times, mortgage lenders have maintained stricter conditions to the advancing of interest only (and other) mortgage loans. The inability of the Borrowers to refinance their respective Properties may ultimately result in a reduction of amounts available to the Issuer and adversely affect its ability to make payments under the Notes.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash

payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*Mortgage Sale Agreement — Representations and Warranties*" below) at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a loss occurs, this may affect repayments on the Rated Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

### ***Self-certified Loans***

Some of the Loans in the Portfolio are Self-Certified Loans. Self-Certified Loans may suffer higher rates of delinquencies, enforcements and losses from Loans in respect of which supporting documentation has been provided in respect of the income or employment details of the Borrower. In particular, in respect of the Loans originated by GMAC, checks on income and employment details were not made in all cases and were carried out on a random basis.

### ***Buy to Let Loans***

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

However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgage) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the mortgaged property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage. Under Scots law, a receiver cannot be appointed under a standard security (the Scottish equivalent to a legal mortgage) and the only enforcement which may be carried out under a standard security is a full enforcement of the security (i.e. it cannot be enforced selectively by, for instance, attaching to rentals). The conclusion is that in Scotland, any attempt to secure the rental flows will depend upon the enforcement of the standard security.

### ***Right to Buy Loans***

The Portfolio includes Right to Buy Loans. Properties sold under the Right to Buy scheme of the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended), as applicable, are sold by the landlord at a discount to market value calculated in accordance with the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended) (as applicable). A purchaser under the scheme of the Housing Act 1985 must repay the whole of the discount if he or she disposes of the property within one year of acquiring it from the landlord, four-fifths if he or she does so within two years, three-fifths if within three years, two-fifths if within four years and one-fifth if within five years, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, in which case the purchaser must repay the whole of the discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one-third if within three years. A purchaser under the scheme of the Housing (Scotland) Act 1987 (as amended), must repay the whole of the

discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one third if within three years. The landlord obtains (in England and Wales) a statutory charge or (in Scotland) a standard security over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended), (as applicable), such statutory charge or standard security ranks in priority to other charges including that of any mortgage lenders except in certain circumstances. Such statutory charge or standard security shall automatically rank behind any charge on the related property in relation to (in England and Wales) monies advanced by an approved lending institution to the extent they are advanced for the purpose of enabling the purchaser to exercise his or her right to buy and (in Scotland) monies advanced for the purchase or improvement of the property. In England and Wales, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, the purchaser is required, before a sale or disposal of the property within 10 years of the date of purchase, to offer the property to the landlord or another social landlord at full market value and to allow up to eight weeks for acceptance of the offer. A mortgage lender selling the property as a mortgagee in possession in such circumstances will also be obliged to grant such right of first refusal to the landlord or other social landlord.

In relation to each Right to Buy Loan, as far as the Seller is aware, either (a) (i) the relevant Originator was, at the time of the origination of the Loan, an approved lending institution or, in Scotland, a recognised lending institution under the relevant legislation or had adequate title insurance to protect against such risk, (ii) the Right to Buy Loan was made to the person exercising the right to buy, and (iii) the Right to Buy Loan was made for the purposes of enabling the Borrower to purchase or refinance the relevant Property, or (b) the Seller has the benefit of Right to Buy Insurance in respect of such Right to Buy Loan.

### ***Insurance Policies***

The Mortgage Conditions require borrowers to have buildings insurance for the relevant mortgaged property. However, no assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Notes. In addition the Seller will arrange a contingent Block Buildings Insurance Policy (unless it has sold legal title to the Loans, in which case the Servicer will use reasonable endeavours to arrange such a policy on behalf of the Issuer, to the extent it is commercially feasible to do so) which will provide certain protection in the event that the relevant Borrower has not taken out an insurance policy or has allowed any such policy to lapse. No warranty is given by the Seller or the Servicer as to whether any Borrower has valid buildings insurance in place or that the Issuer would be able to successfully claim under such Borrower-arranged buildings insurance or under the Block Buildings Insurance Policy. As at the date of this Prospectus, the terms of the Block Buildings Insurance Policy provide that each claim made by the Seller under the policy is subject to an excess of £100,000 and each claim is subject to a maximum amount of £1,500,000. There is an annual limit of payments under the policy of £3,500,000. The policy applies in relation to all loans in relation to which the Seller has arranged the Block Buildings Insurance Policy. The Loans in the Portfolio will therefore only form a proportion of the loans covered by the Block Buildings Insurance Policy and the annual liability cap could be reached following claims in relation to loans which are not in the Portfolio. See the section of this Prospectus headed "*The Loans – Insurance Contracts*" for further information in relation to the contingent Block Buildings Insurance Policy.

### ***Searches, Investigations and Warranties in Relation to the Loans***

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security sold to the Issuer on the Closing Date (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, the Lead Managers nor the Issuer has undertaken, or will undertake, any investigations, due diligence procedures, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on

the warranties given in the Mortgage Sale Agreement by the Seller. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date, which breach is not remedied in accordance with the Mortgage Sale Agreement, will be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Seller and neither the Issuer, the Security Trustee nor the Note Trustee will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations. In addition, the Seller is not the originator of the Loans and has no direct knowledge as to whether a Loan Warranty which relates to the origination process is correct or not or (where a warranty is qualified by reference to the awareness of the Seller) it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. Furthermore, there shall be no obligation on the part of the Seller or the Servicer to monitor compliance of the Loans with the Loan Warranties following the Closing Date – however, if the Servicer through performing the services under the Servicing Agreement becomes aware of any fact or circumstance which in its opinion and acting reasonably may have a material adverse effect on any Loan or Loans, it will inform the Issuer and the Seller of such fact or circumstance as soon as reasonably practical of becoming so aware and upon such notification the Seller shall give due consideration as to whether such fact or circumstance may reasonably give rise to an obligation of the Seller to repurchase any Loan pursuant to the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

### ***Certain Regulatory considerations***

#### *FCA Regulation of Mortgage Business*

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

A credit agreement is a **Regulated Mortgage Contract** under the FSMA if, at the time it is entered into on or after **N(M)**, (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or Scottish first ranking standard security) on land (other than timeshare accommodation) in the UK and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person (broadly, the person's spouse, near relative or a borrower with whom the borrower has a relationship which is characteristic of a spouse).

On and from **N(M)**, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a regulated mortgage contract as lender; (b) administering a regulated mortgage contract (**administering** in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under the mortgage loan); (c) advising in respect of regulated mortgage contracts; and (d) arranging in respect of regulated mortgage contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to authorisation of lenders and brokers are not complied with, a regulated mortgage contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a regulated mortgage contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The

regime under the FSMA regulating financial promotions covers the content and manner of promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of regulated mortgage contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Seller) who carries on the regulated activity of entering into a regulated mortgage contract. Failure to comply with the financial promotion regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the regulated mortgage contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

The Seller, the Servicer and the Back-up Servicer holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The 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 Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such a servicing agreement terminates, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

The Issuer will not itself be an authorised person under the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition, on and after N(M), no variation has been or will be made to the Loans, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

If the lender or any broker did not hold the required authorisation at the relevant time, the Regulated Mortgage Contract is unenforceable against the borrower except with the approval of a court order. If the financial promotion was not issued or approved by an authorised person, the Regulated Mortgage Contract and any other "qualifying credit" is unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

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

The FSA's Mortgages and Home Finance: Conduct of Business sourcebook (**MCOB**), which sets out rules under the FSMA for regulated mortgage activities, came into force on 31 October 2004. These rules cover, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

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

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts are not to be regulated by the CCA. Certain regulations made in 2005 and 2008 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a separate Regulated Mortgage Contract. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or treated as such.

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 90 days of the Seller receiving notice of such non compliance, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one **Mortgage Account**) and their Related Security from the Issuer in accordance with the Mortgage Sale Agreement.

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

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

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

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

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, *inter alia*, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of



borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally come into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing.

In December 2012, the Financial Services Act 2012 received royal assent. This Act contains provisions which (among other things) on 1 April 2013 replaced the FSA with the Prudential Regulation Authority (the **Prudential Regulation Authority** or **PRA**), which is responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA which is responsible for conduct of business. This Act also contains provisions enabling the transfer of consumer credit regulation (which includes new and existing second charge residential mortgages) from the Office of Fair Trading (the OFT) to the FCA. HM Treasury has announced that consumer credit regulation will be transferred to the FCA from 1 April 2014 and the related secondary legislation was enacted in July 2013.

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

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

#### *Consumer Credit Act 1974*

In the United Kingdom, the OFT is responsible for the issue of licences under, and the superintendence of the working and enforcement of, the Consumer Credit Act 1974 (the **CCA**), related consumer credit regulations and other consumer protection legislation. The OFT may review businesses and operations, provide guidelines to follow and take action when necessary with regard to the mortgage market in the United Kingdom (except to the extent that the market is regulated under the FSMA, as described above). The licensing regime under the CCA is different from and, where applicable, in addition to the authorisation regime under the FSMA. It is proposed that consumer credit regulation will be transferred from the OFT to the FCA (please see "*Proposed changes to mortgage regulation and to the regulatory structure in the United Kingdom may adversely affect payments on the Notes*" above).

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 did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date and (c) the credit agreement is not an exempt agreement under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA is an exempt agreement under the CCA).

Any credit agreement that is wholly or partly regulated by the CCA or treated as such must comply with requirements under the CCA as to licensing of lenders and brokers, documentation and origination procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower (a) without an order of the OFT, if the lender or any broker did not hold the required licence at the relevant time, (b) totally, if the credit agreement was made before 6 April 2007 and if the form of such credit agreement was not signed by the borrower personally or omits or mis-

states a "prescribed term" or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.

There is a risk that any credit agreement intended to be a Regulated Mortgage Contract (as defined above) under the FSMA, or unregulated, might instead be wholly or partly regulated by the CCA or treated as such, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on (a) determining whether any credit under the CCA arises or whether any applicable financial limit of the CCA is exceeded, (b) determining whether the credit agreement is an exempt agreement under the CCA (for example, certain types of credit agreement to finance the purchase of, or alteration to, homes or business premises, or regulated mortgage contracts under the FSMA, or certain buy-to-let credit agreements) and (c) changes to credit agreements.

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

Under section 75 of the CCA, in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such, where the credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier. The lender may also be entitled to a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

#### *Consumer Credit Act 2006*

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

Under the CCA, the "extortionate credit" regime has been replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts under the FSMA. If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant Originator, or any assignee such as the Issuer, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's 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 UK legislation due to the UTCCR (as defined below). The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

An alternative dispute resolution scheme for consumer credit matters was established on 6 April 2007 and is run by the Ombudsman (as described below). 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 in the First-tier Tribunal on 1 September 2009.

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

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period in which the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period in which the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period in which the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Early repayment charges are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies generally to all such credit agreements made on or after 11 June 2010.

These changes to the CCA may result in adverse effects on the Issuer's ability to make payment in full on the Notes when due.

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

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within 90 days of the Seller receiving notice of such non compliance, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one **Mortgage Account**) and their Related Security from the Issuer.

### ***EU proposal for a directive on credit agreements relating to residential property***

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers. The proposed directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the European Union (a **Member State**) on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building; and (c) credit agreements the purpose of which is to renovate residential immovable property and which are outside the Consumer Credit Directive (Directive 2008/48/EC). The proposed directive does not apply to 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 proposed 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 proposed directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

On 23 May 2012, the Presidency of the Council of the European Union announced its compromise proposal for the general approach to its negotiations with the European Parliament on the proposed directive. On 10 September 2013, the European Parliament in its plenary session adopted amendments to the compromise proposal and referred the matter back to the committee responsible for reconsideration. It is currently proposed that Member States will be required to implement the directive into national law within two years after the directive enters into force. Until the proposed directive is considered and adopted by the European Parliament and the Council, and implemented into UK law, it is not possible to tell what effect the directive and the implementation of the directive into UK law would have on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations.

### ***Distance Marketing***

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

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

- (a) the borrower is liable to repay the principal, and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending the notice of cancellation or, if later, the originator receiving notice of cancellation;
- (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security is treated as never having had effect for the cancelled agreement.

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

### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999***

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

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

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

Under agreements between the FSA and the OFT, most recently a concordat made in November 2009 and adopted by the FCA in April 2013, the division of responsibility for the enforcement of the UTCCR in loan agreements was agreed to be allocated by them, generally, to the FCA in relation to Regulated Mortgage Contracts under the FSMA originated by lenders authorised under the FSMA and to the OFT in relation to other mortgages.

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

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

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

MCOB rules for Regulated Mortgage Contracts require that, (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance. In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR. As of 1 April 2013, the FCA has power to enforce the UTCCR in relation to regulated mortgage contracts originated by lenders authorised under the FSMA.

In March 2013, the Law Commission and the Scottish Law Commission published advice to the UK Government on reforming the law on unfair contract terms. The Commissions recommend, 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 recommend 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 draft Consumer Rights Bill expected to be introduced into Parliament in 2013 to 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 to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

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

### *Financial Ombudsman Service*

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

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

### *Consumer Protection from Unfair Trading Regulations 2008*

On 11 May 2005, the European Parliament and the Council adopted a Directive (2005/29/EC) regarding unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally, this

directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within this directive. The Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set-off to an individual consumer.

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

In addition, the OFT addresses commercial practices in administering licences under the CCA, and the Unfair Practices Directive is taken into account in reviewing rules under the FSMA. For example, MCOB rules for Regulated Mortgage Contracts from 25 June 2010 prevent the lender from (a) repossessing the mortgaged property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a product switch, and (b) automatically capitalising a payment shortfall.

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

### ***Mortgage repossession***

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

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

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent of a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act, the heritable creditor, which may be the Seller or, in the event of it taking legal title to the Scottish Loans and their Related Security, the Issuer, has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two-month "calling up" notice), unless the

borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, and comply with further procedural requirements.

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

### ***Potential effects of any additional regulatory changes***

No assurance can be given that additional regulatory changes by the OFT, the FCA, the Ombudsman or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

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

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to Borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio. The guarantee loans were available from 1 October 2013. The Loans in the Portfolio do not benefit from any guarantee provided under the Help to Buy Scheme.

### ***Security and insolvency considerations***

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

The Insolvency Act allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of security to the Security Trustee. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became



insolvent which may lead to the ability to realise the Security being delayed and/or the value of the Security being impaired.

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

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

### ***Fixed charges may take effect under English law as floating charges***

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

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

### ***Liquidation expenses***

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UKHL 9 (**Re Leyland Daf**), the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act 1986, and article 150ZA of the Insolvency (Northern Ireland) Order 1989, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986 and rules 4.228A to 4.228E of the Insolvency Rules (Northern Ireland) 1991. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

### ***Validity of priorities of payments***

The validity of contractual priorities of payments such as those contemplated in this transaction has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a swap counterparty) and have considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc.* [2011] UK SC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priorities of payment, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have as its predominant purpose, or one of its main purposes the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions (the **Belmont Decision**).

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s (**LBSF**) motion for summary judgement on the basis that the effect was that the provisions do infringe the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". The UK Supreme Court has held that payment priority clauses, as described above, are valid under English law. However, there remains a stayed action in the U.S. commenced by the Lehman Brothers Chapter 11 debtors concerning the enforceability of priority of payments clauses and, in addition, in February 2012, a complaint was filed by certain parties seeking recognition and enforcement of the Belmont Decision (and corresponding lower court decisions) and other declaratory relief with respect to the priority of payments clauses in question in the case described above. At the same time as filing the complaint, the relevant parties also filed a motion seeking the withdrawal of the reference from the U.S. Bankruptcy Court, requesting that the complaint be heard instead by the U.S. District Court. It has not yet been determined whether the complaint will be addressed by the U.S. Bankruptcy Court or the U.S. District Court, nor is it known when the complaint will be addressed. Therefore concerns still remain that the English and U.S. courts will diverge in their approach which, in the case of an unfavourable decision either in England or New York, may adversely affect the Issuer's ability to make payments on the Notes and/or the market value of the Notes. It may also lead to changes in the Rating Agencies' ratings methodologies and/or ratings downgrades. Given the current state of U.S. and English law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

### ***Risks relating to the Banking Act 2009***

The Banking Act 2009 (the **Banking Act**), which came into effect on 21 February 2009, includes (amongst other things) provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of a UK bank or building society (such as OSB, the Account Bank, etc). In addition, pursuant to recent amendments made to the Banking Act (which have not yet taken effect and key aspects of which remain unclear), provision has been made for certain tools to be used in respect of a wider range of UK entities, including investment firms and certain banking group companies provided that certain conditions are met. The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances) and two new special insolvency procedures which may be commenced by the UK authorities. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made.

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

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

As noted above, amendments have been made to the Banking Act (but not yet taken effect) such that specified stabilisation tools (including the property transfer powers) may be used in respect of certain banking group companies provided certain conditions are met. These amendments indicate that a portion of the definition of such companies will be specified in corresponding secondary legislation (which has not yet been published or made). In the absence of such secondary legislation, it is not possible to determine whether the Issuer would be regarded as a banking group company for these purposes. As such, it is too early to anticipate the full impact of the amendments made to the Banking Act and there can be no assurance that the Noteholders will not be adversely affected by an action taken under the relevant amended provisions, once such provisions have taken effect. That said, it should be noted that previous consultation materials published by the Government suggest that the amendments are primarily intended to allow the relevant stabilisation tools to be used in respect of financial group holding companies, rather than structured finance vehicles per se) and the Government indicated in a statement published on 25 April 2013 that it will consult on how best to preserve relevant arrangements in capital market transactions.

Lastly, the European Commission has published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. This follows the consultation published in 2011 on Technical Details of a Possible EU Framework for Bank Recovery and Resolution and the follow up discussion paper on the potential form of the debt write down or "bail in" tools under the framework. Amongst other things, the proposed directive contemplates the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities and provides for special rules for cross-border groups. The resolution tools and powers referred to in the directive include certain tools and powers which overlap in part with those available under the Banking Act and also certain further tools, such as provision for authorities to bail-in eligible liabilities of relevant institutions (however, in this regard, it should be noted that, in line with international policy recommendations, the draft directive excludes secured liabilities from these liabilities that may be potentially subject to bail-in). The proposed directive is not in final form and it is likely that changes will be made to it in the course of the corresponding legislative procedure. As such, it is too early to anticipate the full impact of the directive and there can be no assurance that Noteholders will not be adversely affected by an action taken under it, once it is agreed upon and implemented.

### ***Legal considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures to the EU Savings Directive (a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic exchange under the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

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

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

### ***UK Taxation Position of the Issuer***

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

### ***EU financial transaction tax***

On 14 February 2013, the European Commission issued proposals, including a draft Directive, 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 these proposals were adopted in their current form, 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 current proposals, 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.

At this stage, it is too early to say whether the FTT proposals will be adopted and in what form. However, if the FTT is adopted based on the current proposals, then it may operate in a manner giving rise to tax liabilities for the Issuer with respect to certain transactions (including concluding swap transactions and/or purchases or sales of securities (such as authorised investments)). Any such liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer (and its general estate) in priority to the claims of Noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied.

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

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

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose 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. While 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. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the clearing systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

### ***Withholding Tax Under the Notes***

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition **7.4 (Optional Redemption for Taxation Reasons)** of the Notes, use reasonable endeavours to prevent such an imposition in respect of payments under the Notes.

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

### ***European Monetary Union and Scottish Independence***

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

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom (although the UK coalition government has ruled out preparing for or joining the euro for the duration of the coalition agreement as published in full on 20 May 2010). In that event (a) all amounts payable in respect of the Notes may become payable in Euro; (b) law may allow or require the Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (c) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors in the Notes. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.

A referendum is planned in Scotland in 2014 in relation to a proposal for independence from the United Kingdom. If the result of the referendum is a vote in favour of independence, there can be no assurance that Scotland will be permitted to continue to use sterling as its lawful currency. If this is the case, the Portfolio would be subject to currency risk in relation to the non-sterling loans which would be included in the Portfolio.

### ***Book-Entry Interests***

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

A nominee for the Common Depository will be considered the registered holder of the Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Global Notes under the Trust Deed while the Notes are represented by Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if

such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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

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

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

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

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

#### ***Definitive Notes and denominations in integral multiples***

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

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

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

### ***Economic conditions in the Eurozone***

Concerns relating to credit risk of sovereigns and of those entities which have exposure to sovereigns have recently intensified. In particular, concerns have been raised with respect to continuing economic, monetary and political conditions in the Eurozone. If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit Rating Agency action, any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including OSB, the Servicer, the Account Bank and/or the Cash Manager) and/or any Borrower in respect of its Loan.

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

### ***European Banking Union Proposals***

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

### ***Change of Law***

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



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

The Basel Committee on Banking Supervision (the **Basel Committee**) approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the Net Stable Funding Ratio from January 2018. Implementation of Basel III requires national legislation and therefore 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 a consultative document setting out certain proposed revisions to the securitisation framework, including proposed new hierarchies of approaches to calculating risk weights and a new risk weight floor of 20%.

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

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

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

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

In particular, investors should be aware of Article 122a of the of the 2006/48/EC Directive (the **CRD**) which applies in general in respect of notes issued under securitisations established after 31 December 2010, and to notes issued under securitisations established on or before that date from the beginning of 2015 to the extent that new underlying exposures are added or substituted after 31 December 2014. Article 122a restricts an EU regulated credit institution and its consolidated affiliates (each an **Affected Investor**) from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the Affected Investor that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 122a. Article 122a also requires an Affected Investor to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the note position it has acquired and the underlying exposures and that procedures are established for such activities to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Article 122a will result in the imposition of a penal capital charge on the notes acquired by the Affected Investor.

Investors should also be aware of Article 17 of EU Directive 2011/61/EC on Alternative Investment Fund Managers (the **AIFMD**) and Chapter III, Section 5 of Regulation 231/2013 supplementing the AIFMD (the **AIFM Regulation**), the provisions of which introduced risk retention and due diligence requirements (which took effect from 22 July 2013 in general) in respect of alternative investment fund managers (**AIFMs**) that are required to become authorised under the AIFMD. While the requirements applicable to AIFMs under Chapter III, Section 5 of the AIFM Regulation are similar to those which apply under Article 122a of the CRD, they are not identical and, in particular, additional due diligence obligations apply to AIFMs.

Each of Article 122a of the CRD and Chapter III, Section 5 of the AIFM Regulation applies in respect of the Notes. Affected Investors and AIFMs 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. Relevant investors are required to independently assess and determine the sufficiency of the information described in this Prospectus for the purposes of complying with any relevant requirements, including Article 122a of the CRD (and any corresponding implementing rules of their regulator) and Chapter III, Section 5 of the AIFM Regulation and none of the Issuer, the Seller, the Servicer, the Cash Manager, the Calculation Agent, the Lead Managers or any Transaction Party makes any representation that the information described above is sufficient in all circumstances for such purposes.

Aspects of Article 122a of the CRD and Chapter III, Section 5 of the AIFM Regulation and what is required to demonstrate compliance to national regulators remain unclear. 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 Article 122a of the CRD or to avoid being required to take corrective action under Chapter III, Section 5 of the AIFM Regulation should seek guidance from their regulator.

It should be noted that Article 122a of the CRD will be re-cast as part of the new European regulatory capital framework (so-called **CRD IV**) which takes effect in general from 1 January 2014. From 1 January 2014, the provisions of Article 122a are to be replaced by Articles 404 to 410 of Regulation (EU) No 575/2013 (the **CRR**). Accordingly, references in this Prospectus to “Article 122a” are to Article 122a and, from 1 January 2014, Articles 404 to 410 of the CRR. Certain changes to the requirements will apply under the re-cast provisions, including the extension of the application of the requirements to EU regulated investment firms and also the replacement of the current guidelines on Article 122a (which are also relevant with respect to the interpretation of Chapter III, Section 5 of the AIFM Regulation) with new (and potentially different) regulatory technical standards. On 22 May 2013 the EU Banking Authority published a consultation paper on the regulatory technical standards which contemplates a number of changes as compared to the current guidelines. However, such standards are open for consultation and the final adopted standards may be different. It is uncertain when the regulatory technical standards will be finalised and take effect and how any changes to the current regime will affect transactions entered into previously. No assurance can be provided that any changes made in connection with CRD IV (including through the corresponding regulatory technical standards) will not affect the requirements applying to relevant investors.

It should also be noted that similar requirements to those set out in Article 122a of the CRD and Chapter III, Section 5 of the AIFM Regulation are expected to be implemented for other types of EU regulated investors (such as insurance and reinsurance undertakings and UCITS funds) in the future.

Article 122a of the CRD, Chapter III, Section 5 of the AIFM Regulation 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.

#### ***Pensions Act 2004***

Under the Pensions Act 2004 a person that is 'connected with' or an 'associate' of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction.

The Issuer may be treated as 'connected to' an employer under an occupational pension scheme which is within the OSB Group.

A contribution notice could be served on the Issuer if it was party to an act, or a deliberate failure to act, the main purpose or one of the main purposes of which was either (a) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under section 75 of the Pensions Act 1995 or (b) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

A financial support direction could be served on the Issuer where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is broadly less than 50 per cent. of the pension scheme's deficit calculated on an annuity buy-out basis and there is a connected or associated person whose resources at least cover that difference. A financial support direction can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

If a contribution notice or financial support direction was to be served on the Issuer this could adversely affect the interests of the Noteholders.

### ***CRA Regulations***

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

## TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

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

### **Sale of Portfolio:**

The Portfolio will consist of the Loans and the Related Security which will be sold by the Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.

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

The Loans have been originated by the Originators and later acquired by the Seller.

The sale by the Seller to the Issuer of each Loan and its Related Security in the Portfolio will be given effect, prior to the Effective Date (as defined below), by a CCA Trust (as described below) and, on and from the Effective Date, by:

- (a) as regards Loans that are secured by a Mortgage over Properties located in England or Wales (the **English Loans**), an equitable assignment; and
- (b) as regards Loans that are secured by a Mortgage over a Property located in Scotland or where such Loans are otherwise governed by Scots law (the **Scottish Loans**), a declaration of trust (the **Scottish Declaration of Trust**).

The terms **sale**, **sell** and **sold** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment and the beneficial interest created under and pursuant to the Scottish Declaration of Trust, as applicable. The terms **repurchase** and **repurchased** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to include the repurchase of the beneficial interest of the Issuer in respect of such Loans and their Related Security under the CCA Trust and under the Scottish Declaration of Trust and the release of such Loans and their Related Security therefrom.

Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Portfolio will not be given to the relevant individual or individuals specified as borrowers in the relevant mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay a relevant Loan or any part of it (the **Borrowers**) under those Loans transferred and the Issuer will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable or beneficial interest in the English Mortgages or take any steps

to complete or perfect its title to the Scottish Mortgages.

Until the Issuer has notified the Seller that it has obtained the requisite licence under the Consumer Credit Act 1974, as amended (the **CCA**) (such date of notification, the **Effective Date**), the Seller will hold the English Loans and their Related Security on a bare trust for the Issuer (the **CCA Trust**) and, following receipt of such notification from the Issuer, such English Loans and their Related Security will be assigned to the Issuer as described above. Prior to and following the Effective Date, the Scottish Loans and their Related Security will be held in trust for the Issuer under the relevant Scottish Declaration of Trust.

**Features of the Loans:**

The following is a summary of certain features of the Loans comprising the portfolio (the **Portfolio**) as at the Cut-off Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in "*The Loans*" and "*Characteristics of the Portfolio*". The Loans comprise loans to non-conforming Borrowers and are secured by first priority charges or (in Scotland) first ranking standard securities over freehold, heritable and leasehold properties in England, Wales and Scotland.

Type of Borrower	Non-conforming		
Type of mortgage	Repayment and Interest Only		
Self-Certified Loans	Yes		
Buy To Let	Yes		
Right to Buy	Yes		
Number of Loans	3,823		
	Weighted average	Minimum	Maximum
Current Balance	£107,750.10	£184.19	£854,865.50
Current Indexed LTV	77.04%	2.98%	161.33%
Seasoning (months)	54.65	2.01	95.78
Remaining Term (years)	17.11	0.05	29.83

**Consideration:**

The consideration from the Issuer to the Seller in respect of the sale of the Portfolio together with its Related Security shall be: (a) Initial Consideration of £375,780,372.24, being an amount equal to 99.88 per cent. of the Current Balance of the Loans of the Seller comprising the Portfolio determined as at close of business on 30 September 2013, which is due and payable on the Closing Date and (b) the deferred consideration consisting of the Residual Payments in respect of the Portfolio pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates issued by the Issuer to the Seller on the Closing Date.

Any Residual Payment will be paid to the Certificateholder in accordance with the Pre-Acceleration Revenue Priority of Payments or, if applicable, the Post-Acceleration Priority of Payments (subject to the relevant Interest Payment Date not falling within a Determination Period).

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

- (a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,

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

**Borrower** means, in relation to a Loan, the individual or individuals specified as such in the relevant Mortgage Conditions together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it.

**Representations and Warranties:**

The Seller will make certain Loan Warranties regarding the Loans and Related Security to the Issuer on the Closing Date in relation to the Loans and their Related Security in the Portfolio.

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

- (a) all of the Borrowers are individuals;
- (b) no Borrower, Mortgagor or Guarantor is an employee or director of OSB;

- (c) each Loan is secured by a first ranking mortgage or standard security;
- (d) each Loan is either a Fixed Rate Loan or a Floating Rate Loan;
- (e) The rate of interest under each Loan is charged monthly in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto;
- (f) the Loan has a term ending no later than three years earlier than the Final Maturity Date
- (g) at least one monthly interest payment due in respect of the relevant Loan has been paid by the relevant Borrower;
- (h) no Loan is currently repayable in a currency other than Sterling;
- (i) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was £10,000 or more but less than £1,000,000;
- (j) all of the Properties are residential (including those in relation to which the relevant Mortgage is a Buy to Let Loan) and located in England, Wales and Scotland;
- (k) no Loan is a Flexible Loan;
- (l) no Loan is more than one month in arrears; and
- (m) no Underpayments or Payment Holidays have been granted by the Seller in respect of any Loan as at the Cut-off Date.

The Seller shall undertake that no Underpayment or Payment Holiday will be offered or any offer to repay a Mortgage at a discount will be made to any Borrower in respect of any Loan.

**Lending Criteria** means, in relation to each Originator, the lending criteria for such Originator set out in the section headed "*The Loans*".

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

**Repurchase of the Loans and Related Security:**

The Seller shall repurchase the relevant Loans and their Related Security in the following circumstances:

- upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period);
- in the event of agreeing a Product Switch or Further Advance being in relation to a Loan in the Portfolio (such repurchase to be made prior to the occurrence of the relevant Product Switch or Further Advance); and
- in the event that the Seller determines that the relevant Loan is a

High Deposit Loan as at the immediately preceding Monthly Period End Date.

**Consideration for repurchase:** Consideration payable by the Seller in respect of the repurchase of the Loans and Related Security shall be equal to the aggregate of the Current Balance of the relevant Loan on the Monthly Pool Date by the Seller to remedy such breach or breaches or following the Monthly Period in which the Seller agreed to any Product Switch or Further Advance (in such circumstance, such repurchase to occur prior to the relevant Product Switch or Further Advance).

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

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

**Servicing of the Portfolio:** The Servicer agrees to service the Loans to be sold to the Issuer and their Related Security on behalf of the Issuer. The appointment of the Servicer may be terminated by the Issuer and/or the Security Trustee (subject to the terms of the Servicing Agreement) upon the occurrence of a Servicer Termination Event (see "*Servicer Termination Event*" in the "*Non-Rating Triggers Table*").

The Servicer may also resign by giving not less than 6 months' notice to the Issuer and the Security Trustee and subject to, *inter alia*, a replacement servicer having been appointed. See "*Summary of the Key Transaction Documents – Servicing Agreement*" below.

**Back-up Servicer** The Back-up Servicer has agreed to provide certain services to the Issuer whilst the Servicer services the Loans, including mapping data provided by the Servicer in respect of the Loans. In the event of a Servicer Termination Event that is continuing and has not been remedied, the Back-up Servicer will agree to service the loans on behalf of the Issuer on substantially similar terms to the Servicer.

**Purchase of Portfolio by Majority Holder:** The Majority Holder may, by giving of a written notice to the Issuer, purchase all (but not part) of the Loans and their Related Security at any time during the Optional Redemption Window and thereafter subject to certain suspensions after the Market Portfolio Purchase Trigger Date.

In connection with the exercise of the Portfolio Option, the Majority Holder will be required to deposit the full amount of the Portfolio Purchase Price (as defined below) to an escrow account (such amount to be transferred into the Deposit Account pending completion of transfer of beneficial title to the Loans) no later than on the day falling 2 Business Days prior to when the Residual Certificate Portfolio Purchase is expected to be completed.



It will be a condition for the exercise of the Portfolio Option that either (i) the purchaser of the legal (if applicable) and beneficial title in the Loans being purchased is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and OSB (acting reasonably) having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer or OSB to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans. The costs relating to such tax advice shall be borne by the Majority Holder.

**Residual Certificate Portfolio Purchase** means a purchase of the Loans and their Related Security by the Majority Holder at any time during the Optional Redemption Window.

See the section entitled "*Early Redemption of Notes – Portfolio Option*" for further details.

**Consideration for purchase by Majority Holder**

The purchase price payable by the Majority Holder in respect of the Residual Certificate Portfolio Purchase shall be an amount equal to the sum of:

- (a) the aggregate Principal Amount Outstanding of the Rated Notes plus accrued interest thereon (calculated as at the Interest Payment Date on which the Residual Certificate Portfolio Purchase is expected to be completed); plus
- (b) any fees, costs and expenses of the Issuer payable senior to the Rated Notes in the Post-Acceleration Priority of Payments; less
- (c) the balance of the Total Reserve Fund (calculated as at the Interest Payment Date on which the Residual Certificate Portfolio Purchase is expected to be completed).

See the section entitled "*Early Redemption of Notes – Portfolio Option*" for further details.

**Market Sale of Portfolio**

In the event that the Residual Certificate Portfolio Purchase does not occur by the Interest Payment Date falling in October 2018, (the **Market Portfolio Purchase Trigger Date**), the Issuer will instruct the Liquidation Agent to obtain indicative purchase prices for the Loans from three Initial Market Participants. Such indicative purchase prices shall be sought by the Liquidation Agent (on behalf of the Issuer) on one occasion during each three calendar month period following the Market Portfolio Purchase Trigger Date.

If at least two Initial Market Participants provide an indicative purchase price within two per cent. of the Market Portfolio Purchase Floor Price, the Liquidation Agent shall provide such indicative purchase prices to the Issuer, the Security Trustee and the Majority Holder. The Majority

Holder will continue to have the right to exercise the Portfolio Option, but, if the Majority Holder fails to exercise the Portfolio Option within the time periods set out in the Liquidation Agent Agreement, the Liquidation Agent shall instruct a Portfolio Manager (following a tender process) to assist in the auction of the Loans. Any purchaser of the Portfolio pursuant to the Market Portfolio Purchase will be required to deposit the full amount of the purchase price into an escrow account to be held pending completion of the sale of beneficial title to the Loans no later than on the day falling 2 Business Days before the Market Portfolio Purchase is expected to be completed.

It will be a condition of the Market Portfolio Purchase that either (i) the purchaser of the legal (if applicable) and the beneficial title in the Loans being purchased is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and OSB (acting reasonably) having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer or OSB to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans. The costs relating to such tax advice shall be borne by the purchaser of the Mortgage Portfolio.

See the section entitled "*Early Redemption of Notes – Market Sale of Portfolio*" for further details.

**Consideration for market purchase:**

The purchase price net of any Success Fee and the Third Party Sale Expenses payable in respect of the Market Portfolio Purchase shall be an amount equal to the sum of:

- (a) the aggregate Principal Amount Outstanding of the Rated Notes plus accrued interest thereon (calculated as at the Interest Payment Date on which the Market Portfolio Purchase is expected to be completed); plus
- (b) any fees, costs and expenses of the Issuer payable senior to the Rated Notes in the Post-Acceleration Priority of Payments; plus
- (c) any costs incurred or to be incurred by the Issuer (or by the Liquidation Agent on its behalf); less
- (d) the balance of the Total Reserve Fund (calculated as at the Interest Payment Date on which the Market Portfolio Purchase is expected to be completed).

**Third Party Sale Expenses** means the costs and expenses of the Issuer in relation to the sale of the Loans and their Related Security pursuant to an auction conducted by the Liquidation Agent and any third party portfolio manager (including any costs and expenses of the third party portfolio manager but excluding any Success Fee).

See the section entitled "Early Redemption of Notes – Portfolio Option" for further details.

**Liquidation Agent**

The Liquidation Agent has agreed to provide certain services to the Issuer related to seeking offers for the purchase of the Portfolio should the Residual Certificate Portfolio Purchase not occur by the Interest Payment Date falling in October 2018.

See the section entitled "Early Redemption of Notes – Portfolio Option" for further details.

## TRANSACTION OVERVIEW – SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES AND THE RESIDUAL CERTIFICATES

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

### FULL CAPITAL STRUCTURE OF THE NOTES

	Class A1 Notes	Class A2 Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
Principal Amount:	£213,000,000	£40,000,000	£20,000,000	£26,500,000	£31,200,000	£13,200,000	£51,200,000
Credit enhancement and liquidity support features:	Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund, Principal Reserve Fund	Subordination of the Class B Notes, the Class D Notes, the Class E Notes and the Class F Notes, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund, Principal Reserve Fund	Subordination of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund, Principal Reserve Fund	Subordination of the Class D Notes, the Class E Notes and the Class F Notes, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund, Principal Reserve Fund	Subordination of the Class E Notes and the Class F Notes, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund, Principal Reserve Fund	Subordination of the Class F Notes, General Reserve Fund, excess Available Revenue Receipts, Class E Liquidity Reserve Fund, Principal Reserve Fund.	Subordination of the excess Available Revenue Receipts, Principal Reserve Fund
Issue Price:	100%	97.82%	100%	100%	100%	100%	100%
Interest Rate:	Three-Month Sterling LIBOR + Margin	2.607% p.a. until the Step-Up Date and thereafter Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin
Margin	1.45% p.a. and following the Step-Up Date 2.50 p.a.	Following the Step-Up Date, 2.50% p.a.	1.50% p.a. and following the Step-Up Date 2.50% p.a.	1.50% p.a.	1.50% p.a.	1.50% p.a.	1.50% p.a.
Interest Accrual Method:	Actual/365 (Sterling)	30/360; and following the Step-Up Date Actual/365 (Sterling)	Actual/365 (Sterling)	Actual/365 (Sterling)	Actual/365 (Sterling)	Actual/365 (Sterling)	Actual/365 (Sterling)
Interest Payment Dates:	16th day of January, April, July and October in each year	16th day of January, April, July and October in each year	16th day of January, April, July and October in each year	16th day of January, April, July and October in each year	16th day of January, April, July and October in each year	16th day of January, April, July and October in each year	16th day of January, April, July and October in each year
First Interest Payment Date:	January 2014	January 2014	January 2014	January 2014	January 2014	January 2014	January 2014
Final Maturity Date:	Interest Payment Date falling in July 2046	Interest Payment Date falling in July 2046	Interest Payment Date falling in July 2046	Interest Payment Date falling in July 2046	Interest Payment Date falling in July 2046	Interest Payment Date falling in July 2046	Interest Payment Date falling in July 2046

	<u>Class A1 Notes</u>	<u>Class A2 Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class F Notes</u>
Step-Up Date:	16 January 2018	16 January 2018	16 January 2018	N/A	N/A	N/A	N/A
Application for Exchange Listing:	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
ISIN:	XS0980216989	XS0980266810	XS0980272545	XS0980273196	XS0980273436	XS0980273519	XS0980273782
Common Code:	098021698	098026681	098027254	098027319	098027343	098027351	098027378
Ratings (S&P/Fitch):	AAA(sf)/AAA sf	AAA(sf)/AAA sf	AA+(sf)/AAsf	AA-(sf)/Asf	A-(sf)/BBBsf	BBB+(sf)/BBB-sf	Not rated
Retained Amount by OneSavings Bank	N/A	N/A	N/A	Whole Class	Whole Class	Whole Class	Whole Class
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

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

Interest on the Class E Notes may be paid from amounts credited to the Class E Liquidity Reserve. This may result in amounts being paid in respect of interest on the Class E Notes in circumstances in which interest is not paid on the Class A Notes, Class B Notes, Class C Notes or Class D Notes.

From the Step-Up Date, the Majority Holder of the Residual Certificates has the right to exercise a purchase option in relation to the Portfolio, which would lead to an early redemption of the Notes.

## OVERVIEW OF THE CHARACTERISTICS OF THE NOTES AND THE RESIDUAL CERTIFICATES

### Ranking and Form of the Notes:

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

- Class A1 Mortgage Backed Floating Rate Notes due July 2046 (the **Class A1 Notes**) and the Class A2 Mortgage Backed Fixed Rate Notes due July 2046 (the **Class A2 Notes** and, together with the Class A1 Notes, the **Class A Notes**);
- Class B Mortgage Backed Floating Rate Notes due July 2046 (the **Class B Notes**);
- Class C Mortgage Backed Floating Rate Notes due July 2046 (the **Class C Notes**);
- Class D Mortgage Backed Floating Rate Notes due July 2046 (the **Class D Notes**);
- Class E Mortgage Backed Floating Rate Notes due July 2046 (the **Class E Notes**) (the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes together, the **Rated Notes**);
- Class F Mortgage Backed Floating Rate Notes due July 2046 (the **Class F Notes**);

and together, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, are the **Notes** and the holders thereof, the **Noteholders**.

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

### Residual Certificates:

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

### Sequential Order:

The Class A Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times.

The Class B Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes.

The Class C Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and

principal at all times, but subordinate to the Class A Notes and the Class B Notes.

The Class D Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes.

The Class E Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but (other than in respect of payments of interest on the Class E Notes which are funded from amounts credited to the Class E Liquidity Reserve) subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

The Class F Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to all payments under the Rated Notes.

The Residual Certificates are subordinated in right of payment to all payments under the Notes.

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

The Residual Certificates will rank *pro rata* and *pari passu* and rateably without any preference or priority among themselves as to payments of Residual Payments at all times.

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Security Trustee (the **Deed of Charge**), the Notes and the Residual Certificates will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to all classes of the Notes.

**Security:**

Pursuant to the Deed of Charge (the **Deed of Charge**) on the Closing Date, the Notes and the Residual Certificates will be secured by, *inter alia*, the following security (the **Security**):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any rights of set-off or netting provided for therein) (other than the Trust Deed, the Deed of Charge and each Scottish Declaration of Trust);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the English Loans, the English Mortgages and their other Related

Security and other related rights comprised in the Portfolio;

- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignation in security of the Issuer's beneficial interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any sums standing to the credit thereof;
- (f) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and
- (g) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of fixed charges as aforesaid).

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

**Collateral:**

Mortgage loans that were sold by the Seller to the Issuer from time to time and originated by the Originators.

**Interest Provisions:**

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

The Margin on the Class A1 Notes will from the Step-Up Date increase from 1.45 per cent. per annum to 2.50 per cent. per annum. The Margin on the Class B Notes will from the Step-Up Date increase from 1.50 per cent. per annum to 2.50 per cent. per annum. The Margin on the Notes (other than the Class A1 Notes and the Class B Notes) will not be subject to any increase and/or decrease from the Step-Up Date (although the manner in which interest is calculated on the Class A2 Notes will change from the Step-Up Date, as set out below).

The Class A2 Notes will bear interest at a fixed rate of 2.607 per cent. per annum until the Step-Up Date. Following the Step-Up Date the Class A2 Notes will bear interest at a floating rate of Three-Month Sterling LIBOR plus a Margin of 2.50 per cent. per annum.



**Deferral:** Interest due and payable on the Class A Notes will not be deferred. Interest due and payable on the Notes (other than the Class A Notes) may be deferred in accordance with Condition 17.

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

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

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 7.1;
- mandatory partial redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of a Note Acceleration Notice subject to availability of Available Principal Receipts (to the extent not applied as Available Revenue Receipts, not used to credit the Liquidity Reserve Fund or not used in respect of Arrears Reallocated Principal Receipts) which shall be applied (a) first, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full, (b) second, on a *pari passu* and *pro rata* basis to repay the Class B Notes until they are repaid in full, (c) third, on a *pari passu* and *pro rata* basis to repay the Class C Notes until they are repaid in full, (d) fourth, on a *pari passu* and *pro rata* basis to repay the Class D Notes until they are repaid in full, (e) fifth, on a *pari passu* and *pro rata* basis to repay the Class E Notes until they are repaid in full and (f) sixth, on a *pari passu* and *pro rata* basis to repay the Class F Notes until they are repaid in full, as fully set out in Condition 7.2
- optional redemption exercisable by the Issuer in whole on the Optional Redemption Date, as fully set out in Condition 7.3;
- optional redemption exercisable by the Issuer in whole for tax reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4; and
- mandatory redemption in full pursuant to a Residual Certificate Portfolio Purchase or Market Portfolio Purchase, as fully set out in Condition 7.5.

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

**Expected Average Lives of the Notes:** The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations of the

possible average lives of the Notes can be made based on certain assumptions as described under "*Weighted Average Lives of the Notes*" below.

**Events of Default:**

As fully set out in Condition **10** and Residual Certificates Condition 9, which broadly include (where relevant, subject to the applicable grace period) among other things:

- non-payment of interest and/or principal in respect of the Most Senior Class of Notes;
- failure to pay any amount due in respect of the Residual Certificates for more than 14 days;
- material breach of contractual obligations by the Issuer under the Transaction Documents; and
- Insolvency Event occurring in respect of the Issuer.

**Limited Recourse:**

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

The Residual Certificates are limited recourse obligations of the Issuer and the Certificateholders are only entitled to funds which are available to the Issuer in accordance with the applicable Priority of Payments. If any amounts remain outstanding which are not paid in full, such amounts are subject to a final write-off which is described in more detail in Residual Certificates Condition 10.3.

**Governing Law:**

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

## RIGHTS OF NOTEHOLDERS AND CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

**Prior to an Event of Default:** Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding or, as applicable, Certificateholders holding not less than 10 per cent. of the number of Residual Certificates outstanding, are entitled to convene a Noteholders' meeting, or a Certificateholders' meeting respectively.

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

**Following an Event of Default:** Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if they pass an Extraordinary Resolution, (or, if the Notes have been redeemed in full, the Certificateholders may, if they hold not less than 25 per cent. of the number of Residual Certificates then outstanding or if they pass an Extraordinary Resolution) direct the Note Trustee to give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding or that all Residual Payments pursuant to the Residual Certificates are immediately due and payable, as applicable. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

### Noteholders and Certificateholders Meeting provisions:

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	At least 21 Clear Days	Not less than 13 Clear Days or more than 42 Clear Days
Quorum:	One or more persons present and representing in aggregate not less than one quarter of the Principal Amount Outstanding of the relevant Class or Classes of Notes then	One or more persons present and holding or representing in the aggregate not less than one quarter of the aggregate Principal Amount Outstanding of the Notes of such Class or Classes of

outstanding or holding or representing not less than one quarter of the number of Residual Certificates then outstanding, as applicable, for transaction of business including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and representing in the aggregate not less than 50 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class of Notes then outstanding or holding or representing not less than 50 per cent. of the number of Residual Certificates then outstanding, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or holding or representing not less than three-quarters of the number of Residual Certificates then outstanding, as applicable.

Notes or one or more persons present and holding or representing not less than one quarter of the number of Residual Certificates then outstanding, as applicable.

Required majority for Extraordinary Resolution:

Majority consisting of not less than two thirds of persons eligible to

attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll.

Written Resolution: Not less than three quarters in aggregate Principal Amount Outstanding of the Relevant Class of Notes or the number of Certificates then outstanding, as applicable. A resolution in writing has the same effect as an Extraordinary Resolution.

For the purposes of calculating a period of **Clear Days** in relation to a meeting, no account shall be taken of the day on which notice of such meeting is given (or, in the case of an adjourned meeting, the day on which the meeting to be adjourned is held) or the day on which such meeting is held.

**Matters requiring  
Extraordinary Resolution:**

Broadly speaking, the following matters require an extraordinary resolution (an **Extraordinary Resolution**):

- to approve any Basic Terms Modification;
- to sanction any compromise or arrangement proposed to be made between the Issuer, any other party to any Transaction Document, the Note Trustee, the Security Trustee, any Appointee and the Noteholders and Certificateholders or any of them;
- to approve the substitution of any person for the Issuer as principal obligor under the Notes or the Residual Certificates;
- to give any authority or sanction which is required to be given by Extraordinary Resolution;
- to approve or assent to any modification of the provisions contained in the Notes, the Residual Certificates, the Conditions, the Residual Certificates Conditions or the Trust Deed other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders or Certificateholders in accordance with the terms of the Trust Deed;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee or any other person to execute all documents and do all things necessary to give effect to any

Extraordinary Resolution;

- To sanction any scheme or proposal for the sale or exchange of the Notes or Residual Certificates for or the conversion of the Notes or the Residual Certificates into, *inter alia*, other obligations or securities of the Issuer or any other company;
- to discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed, the Notes or the Residual Certificates;
- to give any other authorisation or approval which under the Trust Deed, the Notes or the Residual Certificates is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders or Certificateholders and to convey upon such committee any powers which the Noteholders or Certificateholders could themselves exercise by Extraordinary Resolution.

See Condition **12** in the section entitled see "*Terms and Conditions of the Notes*" or Residual Certificates Condition **11** in the section entitled "*Terms and Conditions of the Residual Certificates*" for more detail.

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

Subject as provided in Condition 10.1 (Event of Default) and Residual Certificates Condition 9.1 (Event of Default) and other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of the relevant affected Classes of Notes and of the Residual Certificates:

- A resolution (including an Extraordinary Resolution) passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and on the Residual Certificates irrespective of the effect it has upon them.
- A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and on the Certificateholders, irrespective of the effect it has upon them.
- No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by a resolution or Extraordinary Resolution (as applicable) of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders.
- While the Class A Notes are outstanding, the Class A1 Notes and the Class A2 Notes will together constitute the Most Senior Class and unless the Note Trustee or, as the case may be, the Security Trustee determines that there would be an actual or potential

conflict of interest between them will vote together in a single meeting as one Class. If the Note Trustee or, as the case may be, the Security Trustee, determines that there would be an actual or potential conflict of interest between the Class A1 Notes and the Class A2 Notes, a resolution or an Extraordinary Resolution will only be effective if sanctioned by both the holders of the Class A1 Notes and the Class A2 Notes.

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Classes of Notes or of the Residual Certificates, as applicable.

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

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

So long as the Notes are outstanding, the Note Trustee will have regard to the interests of each class of the Noteholders equally, but if in the Note Trustee's sole opinion there is a conflict between the interests of any Classes of Notes (subject to below), it will have regard solely to the interests of the holders of the Class of Notes ranking in priority to the other relevant Classes of Notes in the Priorities of Payment and the holders of such subordinated Classes of Notes shall have no claim against the Note Trustee for doing so. If there is a conflict of interest between the holders of the Class A1 Notes and the holders of the Class A2 Notes, the Note Trustee shall have regard to the interests of each Sub-Class of the Class A Notes equally. References to **Sub-Class** shall be to each of the Class A1 Notes or the Class A2 Notes, as the case may be.

Subject as set out above in "*Relationship between Classes of Noteholders and Certificateholders*" and other than in relation to a Basic Terms Modification, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of (A) one Class of Notes or Sub-Class of Notes only or (B) the Residual Certificates only shall be deemed to have been duly passed if passed at a meeting of the holders of (A) that Class of Notes or Sub-Class of Notes or (B) the Residual Certificates; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of more than one Class of Notes or Sub-Class of Notes but does not give rise to a conflict of interest between the holders of such Classes of Notes or Sub-Classes of Notes so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of all the Classes of Notes or Sub-Classes of Notes so affected; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, but does not give rise to an actual or potential conflict of interest between the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting of the holders of such one or more Classes of Notes or Sub-Classes of Notes without the consent of the Certificateholders; a resolution which in the opinion of the Note Trustee affects the interests of the holders of any two or more Classes of Notes or Sub-Classes of Notes and gives or may give rise to an actual or potential conflict of interest between the holders of such two or more Classes of

Notes or Sub-Classes of Notes shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such two or more Classes of Notes or Sub-Classes of Notes, it shall be duly passed at separate meetings of the holders of such two or more Classes of Notes or Sub-Classes of Notes; and a resolution which in the opinion of the Note Trustee affects the interests of the holders of any two or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates and gives or may give rise to an actual or potential conflict of interest between the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, it shall be duly passed at separate meetings of the holders of such one or more Classes of Notes or Sub-Classes of Notes and without the consent of the Certificateholders.

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders, the Certificateholders and the other Secured Creditors, the Note Trustee will take into account the interests of the Most Senior Class of Noteholders only in the exercise of its discretion. So long as any Certificateholders are outstanding and there is a conflict between the interests of the Certificateholders and the other Secured Creditors (except the Noteholders), the Note Trustee will take into account the interests of the Certificateholders only in the exercise of its discretion.

**Seller as Noteholder**

For certain purposes, including the determination as to whether Notes are deemed outstanding for the purposes of convening a meeting of Noteholders, those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other Subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any holding company of the Seller or any other Subsidiary of such holding company (the **Relevant Persons**) where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Class of Notes (the **Relevant Class of Notes**) shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding. In such event, a Relevant Person would have no right to vote in relation to the Relevant Class of Notes.

**Seller as Certificateholder:**

For certain purposes, including the determination as to whether Certificates are deemed outstanding for the purposes of convening a meeting of Certificateholders, those Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other Subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Relevant Persons where all of the Certificates of are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case the Certificates shall be deemed to remain outstanding.



**Provision of Information to the Noteholders and Certificateholders:**

The Cash Manager on behalf of the Issuer will publish the monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio (including information in relation to any High Deposit Loans) and information on payments to be made in accordance with the Priorities of Payments (the **Investor Report**). The Investor Reports will also contain a statement confirming the continued retention by OSB of a material net economic interest of not less than 5 per cent. in accordance with Article 122a and Articles 404 to 410, as applicable. The Investor Report will be published on the website at <http://www.krbs.com/about-us/financial-information/treasury/securitisation>. The website and the contents thereof do not form part of this Prospectus.

**Communication with Noteholders and Certificateholders:**

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

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

Any notice to be given by the Issuer or the Note Trustee to the Certificateholders will, for so long as the Certificates are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to the Certificateholders.

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

## TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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

**Available Funds of the Issuer:**

The Cash Manager on behalf of the Issuer will apply Available Revenue Receipts and Available Principal Receipts on each Interest Payment Date (other than on an Optional Redemption Exercise Date, in which case such amounts will be applied in accordance with the Post-Acceleration Priority of Payments) in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, as set out below.

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

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts received in such Determination Period, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Deposit Account and income from any Authorised Investments in each case to be received on the Interest Payment Date;
- (c) the amounts standing to the credit of the General Reserve Ledger as at the immediately preceding Calculation Date;
- (d) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (e) amounts deemed to be Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments.
- (f) amounts deemed to be Available Revenue Receipts in accordance with paragraph (k) of the Pre-Acceleration Principal Priority of Payments;
- (g) (other than on the Final Rated Note Distribution Date) any amount standing to the credit of the Liquidity Reserve in excess of the Liquidity Reserve Fund Required Amount as at the immediately preceding Calculation Date;
- (h) on the date on which the balance on the Class E Principal Deficiency Sub-Ledger is greater than or equal to 100% of the Principal Amount Outstanding of the Class E Notes, all amounts standing to the credit of the Class E Liquidity Reserve Fund;
- (i) (a) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.10(c) and (b) any amounts credited to the Deposit Account in accordance with item (x) of the Pre-Acceleration Revenue Priority of Payments;

*less:*

- (j) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties instructed to the Cash Manager by the Servicer (including the Seller) such as (but not limited to):
- any service charge, ground rent, insurance premium or additional amounts paid by the Servicer, which such payment is necessary in order to maintain and protect the value of any property secured by a Mortgage contained within the Portfolio;
  - payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
  - amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
  - any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller; and
  - any Insurance Premium Amounts,

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

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period or on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;
- (b) (in respect of the first Interest Payment Date only) an amount equal to the difference between (i) the aggregate of the proceeds of the Notes minus (X) any amounts credited to the Liquidity Reserve Fund, the Class E Liquidity Reserve, the General Reserve Fund, the Principal Reserve Fund and the Liquidation Agent Reserve Fund on the Closing Date and (Y) any fees and expenses of the Issuer to be paid on the Closing Date and (ii) the Initial Consideration;
- (c) the amounts (if any) calculated on that Interest Payment Date pursuant

to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class E Principal Deficiency Sub-Ledger and/or the Class F Principal Deficiency Sub-Ledger is reduced;

- (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.10(c);
- (e) amounts deemed to be Available Principal Receipts in accordance with item (v) of the Pre-Acceleration Revenue Priority of Payments,

*plus*

- (f) if the items (a) to (e) above are not sufficient to pay item (a) of the Pre-Acceleration Principal Priority of Payments, then a drawing from the Liquidity Reserve Fund (subject to the Reallocation Conditions being met in relation to any such drawing) in an amount equal to the lesser of (i) the amount required such that items (a) to (e) above plus this paragraph (f) would be sufficient to pay item (a) of the Pre-Acceleration Principal Priority of Payments and (ii) the balance of the Liquidity Reserve Fund,

*plus*

- (g) on the Final Rated Note Distribution Date, all amounts standing to the credit of the Liquidity Reserve Fund and the Class E Liquidity Reserve Fund (after satisfying amounts required to be withdrawn in accordance with paragraph (f) above to cover any Revenue Deficiency and amounts withdrawn to cover any Class E Revenue Deficiency);

*plus*

- (h) on the Final Rated Note Distribution Date, the General Reserve Ledger Residual Amount;

*plus*

- (i) following a sale of the Loans or redemption of the Notes any amounts standing to the credit of the Liquidation Agent Reserve Fund to the extent not applied to pay the Success Fee due to the Liquidation Agent;

*plus*

- (j) if, following the application of amounts standing to the credit of the Principal Reserve Fund on an Interest Payment Date to provide additional funding to meet payment in full of items (d) to (j) (inclusive) of the Pre-Acceleration Priority of Payments in order of priority thereof, there would be any excess amounts standing to the credit of the Principal Reserve Fund, such excess amounts.

**Summary of Priorities of Payments**

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

Pre-Acceleration Revenue Priority of Payments:	Pre-Acceleration Principal Priority of Payments:	Post-Acceleration Priority of Payments:
(a) Amounts due to the Note Trustee and the Security Trustee including charges, liabilities, fees, costs and expenses	(a) To the extent that the same cannot be paid out of Available Revenue Receipts to pay items (a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments, any such amounts to be paid in sequential order, subject to satisfying the Reallocation Conditions	(a) Amounts due in respect of the Receiver, the Note Trustee and the Security Trustee including charges, liabilities, fees, costs and expenses
(b) Amounts due to the Agent Bank, the Registrar, the Paying Agent, the Corporate Services Provider and the Account Bank including the fees and costs	(b) Amounts to be credited to the Liquidity Reserve Fund Ledger (to the extent not funded from Available Revenue Receipts)	(b) Amounts due in respect of the fees and costs of the Agent Bank, the Registrar, the Paying Agent, the Corporate Services Provider and the Account Bank
(c) Third party expenses and any Transfer Costs	(c) To pay amounts in respect of Arrears Reallocated Principal Receipts (such amounts to be applied as Available Revenue Receipts)	(c) Amounts due in respect of the fees and costs of the Servicer, Cash Manager, Back-up Servicer and Liquidation Agent and, if such Interest Payment Date is an Optional Redemption Exercise Date, to amounts due in respect of third party costs
(d) Amounts due in respect of the fees and costs of the Servicer (other than any Subordinated Servicing Fee), Cash Manager and Back-up Servicer	(d) <i>Pro rata</i> and <i>pari passu</i> to the	
(e) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes	(d) <i>Pro rata</i> and <i>pari passu</i> to the	
(f) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger		
(g) <i>Pro rata</i> and <i>pari</i>		

	<i>passu</i> to the interest due on the Class B Notes		principal amounts due on the Class A Notes	(d)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class A Notes
(h)	Amounts to be credited to the Class B Principal Deficiency Sub-Ledger	(e)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class B Notes		
(i)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class C Notes	(f)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class C Notes	(e)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class B Notes
(j)	Amounts to be credited to the Class C Principal Deficiency Sub-Ledger	(g)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class D Notes	(f)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class C Notes
(k)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class D Notes	(h)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class E Notes	(g)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class D Notes
(l)	Amounts to be credited to the Class D Principal Deficiency Sub-Ledger	(i)	Amounts to pay any Subordinated Servicing Fee due to the Servicer to the extent not funded from Available Revenue Receipts	(h)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class E Notes
(m)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class E Notes	(j)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class F Notes	(i)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class F Notes
(n)	Amounts to be credited to the Class E Principal Deficiency Sub-Ledger				
(o)	(Other than on the Final Rated Note Distribution Date) amounts to be credited to the Liquidity Reserve Ledger				
(p)	(i) Amounts to be credited to the General Reserve	(k)	Amounts to be applied as	(j)	Payments to the Issuer to be retained as

	Ledger while the Rated Notes are outstanding, and (ii) on the Final Rated Note Distribution Date, an amount equal to the General Reserve Ledger Residual Amount to be applied as Available Principal Receipts	Available Revenue Receipts	(k)	profit Payments on the Residual Certificates
(q)	Subordinated Servicing Fee due to the Servicer			
(r)	On and from the Market Portfolio Purchase Trigger Date to fund the Liquidation Agent Reserve Fund to the Liquidation Agent Reserve Fund Required Amount			
(s)	Amounts to be credited to the Class F Principal Deficiency Sub-Ledger			
(t)	(Other than on the Final Rated Note Distribution Date) amounts credited to the Class E Liquidity Reserve Ledger			
(u)	Amounts to be retained by the Issuer as profit			
(v)	To the extent that any of the Rated Notes are outstanding on and from the			

Step-Up Date  
(taking into  
account  
redemptions on  
such Interest  
Payment Date in  
accordance with  
the Pre-  
Acceleration  
Principal Priority  
of Payments), all  
remaining  
amounts to be  
applied as  
Available  
Principal  
Receipts

- (w) Amounts due in  
respect of interest  
on the Class F  
Notes
- (x) During a  
Determination  
Period, all  
remaining  
amounts to the  
Deposit Account  
to be applied on  
the next Interest  
Payment Date as  
Available  
Revenue Receipts
- (y) Payments on the  
Residual  
Certificates



## General Credit Structure

The credit structure of the transaction includes (broadly speaking) the following elements:

- the availability of the General Reserve Fund, funded on the Closing Date by the proceeds of the Class F Notes. Monies standing to the credit of the General Reserve Fund will be applied as Available Revenue Receipts on each Interest Payment Date. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. See section "*Credit Structure General Reserve Fund and General Reserve Ledger*".
- The availability of the Principal Reserve Fund, funded on the Closing Date by the proceeds of the Class F Notes. Monies standing to the credit of the Principal Reserve Fund will be applied on the earlier to occur of the Interest Payment Date on which all the Notes are redeemed in full or the Step-Up Date to provide additional support to meet items (d) to (j) of the Pre-Acceleration Principal Priority of Payments. See section "*Credit Structure – Principal Reserve Fund*".
- a Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and/or any Aggregate Arrears Balance in respect of the Portfolio and/or the use of any Principal Receipts (but not the application of any amounts standing to the credit of the Liquidity Reserve Fund) in accordance with items (a), (c) and (i) of the Pre-Acceleration Principal Priority of Payments and/or the credit of any amounts to the Liquidity Reserve Fund in accordance with item (b) of the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will comprise six sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes) (the **Class A Principal Deficiency Sub-Ledger**), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes) (the **Class B Principal Deficiency Sub-Ledger**), the Class C Principal Deficiency Sub-Ledger (relating to the Class C Notes) (the **Class C Principal Deficiency Sub-Ledger**), the Class D Principal Deficiency Sub-Ledger (relating to the Class D Notes) (the **Class D Principal Deficiency Sub-Ledger**), the Class E Principal Deficiency Sub-Ledger (relating to the Class E Notes) (the **Class E Principal Deficiency Sub-Ledger**) and the Class F Principal Deficiency Sub-Ledger (relating to the Class F Notes) (the **Class F Principal Deficiency Sub-Ledger**). Any Losses on the Portfolio and/or any Aggregate Arrears Balance in respect of the Portfolio and/or any use of the Available Principal Receipts to be applied as Available Revenue Receipts in accordance with the Pre-Acceleration Principal Priority of Payments and/or crediting of the Liquidity Reserve Fund from Available Principal Receipts in accordance with item (b) of the Pre-Acceleration Principal Priorities of Payment will be recorded as a debit (a) first, to the Class F Principal Deficiency Sub-Ledger up to an amount equal to the amount by which, on the Closing Date, the sum of the Principal Reserve Fund Required Amount and the aggregate principal outstanding balance of the Loans in the Portfolio exceeded the aggregate Principal Amount Outstanding of the Rated Notes; (b) second, to the Class E Principal Deficiency Sub-

Ledger up to an amount equal to the Principal Amount Outstanding of the Class E Notes; (c) third, to the Class D Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class D Notes; (d) fourth, to the Class C Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class C Notes; (e) fifth, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class B Notes; and (f) sixth, to the Class A Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan. See "*Credit Structure — Principal Deficiency Ledgers*" below.

In the event that there is a reduction in the Aggregate Arrears Balance the Issuer will reduce the debit balance of the Principal Deficiency Ledger by the amount of such reduction. On each Interest Payment Date the Issuer will apply the Available Principal Receipts as Available Revenue Receipts in accordance with the Pre-Acceleration Principal Priority of Payments to the extent that the debit balance on the Principal Deficiency Ledger is less than zero (such amount the **Arrears Revenue Amount**).

**Arrears Reallocated Principal Receipts** means amounts of Available Principal Receipts applied in accordance with paragraph (c) of the Pre-Acceleration Principal Priority of Payments as Available Revenue Receipts in an amount equal to the lesser of the Arrears Revenue Amount and amounts of Available Principal Receipts available to be applied in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments.

**Aggregate Arrears Balance** means, on any date, (i) if the aggregate of the principal outstanding balance of the Loans in the Portfolio which have not been paid in respect of an amount equal to 12 or more monthly payments (and have not been subsequently repaid) (excluding any Loan for which a Loss has been recorded on the Principal Deficiency Ledger) is over 5 per cent. of the aggregate principal outstanding balance of all Loans in the Portfolio, an amount equal to 40 per cent. of such amount; and (ii) if the aggregate of the principal outstanding balance of the Loans in the Portfolio which have not been paid in respect of an amount equal to 12 or more monthly payments (and have not been subsequently repaid) (excluding any Loan for which a Loss has been recorded on the Principal Deficiency Ledger) is less than or equal to 5 per cent. of the aggregate principal outstanding balance of all Loans in the Portfolio, zero;

- pursuant to item (a) of the Pre-Acceleration Principal Priority of Payments, to the extent that such items cannot be funded from Available Revenue Receipts following the application of Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments (including any amount to be applied as Available Principal Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments), the Issuer can use Available Principal Receipts to pay items

(a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments, provided that (taking into account any such payment) the following conditions (the **Reallocation Conditions**) are satisfied:

(a) in respect of any payment towards interest due on the Class B Notes, such payment would not result in the outstanding balance of the Class B Principal Deficiency Sub-Ledger on such Interest Payment Date being greater than 0% of the Principal Amount Outstanding of the Class B Notes (taking into account any redemptions of the Class B Notes to be applied on the relevant Interest Payment Date);

(b) in respect of any payment towards interest due on the Class C Notes, such payment would not result in the outstanding balance of the Class C Principal Deficiency Sub-Ledger on such Interest Payment Date being greater than 0% of the Principal Amount Outstanding of the Class C Notes (taking into account any redemptions of the Class C Notes to be applied on the relevant Interest Payment Date); and

(c) in respect of any payment towards interest due on the Class D Notes, such payment would not result in the outstanding balance of the Class D Principal Deficiency Sub-Ledger on such Interest Payment Date being greater than 0% of the Principal Amount Outstanding of the Class D Notes (taking into account any redemptions of the Class D Notes to be applied on the relevant Interest Payment Date).

Subject to satisfying the Reallocation Conditions, any amount of Available Principal Receipts to be applied to cure a Revenue Deficiency will be allocated to the Principal Deficiency Ledger;

- the availability of the Liquidity Reserve Fund which will be applied (subject to the Reallocation Conditions being satisfied in respect of such application in relation to any relevant Class) in accordance with item (f) of the definition of Available Principal Receipts to the extent that, following the application of Available Revenue Receipts or the use of Available Principal Receipts applied in accordance with item (a) of the Pre-Acceleration Principal Priority of Payments to pay items (a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments, there remains a Revenue Deficiency on each Interest Payment Date. The Liquidity Reserve Fund will be funded initially from the proceeds of the Class F Notes and subsequently from Available Revenue Receipts up to the Liquidity Reserve Fund Required Amount in accordance with the Pre-Acceleration Revenue Priority of Payments and thereafter, if required, from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount credited to the Liquidity Reserve Fund on each Interest Payment Date in accordance with item (b) of the Pre-Acceleration Principal Priority of Payments.

The **Liquidity Reserve Fund Required Amount** on any Interest Payment Date (taking into account any redemptions of the Notes on such Interest Payment Date) shall be an amount equal to the greater of (X) 3.00 per cent. of the sum of the Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes and the Class D

Notes on that Interest Payment Date minus 3.00 per cent., multiplied by the aggregate of:

(a) if the outstanding balance of the Class B Principal Deficiency Sub-Ledger is greater than 0% of the Principal Amount Outstanding of the Class B Notes, the Principal Amount Outstanding of the Class B Notes;

(b) if the outstanding balance of the Class C Principal Deficiency Sub-Ledger is greater than 0% of the Principal Amount Outstanding of the Class C Notes, the Principal Amount Outstanding of the Class C Notes; and

(c) if the outstanding balance of the Class D Principal Deficiency Sub-Ledger is greater than 0% of the Principal Amount Outstanding of the Class D Notes, the Principal Amount Outstanding of the Class D Notes;

and (Y) zero.

See section "*Credit Structure – Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*".

- the availability of the Class E Liquidity Reserve Fund which will be applied (subject to the Class E Reallocation Condition being satisfied in respect of such application in relation to the Class E Notes) to the extent that, following the application of Available Revenue Receipts there remains a Class E Revenue Deficiency on each Interest Payment Date. The Class E Liquidity Reserve Fund will be funded initially from the proceeds of the Class F Notes and subsequently from Available Revenue Receipts up to the Class E Liquidity Reserve Fund Required Amount in accordance with the Pre-Acceleration Revenue Priority of Payments.

If, following the application of Available Revenue Receipts there is a shortfall to pay amounts required under paragraph (m) of the Pre-Acceleration Revenue Priority of Payments (the **Class E Revenue Deficiency**), then monies standing to the credit of the Class E Liquidity Reserve Fund as at the end of the immediately preceding Collection Period may be applied (subject to the Class E Reallocation Conditions being satisfied in respect of such application)) on each Interest Payment Date to make payments at items (m) of the Pre-Acceleration Revenue Priority of Payments to the extent required.

The **Class E Liquidity Reserve Fund Required Amount** on any Interest Payment Date prior to the earlier of (A) the Interest Payment Date on which the debit balance of the Class E Principal Deficiency Sub-Ledger is equal to 100% of the Principal Amount Outstanding of the Class E Notes; (B) the Final Maturity Date; and (C) the redemption in full of the Rated Notes, shall be an amount equal to 0.50% of the Current Balance of the Loans as at the Closing Date and thereafter shall be zero.

The application of funds standing to the credit of the Class E Liquidity

Reserve Ledger shall be subject to the satisfaction of a certain condition (the **Class E Reallocation Condition**). The Class E Reallocation Condition shall be satisfied where the outstanding debit balance of the Class E Principal Deficiency Sub-Ledger is less than 100% of the Principal Amount Outstanding of the Class E Notes (taking into account any redemptions of the Class E Notes to be applied on the relevant Interest Payment Date).

If on any Interest Payment Date the debit balance of the Class E Principal Deficiency Sub-Ledger is 100% of the Principal Amount Outstanding of the Class E Notes, all amounts standing to the credit of the Class E Liquidity Reserve Ledger shall be applied as Available Revenue Receipts.

See section "*Credit Structure – Class E Liquidity Reserve Fund and Class E Liquidity Reserve Fund Ledger*".

- the availability of investment rate provided by the Account Bank in respect of monies held in the **Deposit Account** (see section "*Cashflows*" for further details);

## **Bank Accounts and Cash Management**

On the Closing Date the Issuer will enter into the Bank Account Agreement with the Account Bank in respect of the Deposit Account

The Issuer will open a deposit account (the **Deposit Account** and together with any additional accounts to be established by the Issuer pursuant to the Bank Account Agreement collectively, the **Bank Accounts**) with the Account Bank on the Closing Date.

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

## TRANSACTION OVERVIEW – TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
<b>Account Bank</b>	A short-term unsecured, unsubordinated and unguaranteed debt rating of A-1 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of A by S&P and a short-term issuer default rating of F1 by Fitch and a long-term issuer default rating of A by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Rated Notes (the <b>Account Bank Rating</b> ).	<p>If the Account Bank fails to maintain any of the Account Bank Ratings, then the Cash Manager shall assist the Issuer to:</p> <p>(a) close the Issuer Accounts with such Account Bank and open replacement accounts with a financial institution (i) having all of the Account Bank Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007; or</p> <p>(b) obtain a guarantee of the obligations of such Account Bank under the relevant Bank Account Agreement from a financial institution having all of the Account Bank Ratings,</p> <p>in each case as prescribed and within the time limits as set out in the Bank Account Agreement, and transfer amounts standing to the credit of relevant Issuer Accounts and all Ledgers on the relevant Issuer Accounts to the replacement Issuer Accounts.</p> <p><b>Issuer Accounts</b> means each of the Deposit Account and any additional or replacement accounts (including, if applicable, any securities accounts) opened in the name of the Issuer from time to time.</p>
<b>Collection Account Bank</b>	A short-term, unsecured, unsubordinated and unguaranteed debt ratings of A-2 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt ratings of BBB by S&P or the short-term issuer default rating of F2 by Fitch and a long-term issuer default rating of BBB by Fitch (the <b>Collection Account Bank Ratings</b> ).	<p>If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings, then the Servicer shall assist the Seller to:</p> <p>(a) open a replacement collection account in the name of the Seller with a financial institution (x) having a rating of at least the Collection Account Bank Rating, (y) approved in writing by the Issuer and the Security Trustee and (z) which is a bank as defined in</p>

Section 991 of the Income Tax Act 2007; or

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

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

## Non Rating Triggers Table

### Perfection Events:

Prior to the completion of the transfer of legal title of the Loans, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Seller to initially retain legal title to the Loans and risks relating to set-off*" in the section entitled "*Risk Factors*". Completion of transfer of the legal title of the Loans by the Seller to the Issuer will be completed on or before the 20th Business Day after the later to occur of the Effective Date and the earliest to occur of the following:

- (a) the Seller being required to perfect legal title to the Loans by (i) an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans;
- (b) it becoming necessary by law to take any or all such actions referred to in (a) above;
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy;
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event.

If the requisite licence under the CCA has not been obtained upon the occurrence of one or more of the events described in (a) to (e) above, notice of the Issuer's beneficial interest in the CCA Trust or (in relation to Scottish Loans) the relevant Scottish Declaration of Trust and legal assignment or (as applicable) assignation of the Loans and their Related Security and notice of the sale will only be given to the Borrowers upon such licence being obtained.

### Servicer Termination Events

The Servicer will be appointed by the Issuer (and, in certain circumstances, the Security Trustee) to service the Loans sold to the Issuer and their Related Security on behalf of the Issuer (or whilst the Loans are held subject to the CCA Trust or whilst the Scottish Loans are held subject to the relevant Scottish Declaration of Trust, the Servicer will agree to service such Loans on behalf of the Seller in its capacity as trustee thereunder acting upon the instruction of the Issuer in its capacity as beneficiary thereunder) (such services, *inter alia*, the **Services**).

The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) at once or at any time thereafter while such default continues and the Back-up Servicer



will replace the Servicer and shall provide the servicing services pursuant to the Back-up Servicing Agreement upon the occurrence of the following events (the **Servicer Termination Events**):

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and the Servicer fails to remedy it for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied;
- material non performance of its other covenants and obligations for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied, **provided however** that where the default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations under the Servicing Agreement, such default (if it would otherwise constitute a Servicer Termination Event) shall not constitute a Servicer Termination Event if within such 30 Business Days period the Servicer terminates the relevant sub-contracting or delegation arrangements and takes steps to (1) ensure, with immediate effect, that the services theretofore provided by that sub-contractor are replaced; (2) remedy such default or series of defaults and (3) indemnify the relevant Noteholders against the consequences of such default; or
- Servicer insolvency event.

The Servicer may also resign upon giving 6 months written notice provided a replacement servicer has been appointed by the Issuer (subject to the prior written consent of the Security Trustee).

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

- (a) the resignation having no adverse effect on the then current ratings of the Rated Notes; and
- (b) the substitute servicer assuming and performing all the duties and obligations of the Servicer on substantially the same terms as the Servicing Agreement or where the Back-up Servicer is appointed as substitute servicer, on the terms set out in the Back-up Servicing Agreement.

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

## TRANSACTION OVERVIEW – FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees	<p>An aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate of (i) (X) prior to the Step-Up Date, 0.20 per cent. each year and (Y) following the Step-Up Date, 0.22 per cent. each year to the aggregate Current Balance of the Loans in the Portfolio as determined as at the end of the Collection Period immediately preceding the immediately preceding Interest Payment Date (in each case exclusive of VAT) (the <b>Standard Servicing Fee</b>) plus (ii) (X) prior to the Step-Up Date, a rate of 0.68 per cent. each year and (Y) following the Step-Up Date, 0.72 per cent. each year of the average of each of the Arrears Portfolio Balances determined on the last calendar day of each month in the Collection Period ending on the Collection Period End Date immediately preceding the immediately preceding Interest Payment Date (provided that where such Collection Period End Date would otherwise fall prior to the Closing Date, the Arrears</p>	<p>The Senior Servicing Fee ranks ahead of all outstanding Notes and Residual Certificates. The Subordinated Servicing Fee is subordinated to the Rated Notes but ranks ahead of the Class F Notes and the Residual Certificates.</p>	<p>Quarterly in arrear on each Interest Payment Date</p>

Portfolio Balance will be determined as at 30 September 2013) (in each case exclusive of VAT) (the **Special Servicing Fee**) ((i) and (ii) together, for so long as Charter Court Financial Services Limited or Engage Credit Limited are performing the servicing obligations, up to maximum of 0.30 per cent. each year of the aggregate Current Balance of the Loans in the Portfolio as determined as at the end of the Collection Period immediately preceding the immediately preceding Interest Payment Date (inclusive of VAT) (such capped amount being the **Senior Servicing Fee**) and any amounts in excess thereof being the **Subordinated Servicing Fee**)), provided that the Subordinated Servicing Fee shall be capped at a maximum of 0.30 per cent. each year of the aggregate Current Balance of the Loans in the Portfolio as determined as at the end of the Calculation Period immediately preceding the immediately preceding Interest Payment Date (inclusive of VAT). While Charter Court Financial Services Limited or Engage Credit Limited are performing the servicing obligations, the Senior Servicing Fee will be capped at an amount equal to 0.30 per cent. each year of the aggregate Current Balance of the Loans in

the Portfolio as determined as at the end of the Calculation Period immediately preceding the immediately preceding Interest Payment Date (inclusive of VAT) and the Subordinated Servicing Fee is any amount in excess thereof, provided that the Subordinated Servicing Fee shall be capped at a maximum of 0.30 per cent. each year of the aggregate Current Balance of the Loans in the Portfolio as determined as at the end of the Calculation Period immediately preceding the immediately preceding Interest Payment Date (inclusive of VAT).

Back-up Servicing Fees	<p>(a) £30,000 payable upon the entry into the Back-up Servicing Agreement;</p> <p>(b) an annual fee of £30,000; and</p> <p>(c) a fee of £70,000 payable by the Issuer on the date of invocation of the Back-up Servicer.</p>	Ahead of all outstanding Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date
Liquidation Agent Fee	<p>A Sounding Fee of £100,000 each year (inclusive of VAT) up to a maximum aggregate amount of £500,000 (inclusive of VAT) payable from the Market Portfolio Purchase Trigger Date. A Success Fee of 0.25 per cent. of the Current Balance of</p>	<p>The Sounding Fee is subordinated to the Rated Notes but ranks ahead of the Class F Notes and the Residual Certificates.</p> <p>The Success Fee ranks ahead of all outstanding Notes and Residual Certificates.</p>	<p>The Sounding Fee is payable quarterly in arrear.</p> <p>The Success Fee is payable when the Loans are sold.</p>

the Loans plus any Third Party Sale Expenses is also payable.

Other fees and expenses of the Issuer	Estimated at £36,000 each year (exclusive of VAT)	Ahead of all outstanding Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at £3,075 (exclusive of VAT)	Ahead of all outstanding Notes and Residual Certificates	On or about the Closing Date

As at the date of this Prospectus, VAT is currently chargeable at 20 per cent.

## ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE

OSB will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Article 122a of Directive 2006/48/EC (as amended) (**Article 122a**) or Articles 404 to 410 of Regulation (EU) No. 575/2013 (as applicable) (which in each case does not take into account any implementing rules in a relevant jurisdiction). As at the Closing Date, such interest will be comprised not less than 5 per cent. of randomly selected exposures (as described in the paragraph below) which would otherwise have been securitised in the transaction effected by the Issuer, as required by Article 122a. Any change to the manner in which such interest is held will be notified to the Noteholders.

The Seller has prior to entering into the Mortgage Sale Agreement identified the Cut-off Date Portfolio. Statistical and other information on the Cut-off Date Portfolio is set out in the section of this Prospectus entitled "*Characteristics of the Portfolio*". From the Cut-off Date Portfolio, Loans will be randomly selected to comprise the Portfolio (following the removal of Loans that do not comply with Loan Warranty (w) that no Loan is more than one month in arrears and any other Loan in relation to which it is discovered there has been a breach of a Loan Warranty). In addition to the Portfolio, mortgage loans have been randomly selected from the Cut-off Date Portfolio (following the removal of certain Loans as described above) by an independent third party on behalf of the Seller representing not less than 5% of the nominal amount of the Portfolio, which will be held as at the Closing Date by the Seller in compliance with Article 122a paragraph (1)(c) of the CRD..

For a description of the information to be made available after the Closing Date by OSB, please see the summary in relation to the investor reports set out in "*Provision of Information to the Noteholders*" above and "*Summary of the Key Transaction Documents – Cash Management Agreement*" below. Further information in respect of individual loan level data may be obtained via the following website: <http://www.krbs.com/about-us/financial-information/treasury/securitisation>. The website and the contents thereof do not form part of this Prospectus.

OSB will provide a corresponding undertaking with respect to (a) the provision of such investor information specified in the paragraph above (b) the interest to be retained by OSB by way of random selection of mortgage loans (i) to the Arranger and the Lead Manager in the Subscription Agreement and (ii) to the Issuer in the Mortgage Sale Agreement. OSB will also (i) on the Closing Date, provide to the Issuer certification that the interest to be retained by OSB was selected by random selection and (ii) on the Closing Date and each anniversary thereof while any Notes remain outstanding, provide a certification to the Issuer that it has retained an interest of not less than 5% of the nominal amount of the Portfolio as required by Article 122a of the CRD.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a and none of the Issuer, OSB (in its capacity as the Seller), the Cash Manager, the Servicer, the Back-up Servicer the Note Trustee, the Security Trustee, the Arranger nor the Lead Manager makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes. OSB accepts responsibility for the information set out in this section "*Article 122a of the Capital Requirements Directive*" (but not, for the avoidance of doubt, any information set out in any other section of the Prospectus (other than the section entitled "*Characteristics of the Portfolio*" referred to in this section).

In addition, each prospective Noteholder should ensure that it complies with the implementing provisions in respect of Article 122a and the CRD in its relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

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

## WEIGHTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Issuer exercises its option to redeem the Rated Notes on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-Up Date but exercises its option to redeem the Notes on any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date in accordance with Condition 7.3(a)(iii)(B);
- (b) the Loans are subject to a constant annual rate of prepayment (excluding scheduled principal redemptions) of between 0 and 15 per cent. per annum as shown on the table below;
- (c) the assets of the Issuer are not sold except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Rated Notes;
- (d) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (e) no Borrowers are offered and accept different mortgage products or Further Advances by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan in accordance with the Mortgage Sale Agreement;
- (f) the Security is not enforced;
- (g) the Mortgages continue to be fully performing;
- (h) the ratio of the Principal Amount Outstanding of
  - (i) the Class A1 Notes to the Current Balance of the Portfolio as at the Closing Date is 56.62%;
  - (ii) the Class A2 Notes to the Current Balance of the Portfolio as at the Closing Date is 10.63%
  - (ii) the Class B Notes to the Current Balance of the Portfolio as at the Closing Date is 5.32%;
  - (iii) the Class C Notes to the Current Balance of the Portfolio as at the Closing Date is 7.04%;
  - (iv) the Class D Notes to the Current Balance of the Portfolio as at the Closing Date is 8.29%;
  - (v) the Class E Notes to the Current Balance of the Portfolio as at the Closing Date is 3.51%;  
and
  - (vi) the Class F Notes to the Current Balance of the Portfolio as at the Closing Date is 13.61%;
- (i) Each of (i) Three-Month Sterling LIBOR remains at a rate of 0.512% and (ii) the Base Rate remain at 0.500% in each case for so long as any Notes are outstanding; and
- (j) the Notes are issued on or about 16 October 2013.

**Constant Annual Rate of  
Prepayment of the Loans**

**(Assuming Issuer call on Step-Up Date)  
Possible Average Life (in years) of:**



	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class E</b>	<b>Class F</b>
	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>
0%	3.97	4.25	4.25	4.25	4.25	4.25
2%	3.73	4.25	4.25	4.25	4.25	4.25
4%	3.51	4.25	4.25	4.25	4.25	4.25
6%	3.29	4.25	4.25	4.25	4.25	4.25
8%	3.08	4.25	4.25	4.25	4.25	4.25
10%	2.87	4.25	4.25	4.25	4.25	4.25
12%	2.68	4.25	4.25	4.25	4.25	4.25
15%	2.40	4.25	4.25	4.25	4.25	4.25

**Constant Annual Rate of Prepayment of the Loans**

**(Assuming no Issuer call on Step-Up Date but the Issuer exercises its option under Condition 7.3(a)(iii)(B)) (in years) of:**

	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class E</b>	<b>Class F</b>
	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>	<b>Notes</b>
0%	9.00	15.78	17.01	18.55	18.90	19.17
2%	7.07	13.99	14.77	16.51	18.03	18.87
4%	5.65	12.20	13.51	14.68	16.11	17.16
6%	4.67	10.38	11.74	13.50	14.52	15.43
8%	3.95	9.05	10.22	12.04	13.63	14.39
10%	3.40	7.98	9.07	10.72	12.31	13.19
12%	2.98	7.05	8.13	9.63	11.15	12.16
15%	2.50	5.95	6.91	8.37	9.68	10.66

The Class A1 Notes and the Class A2 Notes have the same weighted average lives, both of which are shown under Class A Notes.

Assumption (a) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumption (b) is stated as an average annualised repayment rate as the repayment rate for one Interest Period may be substantially different from that for another. The constant repayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant repayment rates.

Assumptions (b) to (g) (inclusive) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Risk Factors relating to the Issuer – Considerations relating to yield, prepayments, mandatory redemption and optional redemption*", above.

## EARLY REDEMPTION OF THE NOTES

The Portfolio may be sold by the Issuer pursuant to the Portfolio Option or the Market Portfolio Purchase pursuant to the Liquidation Agent Agreement. The Issuer will undertake not to dispose of the Portfolio in any other circumstances (other than following the delivery of a Note Acceleration Notice).

### Portfolio Option

The Issuer will, pursuant to the Deed Poll, grant to (a) (where the Residual Certificates are represented by Registered Definitive Residual Certificates (as defined below) the holder of greater than 50 per cent. of the Residual Certificates or (where the Residual Certificates are represented by the Global Residual Certificate (as defined below) the Indirect Participant who holds the beneficial interest in more than 50 per cent. of the Residual Certificates or (b) where no person holds greater than 50 per cent. of the Residual Certificates or, as applicable, beneficial interest in more than 50 per cent. of the Residual Certificates, the person who holds the greatest number of the Residual Certificates or, as applicable, beneficial interest in the greatest number of the Residual Certificates (the **Majority Holder**) an option (the **Portfolio Option**) to require the Issuer to (i) sell and transfer to the Majority Holder or its nominee the beneficial title to all Loans and Related Security in the Portfolio (the **Portfolio Option Loans**); (ii) transfer to the Majority Holder the right to have legal title to the Portfolio Option Loans and their Related Security transferred to it; (iii) direct that the holder of the legal title to the Portfolio Option Loans and the Related Security transfers legal title to the Majority Holder or its nominee specified as such in the Exercise Notice; and (iv) serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to vest legal title in the Portfolio Option Loans in the Majority Holder or its nominee, in each case subject to the terms and conditions of the Deed Poll.

It will be a condition of the exercise of the Portfolio Option that either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Portfolio Option Loans is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and OSB (acting reasonably) having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer or OSB to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans. The costs relating to such tax advice shall be borne by the Majority Holder.

The Portfolio Option may be exercised by notice to the Issuer with a copy to the Note Trustee, the Seller, the Liquidation Agent, S&P and Fitch at any time during the Optional Redemption Window and thereafter, subject to certain suspension periods after the Market Portfolio Purchase Trigger Date until the Final Maturity Date.

### Purchase Price

The purchase price for the Portfolio under the Portfolio Option shall be an amount (the **Portfolio Option Purchase Price**) equal to:

- (a) the aggregate Principal Amount Outstanding of the Rated Notes plus accrued interest thereon (calculated as at the Interest Payment Date on which the Residual Certificate Portfolio Purchase is expected to be completed); plus
- (b) any fees, costs and expenses of the Issuer payable senior to the Rated Notes in the Post-Acceleration Priority of Payments; less

(c) the balance of the Total Reserve Fund (calculated as at the Interest Payment Date on which the Residual Certificate Portfolio Purchase is expected to be completed).

The Majority Holder or its nominee will be required to deposit the full amount of the Portfolio Option Purchase Price in an escrow account no later than the day falling 2 Business Days immediately preceding the Target Portfolio Purchase Completion Date. The Portfolio Option Purchase Price will be held in escrow pending completion of transfer of the beneficial title to the Portfolio Option Loans. The full amount of the Portfolio Option Purchase Price will be transferred to the Deposit Account upon its completion and will be applied in accordance with the Post-Enforcement Priority of Payments on the Target Portfolio Purchase Completion Date.

Where the sale to the Majority Holder does not contemplate a transfer of the legal title to the Loan, the exercise of the Portfolio Option shall be conditional on the consent of the Seller to hold legal title on behalf of the Majority Holder or its nominee. There is no limit on the number of Exercise Notices that can be served by the Majority Holder during the Optional Redemption Window and each time a new Exercise Notice specifying a new Target Portfolio Purchase Completion Date and an updated Portfolio Option Purchase Price will be prepared.

### **Market Sale of Portfolio**

In the event that the Majority Holder has not acquired the Mortgage Portfolio by the Market Portfolio Purchase Trigger Date, the Portfolio will be subject to a market sale in accordance with the terms of the Liquidation Agent Agreement (the **Market Portfolio Purchase**) .

Under the Liquidation Agent Agreement, the Liquidation Agent will agree to assist the Issuer in seeking offers to purchase the Mortgage Portfolio. Following the Market Portfolio Purchase Trigger Date the Liquidation Agent shall seek to obtain initial indications of the sale price for the Portfolio from a minimum of three participants in the wholesale mortgage market of reasonable standing (the **Initial Market Participants**), provided that Liquidation Agent must first, acting on the direction of the Issuer, ensure that the Issuer has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006. The Issuer must confirm that such opinion is satisfactory to it before the Liquidation Agent may obtain initial indications of the sale price for the Portfolio from Initial Market Participants. If at least two Initial Market Participants provide an indicative purchase price of not less than two per cent. lower than the Market Portfolio Purchase Floor Price the Liquidation Agent shall provide such indicative purchase prices to the Issuer, the Security Trustee and the Majority Holder. On receipt of the indicative purchase price, the Majority Holder may within 5 Business Days of receipt of such indicative purchase price exercise its Portfolio Option to purchase the Portfolio Option Loans on the immediately following Interest Payment Date or where the Majority Holder receives notice of the indicative purchase prices within a month of the Interest Payment Date, the Majority Holder may exercise the Portfolio Option to purchase the Portfolio Option Loans on the first or second Interest Payment Date immediately following receipt of the indicative purchase prices at the option of the Majority Holder.

If the Liquidation Agent does not receive at least two indicative purchase prices from the Initial Market Participants of not less than 2 per cent. lower than the Market Portfolio Floor Price, the Liquidation Agent shall repeat the above procedure every three months following the later of the Market Portfolio Purchase Trigger Date and the date on which the Liquidation Agent sent notice to the Issuer, the Security Trustee and the Majority Holder that it did not receive indicative quotes of not less than 2 per cent. lower than the Market Portfolio Purchase Floor Price. The Liquidation Agent will not be required to obtain indicative purchase prices from the Initial Market Participants if a market auction in relation to the Loans is ongoing at a time when it would otherwise be required to obtain indicative purchase prices.

If following receipt of the indicative purchase prices the Majority Holder does not within 5 Business Days following receipt of indicative purchase prices from the Liquidation Agent send an Exercise Notice to the Issuer indicating that it will exercise the Portfolio Option to purchase the Portfolio Option Loans on the immediately following Interest Payment Date or where the Majority Holder receives notice of the indicative purchase prices within a month of the Interest Payment Date, at the option of the Majority Holder on the first or second Interest Payment Date immediately following receipt of the indicative purchase price, the Liquidation Agent shall through a tender process (having sought quotes from at least three potential portfolio managers) appoint a portfolio manager of recognised standing (the **Portfolio Manager**) on a basis intended to incentivise the Portfolio Manager to achieve the best price for the sale of the Loans, taking into account any fees and terms of the Portfolio Manager) (if such terms are commercially available in the market) to advise it in relation to the sale of the Loans to market participants. The terms of the agreement giving effect to the appointment a Portfolio Manager in accordance with such tender shall be approved by the Liquidation Agent.

The terms of the agreement appointing the Portfolio Manager shall require the Portfolio Manager to conduct a market auction in relation to the Loans. The Loans can only be sold pursuant to the auction process where the purchase price received by the Issuer will be an amount equal to the Market Portfolio Purchase Floor Price.

Prior to commencing the market auction, the Liquidation Agent shall be required to inform the Majority Holder. The Majority Holder shall not be entitled to exercise the Portfolio Option until the expiry of four months following receipt of notice of the commencement of the auction or such earlier date as may be notified by the Liquidation Agent to the Issuer and the Majority Holder that the auction process has been completed in circumstances where the Portfolio has not been sold pursuant to such auction process.

The Liquidation Agent must inform the Majority Holder, the Issuer, the Servicer, the Seller and the Security Trustee as soon as possible following completion of the auction process that (A) the auction process has been completed and (B) provide full details of the outcome of the relevant auction, including where applicable, that the auction has not been successful or, if applicable, details of the price received or to be received for the Portfolio. If the auction process has not been successful, the Majority Holder may exercise the Portfolio Option to purchase the Portfolio Option Loans on the immediately following Interest Payment Date or where the Majority Holder receives notice that the auction has not been successful within a month of the Interest Payment Date, the Majority Holder may exercise the Portfolio Option to purchase the Portfolio Option Loans on the first or second Interest Payment Date immediately following receipt of the notification at the option of the Majority Holder by sending an Exercise Notice within 5 Business Days of receipt of such notice. If the Majority Holder does not exercise the Portfolio Option in these circumstances, the Liquidation Agent shall re-commence the process of obtaining indicative purchase prices from Initial Market Participants.

On the sale of the Loans, the Liquidation Agent shall be entitled to a success fee (the **Success Fee**) payable out of the proceeds of sale of the Loans in an amount equal to 0.25 per cent. of the Current Balance of the Loans on the Target Portfolio Purchase Completion Date. In addition, any fees payable to the Portfolio Manager shall be deducted from the purchase price for the Loans.

The Liquidation Agent shall be entitled to a fee of £100,000 per annum (inclusive of VAT) up to a maximum aggregate amount of £500,000 (inclusive of VAT) for obtaining indicative purchase prices for the Initial Market Participants (the **Sounding Fee**). The Sounding Fee shall be paid quarterly in arrear on each Interest Payment Date following the Market Portfolio Purchase Trigger Date solely from amounts standing to the credit of the Liquidation Agent Reserve Fund. £100,000 shall be deposited in the Liquidation Agent Reserve Fund on the Closing Date from the proceeds of the Class F Notes and following the Market Portfolio Purchase Trigger Date on each Interest Payment Date up to the Liquidation Agent Reserve Fund Required Amount. The **Liquidation Agent Reserve Fund Required Amount** means an amount equal to £500,000 less any amounts paid to the Liquidation Agent in respect of the Sounding Fee.

The Market Portfolio Purchase Floor Price (the **Market Portfolio Purchase Floor Price**) shall be equal to an amount not less than:

- (a) the aggregate Principal Amount Outstanding of the Rated Notes plus accrued interest thereon (calculated as at the Interest Payment Date on which the Market Portfolio Purchase is expected to be completed); plus
- (b) any fees, costs and expenses of the Issuer payable senior to the Rated Notes in the Post-Acceleration Priority of Payments; plus
- (c) any costs incurred or to be incurred by the Issuer (or by the Liquidation Agent on its behalf), including any fees payable to the Portfolio Manager and any Success Fees; less
- (d) the balance of the Total Reserve Fund (calculated as at the Interest Payment Date on which the Market Portfolio Purchase is expected to be completed).

A purchaser of the Loans pursuant to the Market Portfolio Purchase will be required to deposit the full amount of the purchase price for the Loans in an escrow account pending completion of transfer of the beneficial title to the Loans no later than 2 Business Days immediately preceding the Target Market Portfolio Purchase Completion Date. Upon completion of transfer of the beneficial title to the Loans, the purchase price will be transferred into the Deposit Account and applied in accordance with the Post-Enforcement Priority of Payments.

If the transfer of the beneficial title to the Loans is not completed on or before the Target Market Portfolio Purchase Completion Date, the purchase price will be released from escrow and returned to the purchaser.

It will be a condition of the exercise of the Market Portfolio Sale that either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Loans is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and OSB (acting reasonably) having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer or OSB to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans. The costs relating to such tax advice shall be borne by the purchaser of the Portfolio.

The liability of the Liquidation Agent under the Liquidation Agent Agreement is limited (other where such liability arises as a result of the fraud, wilful default or Gross Negligence of the Liquidation Agent) in contract, tort (including negligence or breach of statutory or regulatory duty) or otherwise howsoever, and whatever the cause thereof, arising by reason of or in connection with the Liquidation Agent Agreement:

- (a) shall be limited to £1,000,000 (one million pounds) in aggregate for so long as the Liquidation Agent is appointed under the Liquidation Agent Agreement; and
- (b) shall not include any claim for any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings or for any special indirect or consequential damage of any nature whatsoever which liability is excluded.

**Gross Negligence** means any act or omission of the Liquidation Agent which falls below the level of care and skill that could reasonably be expected of a prudent party, in circumstances where that act, conduct or omission (as applicable) also shows a deliberate and/or manifestly careless or reckless disregard of potential consequences of such act or omission on the interests of another party and could reasonably be expected to cause significant prejudice to the interests of that other party.

## **Redemption of Rated Notes**

On an Interest Payment Date on which all conditions to completion of the Residual Certificate Portfolio Purchase or, as applicable, the Market Portfolio Purchase will have been satisfied, the purchase price deposited into the escrow account pending completion will be transferred into the Deposit Account and applied in accordance with the Post-Acceleration Priority of Payments and will result in the Rated Notes being redeemed in full. Any funds remaining after the payment in full of all items ranking prior to (and including) item (j) of the Post-Acceleration Priority of Payments will be paid to the Certificateholders.

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

**Exercise Notice** means a notice to be delivered by the Majority Holder in accordance with the Deed Poll to exercise the Portfolio Option.

**Liquidation Agent Agreement** means the liquidation agent agreement dated on or about the Closing Date between, *inter alios*, the Issuer and the Liquidation Agent.

**Optional Redemption Exercise Date** means an Interest Payment Date on which a Residual Certificate Portfolio Purchase or a Market Portfolio Purchase has occurred.

**Optional Redemption Window** means the period on and from the Step-Up Date until (and including) the Interest Payment Date falling in October 2018.

**Target Market Portfolio Purchase Completion Date** means an Interest Payment Date specified as the date on which the Market Portfolio Purchase is expected to be completed.

**Target Portfolio Purchase Completion Date** means an Interest Payment Date identified as the date on which the Residual Certificate Portfolio Purchase is expected to be completed in an Exercise Notice.

## **USE OF PROCEEDS**

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

On the Closing Date, the Issuer will use the gross proceeds of the Class F Notes to (a) establish the General Reserve Fund, (b) establish the Liquidity Reserve Fund, (c) establish the Class E Liquidity Reserve Fund, (d) establish the Liquidation Agent Reserve Fund, (e) to establish the Principal Reserve Fund and (f) fund initial expenses of the Issuer incurred in connection with the issue of the Notes and Residual Certificates on the Closing Date.

## RATINGS

The Rated Notes, on issue, (with respect to payments of interest and principal) are expected to be assigned the following ratings by Fitch and S&P. The Class F Notes and the Residual Certificates are not rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including, without limitation, a reduction in the credit rating of the Account Bank in the future) so warrant.

<b>Class of Notes</b>	<b>S&amp;P</b>	<b>Fitch</b>
Class A1 Notes	AAA(sf)	AAAsf
Class A2 Notes	AAA(sf)	AAAsf
Class B Notes	AA+(sf)	AAsf
Class C Notes	AA-(sf)	Asf
Class D Notes	A-(sf)	BBBsf
Class E Notes	BBB+(sf)	BBB-sf
Class F Notes	Not rated	Not rated
Residual Certificates	Not rated	Not rated

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



## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales on 7 August 2013 (registered number 8641754) as a public limited company under the Companies Act 2006. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 20 7398 6300. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, comprising 1 fully paid up share and 49,999 shares which are one quarter paid up and all of which are beneficially owned by Holdings (see "*Holdings*" below).

The Issuer has been established as a special purpose vehicle or entity for the purposes of issuing asset backed securities. The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer.

There are no restrictions on the objects of the Issuer in its Articles of Association and the Issuer is therefore permitted, amongst other things, to borrow money, grant security over its property for the performance of its obligations and to purchase property. The Issuer was established solely for the purpose of issuing asset backed notes. The activities of the Issuer will be restricted by its Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

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

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

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and Residual Certificates and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, has made a notification under the Data Protection Act 1998 and is in the process of applying for a consumer credit licence under the CCA. As at the date of this Prospectus, statutory accounts have not yet been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2014.

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

## Directors

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

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

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

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

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

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

## HOLDINGS

### Introduction

Holdings was incorporated in England and Wales on 7 August 2013 (registered number 8641744) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises 1 ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

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

There are no restrictions on the objects of Holdings in its Articles of Association and Holdings is therefore permitted, amongst other things, to borrow money, grant security over its property for the performance of its obligations and to purchase property.

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

### Directors

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

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

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

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

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

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

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2014.

Holdings has no employees.

## ONESAVINGS BANK PLC

OneSavings Bank PLC (company number 07312896) (**OSB** and, together with its consolidated subsidiary undertakings, the **OSB Group**) is the Seller pursuant to the Mortgage Sale Agreement.

### **Introduction and Formation**

OSB's principal office is at Reliance House, Sun Pier, Chatham, Kent ME4 4ET (telephone number: 0845 122 0022; e-mail address: mail@krbs.com). As at 31 December 2012, the OSB Group had total assets of £3,009 million.

OSB is a challenger bank which was created and began trading on 1 February 2011 following the transfer of the assets and liabilities of the former Kent Reliance Building Society. The Members of the former Building Society were transferred to an Industrial and Provident Society, Kent Reliance Provident Society (**KRPS**), and in consideration for the assets and liabilities of the Building Society, the Members, through KRPS, hold the majority of voting shares in OSB. At the same time, JC Flowers & Co LLP (**JCF**) made a capital injection of £50 million in OSB in return for the remainder of the share capital.

OSB trades under a number of different brands including Kent Reliance (including KRBS and KRBS.com), Reliance Property Loans, Jersey Home Loans, Guernsey Home Loans, Prestige and Interbay. The principal activities of the OSB Group are to provide retail savings products, residential mortgages (first and second charge), shared ownership mortgages, buy-to-let mortgages, commercial mortgages and consumer finance.

JCF has continued to invest in the OSB Group since 2011, including a further capital injection of £15 million in July 2013 to support growth plans and the acquisition of approximately £0.3 billion performing consumer loans from Northern Rock Asset Management Ltd.

### **Business and Strategy**

OSB generates retail funding from a number of sources including an online savings platform and a network of high street agencies and branches in the South East of the United Kingdom. The OSB Group offers first charge and second charge mortgage finance to consumers through its Kent Reliance brand, its subsidiaries in the Channel Islands and its Prestige subsidiaries, and to SME businesses through its Interbay subsidiaries (although the Portfolio does not include any Loans originated by the OSB Group).

The OSB Group has also acquired a number of loan portfolios since its formation including the Loans comprising the Portfolio.

OSB has continued its commitment to a strategy of long-term growth since its inception. In 2012, OSB was able to grow its deposit base by 20,000 new savings customers, reflecting growth of £663 million in retail savings balances. Loans and advances for the OSB Group grew by 34 per cent. during 2012 to £2,196 million from £1,640 million in 2011. Profit on an after tax basis for the OSB Group grew to £8.0 million in 2012 from a loss of £11.1 million in 2011. OSB has combined its growth with a commitment to managing costs, and achieved a reduction of 16bps in its management expense ratio in 2012. Except as otherwise stated, financial information contained herein is either (i) extracted from both of the audited consolidated annual accounts of OSB and its Subsidiaries dated 31 December 2011 and 31 December 2012 respectively and (ii) calculated using financial information extracted from such annual accounts. The contents of such consolidated annual accounts of the OSB Group (in each case audited by KPMG Audit PLC as Statutory Auditors of the OSB Group) and its subsidiaries do not form part of this Prospectus.

### **Constitution**

OSB is authorised by the Prudential Regulation Authority (**PRA**) and regulated by the Financial Conduct Authority (**FCA**) and the PRA (Registered Number 530504) and operates in accordance with the Banking Act and its Articles of Association (the **Articles**). OSB also holds a Consumer Credit Act Licence (Licence Number 0651834).

The affairs of OSB are conducted and managed by a board of directors (the **Board**). Three of the directors are appointed by the B Shareholder (OSB Holdco Limited – who represents the funds advised by JCF), two are appointed by the A Shareholder (KRPS), two are executive directors (the Chief Executive Officer and the Chief Financial Officer) and three are independent of shareholders, two of which are considered independent by the Board. The Board is responsible to the members for the proper conduct of the affairs of OSB in accordance with the Articles of OSB and appoints and supervises the senior executives of OSB who are responsible to the board for the day-to-day management of OSB.

Any conflicts of interest between (i) any duties owed to OSB by any member of the Board or any of the senior executives and (ii) their private interests and/or other duties are either (i) permitted by the Articles of OSB or (ii) have been disclosed to and validly approved by the Board.

More information is available on the website of OSB located at [www.krbs.com](http://www.krbs.com).

The other purposes and powers of OSB are specified in its Articles.

## **THE SERVICER**

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

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

CCFS holds relevant licences under the Consumer Credit Act and maintains applicable registrations under the Data Protection Act 1998.

CCFS is a Fitch Ratings Limited rated servicer and holds servicer ratings of RSS2- for Special Servicing, and RPS3+ for both Prime and Sub Prime Primary Servicing.

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

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

## **BACK-UP SERVICER**

Engage Credit Limited is a private limited company incorporated in England on 29 March 2008 (registration number 06548489). Engage Credit Limited is a servicer of residential mortgage loans in the United Kingdom, and does not carry on any other business.

Engage Credit Limited is an Associate Member of the Council of Mortgage Lenders, and is authorised and regulated by the Financial Conduct Authority under registration number 484078. Engage Credit Limited holds relevant licences under the Consumer Credit Act and maintains applicable registrations under the Data Protection Act 1998.

The registered office of Engage Credit Limited is at 114A Cromwell Road, London, SW7 4ES.



## THE ORIGINATORS

The information in this section in relation to GMAC-RFC Limited has been obtained from the prospectus in relation to the GBP 200,200,000 Class A Notes issued by ALBA 2013-1 plc, which are admitted to trading on the regulated market of the Irish Stock Exchange and has not been verified by GMAC-RFC Limited.

### *Advantage Home Loans Limited*

Advantage Home Loans Limited is currently in liquidation.

### *GMAC-RFC Limited*

GMAC-RFC Limited (currently known as Paratus AMC Limited) is a private limited company incorporated in England and Wales under the Companies Act 1985 on 6 January 1998.

GMAC-RFC Limited originated mortgage loans to borrowers in England, Wales and Scotland until 2008 and has also in the past originated mortgage loans to borrowers in Northern Ireland. Following a change of ownership in October 2010, GMAC-RFC Limited has been renamed Paratus AMC Limited and its primary business is to provide mortgage administration services in the United Kingdom.

The registered office of GMAC-RFC Limited (currently known as Paratus AMC Limited) is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA.

### *High Street Home Loans (U.K.) Limited*

High Street Home Loans (U.K.) Limited was dissolved on 7 March 2012.

### *Charter Court Financial Services Limited*

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

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

CCFS holds relevant licences under the Consumer Credit Act and maintains applicable registrations under the Data Protection Act 1998.

CCFS is a Fitch Ratings Limited rated servicer and holds servicer ratings of RSS2- for Special Servicing, and RPS3+ for both Prime and Sub Prime Primary Servicing.

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

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

## **THE CASH MANAGER**

Elavon Financial Services Limited, a limited liability company registered in Ireland with the Companies Registration Office (registered number 418442), acting through its UK Branch (registered number BR009373)) will be appointed pursuant to the Cash Management Agreement as Cash Manager.

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U. S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its U.K. Branch are also subject to the limited regulation of the U.K. Financial Conduct Authority.

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

U.S. Bancorp (NYSE: USB), with \$354 billion in assets as of December 31, 2012, is the parent company of U.S. Bank, the 5th largest commercial bank in the United States. The Company operates 3,084 banking offices in 25 states and 5,065 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

## **ACCOUNT BANK**

Elavon Financial Services Limited, a limited liability company registered in Ireland with the Companies Registration Office (registered number 418442), acting through its UK Branch (registered number BR009373) will be appointed pursuant to the Bank Account Agreement as Account Bank.

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U. S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its U.K. Branch are also subject to the limited regulation of the U.K. Financial Conduct Authority.

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## **THE NOTE TRUSTEE AND SECURITY TRUSTEE**

U.S. Bank Trustees Limited (registered number 2379632) (**U.S. Bank**) will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

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

U.S. Bancorp (NYSE: USB), with \$354 billion in assets as of December 31, 2012, is the parent company of U.S. Bank, the 5th largest commercial bank in the United States. The Company operates 3,084 banking offices in 25 states and 5,065 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

## **THE CORPORATE SERVICES PROVIDER**

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 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 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.

## THE LOANS

### The Portfolio

#### Introduction

The following is a description of some of the characteristics of the Loans comprised in the Portfolio including details of loan types and selected statistical information.

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

The Seller may offer a Borrower under a Loan comprised in the Portfolio, or a Borrower may request, a Product Switch. If this occurs the Seller will be required to repurchase the relevant Loan and its Related Security prior to the occurrence of the Product Switch. See "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", below.

#### *The Mortgage Pool*

The Mortgage Pool from time to time after the Closing Date will comprise loans advanced to the Borrowers upon the security of residential property situated in England, Wales and Scotland (each a **Borrower**) and on Closing Date will consist of the Mortgages acquired pursuant to the Mortgage Sale Agreement,

other than Mortgages which have been repaid or which have been purchased from the Issuer pursuant to the Mortgage Sale Agreement.

#### *Origination of the Mortgage Pool*

The Mortgage Pool comprises of Loans originated by Advantage Home Loans (**Advantage**), GMAC Mortgages (including under the brand High Street Home Loans (U.K.) Limited) (**GMAC**) and Charter Court Financial Services Limited under its trading name of Precise Mortgages (**CCFS**, and together with Advantage and GMAC, the **Originators** and each an **Originator**).

#### *Characteristics of the Mortgage Pool*

The following tables set out information representative of the characteristics of the Mortgage Pool as at the Cut-off Date.

The balance of the Mortgages in the following tables is shown as at the Cut-off Date (the pool of Mortgages as at the Cut-off Date being the **Provisional Pool**). The properties over which the Mortgages are secured have not been revalued for the purpose of the issue of the Notes. The valuations of such properties as set out in the following tables relate to the date of the original initial mortgage loan valuation except to the extent that there have been Further Advances in which cases the most recent valuation is utilised. The characteristics of the Mortgage Pool as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of Mortgages prior to the Closing Date.

#### *Security*

All of the Mortgages are secured by first ranking mortgages or, as applicable, standard securities.

#### *Interest Rate Types*

The Provisional Pool consists of: Mortgages which have (currently or after a specific period) a variable interest rate (the **Floating Mortgage Rate**) that is based on Three-Month Sterling LIBOR or the Bank of

England base rate (the **Base Rate**), plus, for each mortgage, a fixed margin expressed as a percentage over the Base Rate or LIBOR, as applicable. The Portfolio also includes Loans which have a fixed rate of interest.

### ***Title to the Mortgage Pool***

Pursuant to, and under the terms of the Mortgage Sale Agreement, dated on or about the Closing Date, OSB will transfer the beneficial title to the Mortgages, with a right to call for the legal title thereto, to the Issuer.

In the case of the Mortgages over registered land in England, Wales and Scotland which will be transferred to the Issuer on the Closing Date, OSB has agreed to remain on the relevant Land Registry or the Registers of Scotland, as applicable as the legal mortgagee or as heritable creditor.

Prior to the Issuer obtaining the requisite licence under the CCA, OSB will hold the English Mortgages originated by it on trust for the Issuer under a bare trust (the **CCA Mortgages Trust**), the Scottish Mortgages will be held in trust for the Issuer under the relevant Scottish Declaration of Trust. Upon the requisite CCA licence being obtained, the CCA Mortgages Trust will terminate and the beneficial title to the Mortgages will be transferred to the Issuer as outlined above with the Scottish Mortgages continuing to be held in trust for the Issuer under the relevant Scottish Declaration of Trust.

None of the above mentioned transfers to the Issuer is to be completed by registration at the Land Registry or the Registers of Scotland (as the case may be) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The English Mortgages in the Mortgage Pool and their collateral security are accordingly owned in equity only by the Issuer pending such transfer and the Scottish Mortgages in the Mortgage Pool and their collateral security are accordingly held in trust for the Issuer pending such transfer. Legal title in the Mortgages and their collateral security continues to be vested in OSB, other than in respect of a several Loans which are pending registration in the name of OSB. OSB has agreed to transfer legal title to the Mortgages and their collateral security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only in the circumstances set out below.

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

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

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

Under the Mortgage Sale Agreement and the Deed of Charge, completion of the transfers to the Issuer will be effected and the Issuer and the Security Trustee will each be entitled to effect such registrations and give such notices as it considers necessary to protect their respective interests in the Mortgages, and to call for a legal assignment, assignation or transfer of the Mortgages in favour of the Issuer and a legal submortgage or, as applicable, sub-security over such Mortgages and collateral security in favour of the Security Trustee.

Under the Mortgage Sale Agreement and the Deed of Charge the Issuer and the Security Trustee have undertaken to take such steps only where, *inter alia*, the Issuer has obtained the requisite licence under the CCA and (i) it is necessary as a result of a change in law, or required by an order of a court of competent jurisdiction or by a competent regulatory authority, (ii) after a Note Acceleration Notice (as defined in the Conditions) has been served on the Issuer by the Security Trustee, (iii) the Security Trustee considers that the security under the Deed of Charge or any material part thereof is in material jeopardy, in the reasonable opinion of the Security Trustee, and the Security Trustee decides to take such action to reduce materially

such jeopardy, (iv) OSB calls for perfection of title by serving a notice to that effect on the Issuer and the Security Trustee or (v) the occurrence of a Seller Insolvency Event. Following such legal assignment, assignation or transfer and sub charge or, as applicable, sub-security, the Issuer and the Security Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Mortgages, including the carrying out of any necessary registrations, recordings and notifications. These rights are supported by irrevocable powers of attorney given by OSB pursuant to the Mortgage Sale Agreement.

If any of the events referred to in paragraphs (i) to (v) above occurs prior to the Issuer obtaining the requisite licence under the CCA, then the Issuer (or certain persons on its behalf) shall send written notice to each Borrower informing it of the Issuer's interest in the related Mortgages under the related CCA Mortgages Trust or, as applicable, under the relevant Scottish Declaration of Trust and the above steps necessary to perfect the transfer of legal title to the Issuer shall occur as soon as possible after the requisite CCA licence has been obtained.

### ***Warranties and Breach of Warranties in relation to the Mortgages***

The Mortgage Sale Agreement contains certain warranties given by OSB in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the Mortgage Sale Agreement.

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

Although the Seller will give certain representations and warranties in respect of the Loans sold by it, the Seller was not the originator of any of the Loans comprised in the Portfolio and has acquired its interest in the Loans and their Related Security under a mortgage sale agreement entered into by the Seller with the relevant Originator in respect of the relevant Loan. Accordingly, since, amongst other reasons, the Seller does not have direct knowledge as to certain matters relating to the actual origination of the Loans, certain warranties are qualified by reference to the awareness of the Seller. It may be practically difficult for the Seller to detect a breach of warranty in respect of the Loans sold by it to the extent that the same relates to a matter outside of the immediate knowledge of the Seller where there is no ongoing active involvement of the relevant Originator.

If there is an unremedied material breach of any of the warranties given under the Mortgage Sale Agreement then the Seller will be required to purchase any Mortgage which is the subject of the relevant unremedied material breach for a consideration in cash equal to all sums due or owing thereunder (including accrued interest) as at the date of purchase (after deducting the amount of any interest not then accrued but paid in advance by the relevant mortgagor, which amount will be retained by the Issuer) (the **Put Option**).

### **Lending Criteria**

The following is a short summary of selected features of the lending criteria of each of the Originators. The Issuer does not represent that all important features of the relevant lending criteria are included in this section. The Seller was not the originator of any of the Mortgages in the Portfolio and does not provide any representation or warranty as to the accuracy of in the information in this section.

Information in this section in relation to Advantage, GMAC and HSH has been obtained from publicly available sources and has not been verified by the relevant Originator. Information in this section in relation to CCFS has been obtained directly from CCFS but CCFS has not verified such information for the purposes of this Prospectus.

#### *Advantage – Lending Criteria*



Advantage only lent on a first charge basis against residential properties located in England, Wales or mainland Scotland. All relevant Borrowers were required to have good and marketable title or, in Scotland, valid and marketable title to the relevant Property free from any encumbrance (except the relevant Mortgage and, in relation to a Right to Buy Loan, any charges which have been registered in favour of the relevant landlord or, as the case may be, standard securities) which would adversely affect such title. Borrowers would have been required to hold all title deeds and loan files necessary to evidence such title to the strict order of the lender whether pursuant to a custody agreement or on undertakings acceptable to a prudent mortgage lender from solicitors of the relevant Borrower and, without limiting the foregoing, in the case of a leasehold:

- (i) the lease cannot be forfeited or irritated on the bankruptcy of the tenant;
- (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the related security must have been obtained or given; and
- (iii) a copy of the consent or notice must have been or will be placed with title deeds.

Only Properties of suitable security of construction will have been considered acceptable as security.

Each Loan originated by Advantage must not have been granted for an illegal purpose. The maximum loan amount permitted by Advantage was £1,000,000, the maximum term was 35 years and the minimum age of borrowers was 18 at the time of application. The maximum age at the time of application for loans originated up to and including December 2006 was 75 although there was no maximum age for applicants in relation to loans originated from January 2007. Certain additional criteria were applicable for applicants over the age of 65. The income of applicants was assessed by reference to the application form and the supporting documentation depending on the source of income being validated and minimum income requirements applied. Other than in relation to Buy to Let Loans, the Property was required to constitute the principal residence of the relevant Borrower.

The loan to value ratio (LTV) in relation to purchases was calculated by dividing the total amount of the Loan by the current market value determined by the valuation or the purchase price of the Property (whichever was the lower). Fees could be added up to 95% LTV. In relation to remortgages, the maximum LTV available is calculated based on the current market value determined by the valuation. Fees could be added up to 95% LTV. Valuations were carried out in accordance with a valuation methodology as would be acceptable to a prudent mortgage lender.

#### *GMAC and High Street Home Loans (U.K.) Limited – Lending Criteria*

The lending criteria of GMAC and HSH allowed non-conforming Borrowers (who may have been made bankrupt or who have CCJs (or the Scottish equivalent thereof) registered against them or who have suffered previous repossessions). In relation to Borrowers who had been made bankrupt, the bankruptcy or, in Scotland, sequestration, must have been discharged or come to an end and the applicant must have had sufficient income to support the loan.

GMAC and HSH required a first legal charge or first ranking standard security over the relevant Property which must have been used by the Borrower(s) for private residential purposes only. Full vacant possession was required to be obtained at completion and no part let or part possession (except in the case of Buy to Let Loans) was accepted. Only certain types of property constituted acceptable security.

The maximum loan amount permitted by GMAC and HSH was £1,000,000 for verified loans and Buy to Let Loans and £750,000 for Self-Certified Loans. The maximum term was 30 years and the minimum age of Borrowers was 18 prior to completion of the Loan. The credit and employment history of the relevant Borrower will have been assessed by a variety of means. Unless an exception applied, a Loan would not have been allowed to exceed (a) the income of the primary Borrower multiplied by 4.5 (in relation to prime

Borrowers) or 4.25 (in relation to non-conforming Borrowers) and added to the income of any secondary Borrower or (b) the Borrowers' joint income multiplied by 3.75 (in relation to prime Borrowers) or 3.5 (in relation to non-conforming Borrowers), except where the LTV was higher than 75%, in which case a Loan would not have been allowed to exceed either (a) the income of the primary Borrower multiplied by 4 (in relation to prime Borrowers) or 3.75 (in relation to non-conforming Borrowers) and added to the income of any secondary Borrower or (b) the Borrowers' joint income multiplied by 3.3 (in relation to prime Borrowers) or 3.25 (in relation to non-conforming Borrowers). In certain instances Loans originated by HSH may have a higher income multiple in accordance with the HSH debt-to-income ratio limits, subject to a maximum of (a) the income of the primary Borrower multiplied by 5.00 or (b) the Borrower's joint income multiplied by 4.50.

The LTV in relation to Loans originated by GMAC or HSH was calculated by dividing the gross principal amount (net of any fees) committed at completion of the Loan by the lower of the valuation of the Property or, in the case of a Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price that has been paid reflects a discount). GMAC did not originate Loans with an LTV higher than 95 per cent (net of fees) (95 per cent. for self-certified Loans, 89 per cent. for Buy to Let Loans and a maximum of 85% in relation to Right to Buy Loans), subject to exceptions in certain circumstances.

The lending criteria of HSH were similar to those of GMAC, except for some instances where HSH's criteria were more restrictive than those of GMAC (although there were limited areas where the criteria of HSH were less restrictive than those of GMAC).

#### *Charter Court Financial Services Limited – Lending Criteria*

CCFS only lent on (in the case of English Loans) a first charge basis or (in the case of Scottish Loans) a first ranking standard security against residential properties located in England, Wales or Scotland. All relevant Borrowers were required to have (in respect of an English Loan) good and marketable title or (in respect of a Scottish Loan) valid and marketable heritable or long lease title to the relevant Property free from any encumbrance (except the relevant Mortgage) which would adversely affect such title.

Other than any Title Deeds held at the Land Registry or the Registers of Scotland, as the case may be, CCFS holds all Title Deeds relating to the Loans. In relation to any Title Deeds held at the Land Registry or the Registers of Scotland, the Title Deeds are held on the basis that such Title Deeds shall be returned to CCFS (or its solicitors or agents).

Only Properties of suitable security of construction were considered acceptable as security and Properties including (but not limited to) the following were not acceptable to CCFS:

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

CCFS only lent to individuals and not to companies. Individuals were required to have been resident in the UK for the last 3 years and (i) to be a national of the UK, (ii) to be a national of a Member State of the European Economic Area, or (iii) to otherwise have permanent rights to reside in the UK.

CCFS did not accept any re-mortgage applications within 12 months of either the original purchase date of the Property or the last re-mortgage date in relation to the Property.

The maximum loan amount permitted by CCFS was £1,000,000, the maximum term was (in the case of Interest-only Loans) 30 years or (in the case of other Loans) 35 years and the minimum age of borrowers was 25 at the time of application. The maximum age at the maturity of the Loan must not have exceeded 75. The income of applicants was assessed by reference to the application form and the supporting documentation depending on the source of income being validated and minimum income requirements applied. Other than in relation to buy-to-let Loans, the Property was required to constitute the principal residence of the relevant Borrower.

The loan to value ratio (LTV) in relation to purchases was calculated by dividing the total amount of the Loan by the current market value determined by the valuation or the purchase price of the Property (whichever was the lower). Certain fees were entitled to be added to the loan balance, provided certain LTV levels were complied with. In relation to re-mortgages, the maximum LTV available is calculated based on the current market value determined by the valuation. Certain fees were entitled to be added to the loan balance, provided certain LTV levels were complied with. Valuations were carried out in accordance with a valuation methodology as would be acceptable to a Reasonable, Prudent Mortgage Lender.

### ***Servicing of the Mortgage Pool***

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

- operating the Collection Accounts and ensuring that payments are made into and from the Collection Accounts in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their monthly payments or in the premium payable on any buildings insurance policy;
- providing a redemption statement upon the request of a Borrower's solicitor or licensed or qualified conveyancer;
- taking all reasonable steps to recover all sums due to the Issuer, including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage or any related security;
- taking all action and doing all things which it would be reasonable to expect a Reasonable, Prudent Mortgage Servicer to do in administering its mortgages; and
- paying on behalf of the Issuer all the out of pocket expenses of the Servicer incurred in the performance of the Servicer's duties under the Servicing Agreement.

**Collection Accounts** means the collection accounts held at National Westminster Bank plc in relation over which the Seller will declare a trust pursuant to the Collection Account Declaration of Trust.

### ***Enforcement Procedures***

The Servicer has established procedures for managing loans which are in arrear, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures

permit discretion to be exercised by the appropriate officer of the Servicer (or any sub servicer of the Servicer) in many circumstances. These procedures, as from time to time varied in accordance with legislative and regulatory requirements, are required to be used by the Servicer in respect of arrears arising on the Mortgages.

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

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

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

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

## ***Insurance Contracts***

### ***Buildings Insurance***

The terms and conditions of the Loans require Borrowers to insure the relevant Property. An insurance policy that is arranged by the Borrower selecting an insurer and arranging cover is referred to as a **Third Party Buildings Policy**. In addition the Seller will arrange for a contingent block buildings insurance policy to be arranged (unless it has sold legal title to the Loans, in which case the Servicer will use reasonable endeavours to arrange such a policy on behalf of the Issuer, to the extent it is commercially feasible to do so) which will give certain protection where the Borrower has not obtained insurance or has let any such policy lapse (the **Block Buildings Insurance Policy**). As at the date of this Prospectus, the terms of the Block Buildings Insurance Policy provide that each claim made by the Seller under the policy is subject to an excess of £100,000 and each claim is subject to a maximum amount of £1,500,000. There is an annual limit of payments under the policy of £3,500,000. The policy applies in relation to all loans in relation to which the Seller has arranged the Block Buildings Insurance Policy. The Loans in the Portfolio will therefore only form a proportion of the loans covered by the Block Buildings Insurance Policy and the annual liability cap could be reached following claims in relation to loans which are not in the Portfolio.

## **Governing law**

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

## Compliance with the CRD

OSB is a credit institution and as such is bound by the requirements of the CRD. The policies and procedures of OSB in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation are in compliance with the requirements of the CRD.

The requirements of the CRD broadly include the following:

- (a) That the granting of credit shall be based on sound and well-defined criteria and that the process for approving, amending, renewing and re-financing credits shall be clearly established (as to which, please see the information set out earlier in this section of this Prospectus headed "*The Loans – Lending Criteria – Charter Court Financial Services Limited – Lending Criteria*");
- (b) That effective systems are in place to administer and monitor the various credit-risk bearing portfolios and exposures (as to which we note that the Portfolio will be serviced in line with the usual servicing procedures of OSB – please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Servicing Agreement*");
- (c) That the diversification of credit portfolios shall be adequate given the relevant credit institution's target market and overall credit strategy (as to which, in relation to the Portfolio, please see the section of this Prospectus headed "*Characteristics of the Portfolio*"); and
- (d) To have in place written policies and procedures in relation to risk mitigation techniques (as to which, please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Servicing Agreement*" and the section of this Prospectus headed "*The Loans – Lending Criteria – Charter Court Financial Services Limited – Lending Criteria*").

In relation to the Loans acquired by the Seller which were originated by GMAC and Advantage, the Seller undertook due diligence on the Loans acquired by it at the time of such purchase. In relation to the Loans acquired by the Seller which were originated by CCFS, the Seller conducted due diligence and assessed at the time of origination the lending criteria of CCFS.

## CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this Prospectus has been compiled by reference to certain Loans in a portfolio as at the Cut-off Date (the **Cut-off Date Portfolio**). The Cut-off Date Portfolio consisted of 3,823 Loans originated by the Originators between 2005 and 2013 and secured over properties located in England, Wales and Scotland. The Current Balance of the Cut-off Date Portfolio was £411,928,629. The Portfolio that will be sold to the Issuer on the Closing Date will be randomly selected from the Cut-off Date Portfolio as at 30 September 2013. In addition, an independent third party will randomly select Loans from the Cut-off Date Portfolio prior to the selection of the Portfolio in an amount equal to at least 5% of the nominal value of the Portfolio which will be held as at the Closing Date by the Seller in compliance with Article 122a paragraph (1)(c) of Article 122a the CRD (see “*Article 122a of the Capital Requirements Directive*” for further information). Columns may not add up to 100 per cent. due to rounding. The characteristics of the Portfolio will differ from that set out below as a result of, *inter alia*, repayments and redemptions of the Loans. If a Loan selected for the Portfolio is repaid in full between the start of the first Collection Period and the Closing Date, the principal recoveries from that Loan will form part of Available Principal Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Cut-off Date, which includes all principal and accrued interest for the Loans in the Portfolio.

In this section **Mortgage Accounts** means the totality of the relevant Loans granted by the relevant Originator or, in respect of any Further Advances, the Seller secured on the same Property and their Related Security.

## WHOLE POOL

### Summary Table

#### Originator: GMAC, Advantage and CCFS

Total Current Balance	£411,928,629
Total Original Balance	£432,945,444
Number of Borrowers	3,752
Number of Loans	3,823
Average Loan Balance	£107,750
W.A. OLTV	75.41%
W.A. CLTV	72.59%
W.A. Coupon	3.67%
W.A. Margin	3.23%
Interest-Only	58.88%
Buy To Let	4.93%
Right-to-buy	1.70%
First time buyers	6.46%
Self-certification	39.83%
Self-employed	7.47%

#### *Current Balances as at the Cut-off Date*

The following table shows the range of Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Cut-off Date.

<b>Range of Current Balances*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
£0 – £24,999.99	372,381.85	0.09%	33	0.86%
£25,000 – £49,999.99	9,103,241.52	2.21%	279	7.30%
£50,000 – £74,999.99	43,627,156.81	10.59%	773	20.22%
£75,000 – £99,999.99	66,466,743.29	16.14%	822	21.50%
£100,000 – £124,999.99	70,734,412.49	17.17%	670	17.53%
£125,000 – £149,999.99	56,794,724.17	13.79%	433	11.33%
£150,000 – £174,999.99	44,181,201.96	10.73%	283	7.40%
£175,000 – £199,999.99	35,271,976.27	8.56%	194	5.07%
£200,000 – £299,999.99	62,476,129.79	15.17%	275	7.19%
£300,000 – £399,999.99	14,952,054.66	3.63%	46	1.20%
£400,000 – £499,999.99	3,064,974.69	0.74%	7	0.18%
£500,000 – £599,999.99	2,144,604.08	0.52%	4	0.10%
£600,000 – £699,999.99	1,244,019.98	0.30%	2	0.05%
£700,000 – £799,999.99	640,142.35	0.16%	1	0.03%
£800,000 – £899,999.99	854,865.50	0.21%	1	0.03%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

\* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Loans as of the Cut-off Date is £854,865.50, £184.19 and £107,750.10 respectively.

### ***Loan to Value Ratios at Origination***

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Loans in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Cut-off Date based on the aggregate amount of the initial advances and any further advances on the later of the date of origination and the date of the further advance of the Loan divided by the value of the Property securing the Loans in the Mortgage Account either (i) as at that date or (ii) in the event there has been any variation in the mortgage contract, the date of such variation. The Seller has not revalued any of the mortgaged properties on acquisition of the relevant loan by the Seller or thereafter and the relevant mortgage property may therefore not have been revalued since the date of the origination of the related Loan other than in certain instances where additional lending has been applied for or advanced, and in certain product switch application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, other than as set out above, the revised valuation has not been used in formulating this data.

<b>Range of LTV Ratios at Origination*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	2,728,061.85	0.66%	68	1.78%
25% – 49.99%	27,810,745.65	6.75%	444	11.61%
50% – 74.99%	135,458,126.25	32.88%	1,337	34.97%
75% – 79.99%	61,533,386.60	14.94%	510	13.34%
80% – 84.99%	70,916,456.26	17.22%	575	15.04%
85% – 89.99%	42,540,692.14	10.33%	319	8.34%
90% – 94.99%	39,319,902.35	9.55%	296	7.74%
95% – 99.99%	25,157,369.68	6.11%	193	5.05%
>100%	6,463,888.63	1.57%	81	2.12%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The original maximum, minimum and weighted average Loan to Value Ratio as at the Cut-off Date of the Loans in the Portfolio is 158.83 per cent., 9.18 per cent. and 75.41 per cent respectively.

### ***Current Loan to Value Ratios***

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan as at the Cut-off Date by the original valuation of the Property securing that Loan at the same date.

<b>Range of Current LTV Ratios*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	4,463,261.08	1.08%	124	3.24%
25% – 49.99%	37,813,750.70	9.18%	578	15.12%
50% – 74.99%	155,772,053.37	37.82%	1,497	39.16%
75% – 79.99%	66,919,282.47	16.25%	508	13.29%
80% – 84.99%	54,605,701.38	13.26%	442	11.56%
85% – 89.99%	37,336,088.96	9.06%	271	7.09%



90% – 94.99%	32,655,263.26	7.93%	224	5.86%
95% – 99.99%	16,997,000.23	4.13%	116	3.03%
>100%	5,366,227.96	1.30%	63	1.65%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 145.54 per cent., 3.20 per cent. and 72.59 per cent respectively.

### **Current Indexed Loan to Value Ratios**

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan as at the Cut-off Date by the indexed original valuation of the Property securing that Loan at the same date.

<b>Range of Current Indexed LTV Ratios* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	3,626,899.16	0.88%	97	2.54%
25% – 49.99%	31,050,911.92	7.54%	481	12.58%
50% – 74.99%	132,453,849.75	32.15%	1,275	33.35%
75% – 79.99%	63,087,800.30	15.32%	516	13.50%
80% – 84.99%	51,755,395.95	12.56%	416	10.88%
85% – 89.99%	34,684,923.43	8.42%	270	7.06%
90% – 94.99%	28,305,516.54	6.87%	218	5.70%
95% – 99.99%	25,063,957.43	6.08%	200	5.23%
>100%	41,899,374.93	10.17%	350	9.16%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

\* Indexed using the Nationwide House Price Index (seasonally adjusted) based on quarterly data as at 30 June 2013.

\*\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 161.33 per cent., 2.98 per cent. and 77.04 per cent respectively.

### **Arrears Analysis of Non Repossessed Mortgage Accounts**

<b>Month(s) in Arrears* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0	378,608,707.34	91.91%	3,520	92.07%
<1 month	31,226,911.88	7.58%	284	7.43%
1 month	2,093,010.19	0.51%	19	0.50%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

\* *Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. The resulting number of months in arrears is arrived at by dividing that difference (if any) by the amount of the required monthly payment.*

\*\* *No Loan that is more than one month in arrears will be sold to the Issuer by the Seller on the Closing Date.*

**Maximum Arrears status over the past two years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <1	334,153,837.41	81.12%	3,123	81.69%
1 to <2	52,283,248.73	12.69%	462	12.08%
2 to <3	11,601,491.53	2.82%	103	2.69%
>=3	13,890,051.74	3.37%	135	3.53%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

**Maximum Arrears status over the past five years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <1	271,665,736.77	65.95%	2,588	67.70%
1 to <2	60,647,009.12	14.72%	543	14.20%
2 to <3	23,201,858.04	5.63%	209	5.47%
>=3	56,414,025.48	13.70%	483	12.63%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (0-12 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payments applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 0 months from the Cut-off Date and finishing 12 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	409,132,818.90	99.32%	3,797	99.32%
100% to <200%	1,470,686.17	0.36%	11	0.29%
200% to <300%	454,649.05	0.11%	6	0.16%
>=300%	870,475.29	0.21%	9	0.24%
<b>Totals.....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (12-24 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payments applicable at the time of in the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 12 months from the Cut-off Date and finishing 24 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	401,072,712.65	97.36%	3,727	97.49%
100% to <200%	5,602,808.49	1.36%	44	1.15%
200% to <300%	1,396,211.58	0.34%	16	0.42%
>=300%	3,856,896.69	0.94%	36	0.94%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (24-36 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payments applicable at the time of in the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 24 months from the Cut-off Date and finishing 36 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	394,328,466.99	95.73%	3,678	96.21%
100% to <200%	10,521,666.79	2.55%	76	1.99%
200% to <300%	3,486,387.90	0.85%	34	0.89%
>=300%	3,592,107.73	0.87%	35	0.92%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (36-48 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payments applicable at the time of in the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 36 months from the Cut-off Date and finishing 48 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	390,304,998.15	94.75%	3,660	95.74%
100% to <200%	11,055,604.36	2.68%	76	1.99%
200% to <300%	3,709,035.76	0.90%	33	0.86%
>=300%	6,858,991.14	1.67%	54	1.41%

<b>Totals .....</b>	411,928,629.41	100.00%	3,823	100.00%
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**Balance Increase as % of scheduled monthly payment (48-60 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payments applicable at the time of in the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 48 months from the Cut-off Date and finishing 60 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	366,556,431.42	88.99%	3,474	90.87%
100% to <200%	22,445,795.51	5.45%	160	4.19%
200% to <300%	8,855,633.73	2.15%	74	1.94%
>=300%	14,070,768.75	3.42%	115	3.01%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

**Geographical Distribution**

The following table shows the distribution of Properties securing the Loans throughout England, Wales and Scotland as at the Cut-off Date.

<b>Region</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
East Anglia	15,892,659.39	3.86%	133	3.48%
East Midlands	26,607,510.51	6.46%	282	7.38%
Greater London	49,582,756.99	12.04%	269	7.04%
North	19,785,385.56	4.80%	242	6.33%
North West	48,920,348.93	11.88%	552	14.44%
Scotland	26,495,758.45	6.43%	330	8.63%
South East	101,814,807.16	24.72%	707	18.49%
South West	33,075,110.69	8.03%	284	7.43%
Wales	19,997,442.54	4.85%	253	6.62%
West Midlands	37,646,197.56	9.14%	388	10.15%
Yorkshire Humber	32,110,651.63	7.80%	383	10.02%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

**Seasoning of Loans**

The following table shows the number of months since the date of origination of the initial Loan. The ages of the Loans in this table have been taken as at the Cut-off Date and are calculated with respect to the initial advance.

<b>Seasoning (months)</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <12	70,486,125.17	17.11%	611	15.98%
12 to <24	32,217,416.61	7.82%	301	7.87%
24 to <36	2,167,181.09	0.53%	22	0.58%

36 to <48	145,488.32	0.04%	3	0.08%
48 to <60	543,280.02	0.13%	8	0.21%
60 to <72	221,678,367.13	53.81%	2,166	56.66%
72 to <84	84,620,700.85	20.54%	711	18.60%
84 to <96	70,070.22	0.02%	1	0.03%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

The maximum, minimum and weighted average seasoning of Loans in the Portfolio as at the Cut-off Date is 95.78, 2.01 and 54.65 months, respectively.

#### *Years to Maturity of Loans*

The following table shows the number of remaining years of the term of the Loans in a Mortgage Account as at the Cut-off Date and are calculated with respect to the initial advance.

<b>Years to Maturity</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <5	18,807,949.22	4.57%	207	5.41%
5 to <10	38,500,708.25	9.35%	427	11.17%
10 to <15	86,512,083.51	21.00%	814	21.29%
15 to <20	177,998,900.62	43.21%	1,592	41.64%
20 to <25	65,665,090.94	15.94%	578	15.12%
25 to <30	24,443,896.87	5.93%	205	5.36%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

The maximum, minimum and weighted average remaining term of the Loans in the Portfolio as at the Cut-off Date is 29.83, 0.05 and 17.11 years, respectively.

#### *Purpose of Loan*

The following table shows whether the purpose of the initial Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

<b>Use of Proceeds</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Purchase	177,581,582.55	43.11%	1,562	40.86%
Remortgage	234,347,046.86	56.89%	2,261	59.14%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

#### *Buy to Let/Owner-Occupied Loans*

<b>Buy to Let/Owner-Occupied Loans</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Buy to Let	20,308,237.07	4.93%	188	4.92%
Owner-Occupied	391,620,392.34	95.07%	3,635	95.08%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

### **Repayment Terms**

The following table shows the repayment terms for the Loans in a Mortgage Account as at the Cut-off Date.

<b>Repayment Terms</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Interest Only	242,551,122.03	58.88%	1,880	49.18%
Repayment	169,377,507.38	41.12%	1,943	50.82%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

### **Original Valuation Method**

The GMAC loans were sold without supporting evidence on the valuations so retrospective AVMs were carried in the framework of this transaction. The AVM valuation is used unless the OLV calculated with the historical AVM valuation is lower than the OLV based on the original valuation by more than 10 percentage points. However, given the lack of supporting evidence, all GMAC loans are labelled as AVM.

<b>Original Valuation Method</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
AVM	146,964,517.76	35.68%	1,615	42.24%
Full	264,964,111.65	64.32%	2,208	57.76%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

### **Product Types**

The following table shows the distribution of special rate loans as at the Cut-off Date.

<b>Product Type</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Libor	259,449,629.78	62.98%	2,263	59.19%
BBR	94,358,523.71	22.91%	1,016	26.58%
Fixed	58,120,475.92	14.11%	544	14.23%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

### **Libor-Linked Loans: Current Interest Rate**

<b>Libor</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
2% to <3%	96,134,124.68	37.05%	831	36.72%
3% to <4%	103,125,304.63	39.75%	907	40.08%
4% to <5%	36,006,796.25	13.88%	327	14.45%
5% to <6%	19,433,291.41	7.49%	157	6.94%
6% to <7%	4,650,377.02	1.79%	40	1.77%
7% to <8%	99,735.79	0.04%	1	0.04%
<b>Totals .....</b>	<b>259,449,629.78</b>	<b>100%</b>	<b>2,263</b>	<b>100.00%</b>

**BBR-Linked Loans: Current Interest Rate**

<b>BBR</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
2% to <3%	214,298.78	0.23%	1	0.10%
3% to <4%	76,441,078.50	81.01%	815	80.22%
4% to <5%	16,719,997.49	17.72%	190	18.70%
5% to <6%	983,148.94	1.04%	10	0.98%
<b>Totals .....</b>	<b>94,358,523.71</b>	<b>100.00%</b>	<b>1,016</b>	<b>100.00%</b>

**Fixed Rate Loans: Current Interest Rate**

<b>Fixed</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
5% to <6%	39,594,861.47	68.13%	387	71.14%
6% to <7%	16,195,100.31	27.86%	135	24.82%
7% to <8%	2,330,514.14	4.01%	22	4.04%
<b>Totals .....</b>	<b>58,120,475.92</b>	<b>100.00%</b>	<b>544</b>	<b>100.00%</b>

**Previous CCJs**

The following table is based on a combination of data recorded at loan origination (only for mortgages originated by CCFS) and data recorded from a credit bureau agency at the time of due diligence prior to acquisition of Advantage Home Loans and GMAC/HSB portfolios by the Seller. The credit bureau agency test covered a 6 year period prior to the due diligence date.

<b>Previous CCJs</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	271,619,425.37	65.94%	2,454	64.19%
Yes	140,309,204.04	34.06%	1,369	35.81%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

**Previous Bankruptcy(ies) / Individual Voluntary Arrangements**

The following table is based on a combination of data recorded at loan origination (only for mortgages originated by CCFS) and data recorded from a credit bureau agency at the time of due diligence prior to acquisition of Advantage Home Loans and GMAC/HSB portfolios by the Seller. The credit bureau agency test covered a 6 year period prior to the due diligence date.

<b>Bankruptcy / Individual Voluntary Arrangements</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	385,032,371.99	93.47%	3,523	92.15%
N/A	9,500,155.54	2.31%	161	4.21%
Yes	17,396,101.88	4.22%	139	3.64%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

### *Right to Buy*

<b>Right to Buy</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	404,931,793.85	98.30%	3,737	97.75%
Yes	6,996,835.56	1.70%	86	2.25%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

### *Income Verification*

<b>Income Verification</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Self-certified	164,076,939.64	39.83%	1,359	35.55%
Verified	247,851,689.77	60.17%	2,464	64.45%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>

### *Employment Type*

<b>Employment Type</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Employed Full	265,426,539.73	64.44%	2,725	71.28%
Other	1,173,529.88	0.28%	14	0.37%
Pensioner	3,204,098.29	0.78%	35	0.92%
Self-employed	30,781,156.07	7.47%	238	6.23%
Unemployed	1,170,770.76	0.28%	14	0.37%
Unknown	110,172,534.68	26.75%	797	20.85%
<b>Totals .....</b>	<b>411,928,629.41</b>	<b>100.00%</b>	<b>3,823</b>	<b>100.00%</b>



## LOANS ORIGINATED BY ADVANTAGE HOME LOANS

### Summary Table

#### Originator: Advantage

Total Current Balance	£160,093,389
Total Original Balance	£167,726,776
Number of Borrowers	1,274
Number of Loans	1,274
Average Loan Balance	£125,662
W.A. OLTV	81.55%
W.A. CLTV	78.59%
W.A. Coupon	3.03%
W.A. Margin	2.52%
Interest-Only	78.13%
Buy To Let	0.00%
Right-to-buy	4.37%
First time buyers	4.22%
Self-certification	56.59%
Self-employed	0.00%

The following table shows the range of Current Balances of the Loans originated by Advantage Home Loans (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Cut-off Date.

<b>Range of Current Balances*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
£25,000 – £49,999.99	1,127,535.31	0.70%	31	2.43%
£50,000 – £74,999.99	9,863,243.70	6.16%	175	13.74%
£75,000 – £99,999.99	21,406,922.66	13.37%	266	20.88%
£100,000 – £124,999.99	25,730,675.95	16.07%	243	19.07%
£125,000 – £149,999.99	26,130,816.40	16.32%	199	15.62%
£150,000 – £174,999.99	19,017,654.33	11.88%	121	9.50%
£175,000 – £199,999.99	14,357,225.53	8.97%	80	6.28%
£200,000 – £299,999.99	27,249,393.23	17.02%	119	9.34%
£300,000 – £399,999.99	9,681,797.23	6.05%	30	2.35%
£400,000 – £499,999.99	1,284,634.88	0.80%	3	0.24%
£500,000 – £599,999.99	2,144,604.08	1.34%	4	0.31%
£600,000 – £699,999.99	1,244,019.98	0.78%	2	0.16%
£800,000 – £899,999.99	854,865.50	0.53%	1	0.08%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

\* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Loans originated by Advantage Home Loans as of the Cut-off Date is £854,865.50, £17,055.00 and £125,662.00 respectively.

### Loan to Value Ratios at Origination

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Loans originated by Advantage Home Loans in the Mortgage

Accounts (which incorporate all Loans secured on the same Property) as at the Cut-off Date based on the aggregate amount of the initial advances and any further advances on the later of the date of origination and the date of the further advance of the Loan divided by the value of the Property securing the Loans in the Mortgage Account either (i) as at that date or (ii) in the event there has been any variation in the mortgage contract, the date of such variation. The Seller has not revalued any of the mortgaged properties on acquisition of the relevant loan by the Seller or thereafter and the relevant mortgage property may therefore not have been revalued since the date of the origination of the related Loan other than in certain instances where additional lending has been applied for or advanced, and in certain product switch application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, other than as set out above, the revised valuation has not been used in formulating this data.

<b>Range of LTV Ratios at Origination*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	347,245.73	0.22%	5	0.39%
25% – 49.99%	6,733,917.53	4.21%	92	7.22%
50% – 74.99%	37,527,246.61	23.44%	318	24.96%
75% – 79.99%	14,753,007.18	9.22%	99	7.77%
80% – 84.99%	16,057,089.23	10.03%	107	8.40%
85% – 89.99%	20,734,092.40	12.95%	148	11.62%
90% – 94.99%	33,743,275.84	21.08%	249	19.54%
95% – 100%	24,433,245.13	15.26%	185	14.52%
>100%	5,764,269.13	3.60%	71	5.57%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The original maximum, minimum and weighted average Loan to Value Ratio as at the Cut-off Date of the Loans in the Portfolio is 158.83 per cent., 15.87 per cent. and 81.55 per cent respectively.

### **Current Loan to Value Ratios**

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan originated by Advantage Home Loans as at the Cut-off Date by the original valuation of the Property securing that Loan at the same date.

<b>Range of Current LTV Ratios*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	577,732.34	0.36%	12	0.94%
25% – 49.99%	9,631,047.30	6.02%	132	10.36%
50% – 74.99%	44,676,961.00	27.91%	374	29.36%
75% – 79.99%	14,639,858.20	9.14%	97	7.61%
80% – 84.99%	19,707,447.83	12.31%	146	11.46%
85% – 89.99%	21,647,863.35	13.52%	154	12.09%
90% – 94.99%	27,918,415.78	17.44%	190	14.91%
95% – 99.99%	16,030,380.32	10.01%	108	8.48%
>100%	5,263,682.66	3.29%	61	4.79%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 145.54 per cent., 13.02 per cent and 78.59 per cent respectively.

### **Current Indexed Loan to Value Ratios**

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan originated by Advantage Home Loans as at the Cut-off Date by the indexed original valuation of the Property securing that Loan at the same date.

<b>Range of Current Indexed LTV Ratios* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	446,374.18	0.28%	8	0.63%
25% – 49.99%	8,442,377.41	5.27%	105	8.24%
50% – 74.99%	34,048,351.42	21.27%	282	22.14%
75% – 79.99%	12,625,596.49	7.89%	90	7.06%
80% – 84.99%	12,158,907.12	7.59%	85	6.67%
85% – 89.99%	14,931,605.61	9.33%	107	8.40%
90% – 94.99%	16,464,717.43	10.28%	110	8.63%
95% – 99.99%	20,109,520.26	12.56%	149	11.70%
>100%	40,865,938.86	25.53%	338	26.53%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

\* Indexed using the Nationwide House Price Index (seasonally adjusted) based on quarterly data as at 30 June 2013.

\*\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans originated by Advantage Home Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 161.33 per cent., 14.96 per cent. and 85.67 per cent respectively.

### **Arrears Analysis of Non Repossessed Mortgage Accounts**

<b>Month(s) in Arrears* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0	146,118,841.54	91.27%	1,167	91.60%
<1 month	13,013,637.04	8.13%	100	7.85%
1 month	960,910.20	0.60%	7	0.55%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

\* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of

determination. The resulting number of months in arrears is arrived at by dividing that difference (if any) by the amount of the required monthly payment

\*\* No Loan which is more than one month in arrears will be sold to the Issuer by the Seller on the Closing Date.

**Maximum Arrears status over the past two years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <1	124,053,733.90	77.49%	1,008	79.12%
1 to <2	30,093,181.82	18.80%	229	17.97%
2 to <3	4,308,848.54	2.69%	23	1.81%
>=3	1,637,624.52	1.02%	14	1.10%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

**Maximum Arrears status over the past five years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <1	91,410,439.53	57.10%	760	59.65%
1 to <2	32,309,416.95	20.18%	254	19.94%
2 to <3	12,331,448.52	7.70%	91	7.14%
>=3	24,042,083.78	15.02%	169	13.27%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (0-12 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 0 months from the Cut-off Date and finishing 12 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	158,437,004.41	98.97%	1,261	98.98%
100% to <200%	1,413,267.32	0.88%	10	0.78%
200% to <300%	178,219.15	0.11%	2	0.16%
>=300%	64,897.90	0.04%	1	0.08%
<b>Totals.....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (12-24 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the

increase in the Current Balance occurred is defined as starting 12 months from the Cut-off Date and finishing 24 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	157,867,200.86	98.61%	1,257	98.67%
100% to <200%	1,374,449.12	0.86%	10	0.78%
200% to <300%	0.00	0.00%	0	0.00%
>=300%	851,738.80	0.53%	7	0.55%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (24-36 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 24 months from the Cut-off Date and finishing 36 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	151,940,344.99	94.91%	1,220	95.76%
100% to <200%	6,295,202.28	3.93%	39	3.06%
200% to <300%	1,294,496.28	0.81%	10	0.78%
>=300%	563,345.23	0.35%	5	0.39%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (36-48 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 36 months from the Cut-off Date and finishing 48 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	149,617,281.19	93.46%	1,210	94.98%
100% to <200%	6,153,019.98	3.84%	35	2.75%
200% to <300%	1,319,615.62	0.82%	11	0.86%
>=300%	3,003,471.99	1.88%	18	1.41%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (48-60 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 48 months from the Cut-off Date and finishing 60 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	139,851,316.04	87.36%	1,145	89.87%
100% to <200%	9,541,575.86	5.96%	61	4.79%
200% to <300%	4,341,248.38	2.71%	29	2.28%
>=300%	6,359,248.5	3.97%	39	3.06%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

***Geographical Distribution***

The following table shows the distribution of Properties securing the Loans throughout England, Wales and Scotland as at the Cut-off Date.

<b>Region</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
East Anglia	4,127,169.34	2.58%	30	2.35%
East Midlands	11,740,665.91	7.33%	108	8.48%
Greater London	22,018,107.55	13.75%	102	8.01%
North	9,417,609.99	5.88%	103	8.08%
North West	17,292,614.62	10.80%	160	12.56%
Scotland	8,663,965.78	5.41%	82	6.44%
South East	42,460,708.43	26.52%	266	20.88%
South West	12,890,143.41	8.05%	100	7.85%
Wales	6,954,690.16	4.34%	75	5.89%
West Midlands	12,223,061.67	7.63%	118	9.26%
Yorkshire Humber	12,304,651.92	7.69%	130	10.20%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

***Seasoning of Loans***

The following table shows the number of months since the date of origination of the initial Loan. The ages of the Loans in this table have been taken as at the Cut-off Date and are calculated with respect to the initial advance.

<b>Seasoning (months)</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
60 to <72	79,438,910.53	49.62%	617	48.43%
72 to <84	80,654,478.25	50.38%	657	51.57%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

The maximum, minimum and weighted average seasoning of Loans in the Portfolio originated by Advantage Home Loans as at the Cut-off Date is 79.90, 61.49 and 71.44 months, respectively.

#### *Years to Maturity of Loans*

The following table shows the number of remaining years of the term of the Loans in a Mortgage Account as at the Cut-off Date and are calculated with respect to the initial advance.

<u>Years to Maturity</u>	<u>Aggregate Current Balance as at the Cut-off Date (£)</u>	<u>% of Total</u>	<u>Number of Mortgage Accounts</u>	<u>% of Total</u>
0 to <5	9,112,494.77	5.69%	71	5.57%
5 to <10	13,497,747.41	8.43%	112	8.79%
10 to <15	30,342,515.99	18.95%	237	18.60%
15 to <20	84,637,106.15	52.87%	648	50.86%
20 to <25	14,938,129.33	9.33%	132	10.36%
25 to <30	7,565,395.13	4.73%	74	5.81%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

The maximum, minimum and weighted average remaining term of the Loans in the Portfolio originated by Advantage Home Loans as at the Cut-off Date is 29.55, 0.10 and 16.77 years, respectively.

#### *Purpose of Loan*

The following table shows whether the purpose of the initial Loan originated by Advantage Home Loans in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

<u>Use of Proceeds</u>	<u>Aggregate Current Balance as at the Cut-off Date (£)</u>	<u>% of Total</u>	<u>Number of Mortgage Accounts</u>	<u>% of Total</u>
Purchase	67,017,453.99	41.86%	516	40.50%
Remortgage	93,075,934.79	58.14%	758	59.50%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

#### *Buy to Let/Owner-Occupied Loans*

<u>Buy to Let/Owner-Occupied Loans</u>	<u>Aggregate Current Balance as at the Cut-off Date (£)</u>	<u>% of Total</u>	<u>Number of Mortgage Accounts</u>	<u>% of Total</u>
Owner-Occupied	160,093,388.78	100.00%	1,274	100.00%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

#### *Repayment Terms*

The following table shows the repayment terms for the Loans in a Mortgage Account as at the Cut-off Date.

<u>Repayment Terms</u>	<u>Aggregate Current</u>	<u>% of Total</u>	<u>Number of</u>	<u>% of Total</u>
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	<b>Balance as at the Cut-off Date (£)</b>		<b>Mortgage Accounts</b>	
Interest Only	125,076,400.28	78.13%	855	67.11%
Repayment	35,016,988.50	21.87%	419	32.89%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

**Original Valuation Method**

<b>Original Valuation Method</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Full	160,093,388.78	100.00%	1,274	100.00%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

**Product Types**

The following table shows the distribution of special rate loans as at the Cut-off Date.

<b>Product Type</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Libor	152,707,448.32	95.39%	1,216	95.45%
BBR	7,385,940.46	4.61%	58	4.55%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

**Libor-Linked Loans: Current Interest Rate**

<b>Libor</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
2% to <3%	85,366,228.08	55.90%	688	56.58%
3% to <4%	61,181,208.05	40.06%	479	39.39%
4% to <5%	5,888,539.61	3.86%	47	3.87%
5% to <6%	271,472.58	0.18%	2	0.16%
<b>Totals .....</b>	<b>152,707,448.32</b>	<b>100.00%</b>	<b>1,216</b>	<b>100.00%</b>

**BBR-Linked Loans: Current Interest Rate**

<b>BBR</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
2% to <3%	5,859,165.09	79.33%	42	72.41%
3% to <4%	1,125,699.52	15.24%	12	20.69%
4% to <5%	401,075.85	5.43%	4	6.90%
<b>Totals .....</b>	<b>7,385,940.46</b>	<b>100.00%</b>	<b>58</b>	<b>100.00%</b>



### *Previous CCJs*

The following table is based on a credit bureau agency test at the time of due diligence prior to acquisition of Advantage Home Loans portfolio by the Seller. The credit bureau agency test covered a 6 year period prior to the due diligence date.

<b>Previous CCJs</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	101,672,553.85	63.51%	806	63.27%
Yes	58,420,834.93	36.49%	468	36.73%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

### *Previous Bankruptcy(ies) / Individual Voluntary Arrangements*

The following table is based on a credit bureau agency test at the time of due diligence prior to acquisition of Advantage Home Loans portfolio by the Seller. The credit bureau agency test covered a 6 year period prior to the due diligence date.

<b>Bankruptcy / Individual Voluntary Arrangements</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	147,376,589.65	92.06%	1,180	92.62%
N/A	2,287,717.46	1.43%	16	1.26%
Yes	10,429,081.67	6.51%	78	6.12%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

### *Right to Buy*

<b>Right to Buy</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	153,096,553.22	95.63%	1,188	93.25%
Yes	6,996,835.56	4.37%	86	6.75%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

### *Income Verification*

<b>Income Verification</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Self-certified	90,603,772.66	56.59%	659	51.73%
Verified	69,489,616.12	43.41%	615	48.27%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

### *Employment Type*

<b>Employment Type</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
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Employed Full	91,661,020.86	57.25%	840	65.93%
Pensioner	2,253,709.83	1.41%	19	1.49%
Unemployed	840,517.77	0.53%	10	0.78%
Unknown	65,338,140.32	40.81%	405	31.79%
<b>Totals .....</b>	<b>160,093,388.78</b>	<b>100.00%</b>	<b>1,274</b>	<b>100.00%</b>

## LOANS ORIGINATED BY GMAC/HSH

### Summary Table

#### Originator: GMAC

Total Current Balance	£146,964,518
Total Original Balance	£157,604,837
Number of Borrowers	1,544
Number of Loans	1,615
Average Loan Balance	£91,000
W.A. OLTV	70.94%
W.A. CLTV	67.38%
W.A. Coupon	3.02%
W.A. Margin	2.51%
Interest-Only	66.30%
Buy To Let	0.54%
Right-to-buy	0.00%
First time buyers	13.30%
Self-certification	49.99%
Self-employed	0.00%

The following table shows the range of Current Balances originated by GMAC/HSH (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Cut-off Date.

Range of Current Balances*	Aggregate Current Balance as at the Cut-off Date (£)	% of Total	Number of Mortgage Accounts	% of Total
£0 – £24,999.99	372,381.85	0.25%	33	2.04%
£25,000 – £49,999.99	6,143,550.58	4.18%	199	12.32%
£50,000 – £74,999.99	21,401,728.81	14.56%	397	24.58%
£75,000 – £99,999.99	27,486,438.22	18.70%	348	21.55%
£100,000 – £124,999.99	28,679,954.33	19.51%	277	17.15%
£125,000 – £149,999.99	15,654,619.55	10.65%	121	7.49%
£150,000 – £174,999.99	13,340,382.89	9.08%	87	5.39%
£175,000 – £199,999.99	10,971,713.65	7.47%	60	3.72%
£200,000 – £299,999.99	17,229,089.61	11.72%	78	4.83%
£300,000 – £399,999.99	3,707,514.00	2.52%	11	0.68%
£400,000 – £499,999.99	1,337,001.92	0.91%	3	0.19%
£700,000 – £899,999.99	640,142.35	0.44%	1	0.06%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

\* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Loans originated by GMAC/HSH as of the Cut-off Date is £640,142.35, £184.19 and £90,999.70 respectively.

### ***Loan to Value Ratios at Origination***

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Loans originated by GMAC/HSB in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Cut-off Date based on the aggregate amount of the initial advances and any further advances on the later of the date of origination and the date of the further advance of the Loan divided by the value of the Property securing the Loans in the Mortgage Account either (i) as at that date or (ii) in the event there has been any variation in the mortgage contract, the date of such variation. The Seller has not revalued any of the mortgaged properties on acquisition of the relevant loan by the Seller or thereafter and the relevant mortgage property may therefore not have been revalued since the date of the origination of the related Loan other than in certain instances where additional lending has been applied for or advanced, and in certain product switch application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, other than as set out above, the revised valuation has not been used in formulating this data.

<b>Range of LTV Ratios at Origination*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	948,990.48	0.65%	38	2.35%
25% – 49.99%	13,646,751.01	9.29%	256	15.85%
50% – 74.99%	65,384,991.96	44.49%	711	44.02%
75% – 79.99%	23,648,579.35	16.09%	226	13.99%
80% – 84.99%	22,509,663.65	15.32%	205	12.69%
85% – 89.99%	13,825,170.75	9.41%	114	7.06%
90% – 94.99%	5,576,626.51	3.79%	47	2.91%
95% – 100%	724,124.55	0.49%	8	0.50%
>100%	699,619.50	0.48%	10	0.62%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and original weighted average Loan to Value Ratio as at the Cut-off Date of the Loans originated by GMAC/HSB in the Portfolio is 100.00 per cent., 10.63 per cent. and 70.94 per cent respectively.

### ***Current Loan to Value Ratios***

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan originated by GMAC/HSB as at the Cut-off Date by the original valuation of the Property securing that Loan at the same date.

<b>Range of Current LTV Ratios*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	2,291,909.42	1.56%	83	5.14%
25% – 49.99%	19,942,219.42	13.57%	340	21.05%
50% – 74.99%	71,600,929.48	48.72%	766	47.43%
75% – 79.99%	19,642,840.92	13.37%	159	9.85%
80% – 84.99%	15,892,376.47	10.81%	136	8.42%
85% – 89.99%	11,788,229.36	8.02%	87	5.39%
90% – 94.99%	4,736,847.48	3.22%	34	2.11%
95% – 99.99%	966,619.91	0.66%	8	0.50%

>100%	102,545.30	0.07%	2	0.12%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans originated by GMAC/HSB (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 101.78 per cent., 3.20 per cent. and 67.38 per cent respectively.

### Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan originated by GMAC/HSB as at the Cut-off Date by the indexed original valuation of the Property securing that Loan at the same date.

<b>Range of Current Indexed LTV Ratios* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	1,586,905.66	1.08%	60	3.72%
25% – 49.99%	14,259,437.12	9.70%	270	16.72%
50% – 74.99%	55,508,120.32	37.77%	615	38.08%
75% – 79.99%	18,257,960.69	12.42%	171	10.59%
80% – 84.99%	22,558,790.30	15.35%	187	11.58%
85% – 89.99%	16,964,631.32	11.54%	141	8.73%
90% – 94.99%	11,840,799.11	8.06%	108	6.69%
95% – 99.99%	4,954,437.17	3.37%	51	3.16%
>100%	1,033,436.07	0.70%	12	0.74%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

\* Indexed using the Nationwide House Price Index (seasonally adjusted) based on quarterly data as at 30 June 2013.

\*\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans originated by GMAC/HSB (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 120.08 per cent., 2.98 per cent. and 72.48% per cent respectively.

### Arrears Analysis of Non Repossessed Mortgage Accounts

<b>Month(s) in Arrears* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0	129,082,543.11	87.83%	1,432	88.67%
<1 month	17,241,185.22	11.73%	176	10.90%
1 month	640,789.43	0.44%	7	0.43%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

\* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an

arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. The resulting number of months in arrears is arrived at by dividing that difference (if any) by the amount of the required monthly payment.

\*\* No Loan which is more than one month in arrears will be sold to the Issuer by the Seller on the Closing Date

**Maximum Arrears status over the past two years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <1	106,560,634.74	72.51%	1,193	73.87%
1 to <2	20,858,812.81	14.19%	221	13.68%
2 to <3	7,292,642.99	4.96%	80	4.95%
>=3	12,252,427.22	8.34%	121	7.49%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

**Maximum Arrears status over the past five years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <1	76,715,828.47	52.20%	906	56.10%
1 to <2	27,006,338.07	18.38%	277	17.15%
2 to <3	10,870,409.52	7.40%	118	7.31%
>=3	32,371,941.70	22.03%	314	19.44%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (0-12 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 0 months from the Cut-off Date and finishing 12 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	145,825,091.62	99.22%	1,602	99.20%
100% to <200%	57,418.85	0.04%	1	0.06%
200% to <300%	276,429.90	0.19%	4	0.25%
>=300%	805,577.39	0.55%	8	0.50%
<b>Totals.....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (12-24 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the

increase in the Current Balance occurred is defined as starting 12 months from the Cut-off Date and finishing 24 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	138,334,788.92	94.13%	1,536	95.11%
100% to <200%	4,228,359.37	2.88%	34	2.11%
200% to <300%	1,396,211.58	0.95%	16	0.99%
>=300%	3,005,157.89	2.04%	29	1.80%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (24-36 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 24 months from the Cut-off Date and finishing 36 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	137,517,399.13	93.57%	1,524	94.37%
100% to <200%	4,226,464.51	2.88%	37	2.29%
200% to <300%	2,191,891.62	1.49%	24	1.49%
>=300%	3,028,762.50	2.06%	30	1.86%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (36-48 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 36 months from the Cut-off Date and finishing 148 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	135,816,994.09	92.41%	1,516	93.87%
100% to <200%	4,902,584.38	3.34%	41	2.54%
200% to <300%	2,389,420.14	1.63%	22	1.36%
>=300%	3,855,519.15	2.62%	36	2.23%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (48-60 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the

increase in the Current Balance occurred is defined as starting 48 months from the Cut-off Date and finishing 60 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% to <100%	121,834,392.51	82.90%	1,395	86.38%
100% to <200%	12,904,219.65	8.78%	99	6.13%
200% to <300%	4,514,385.35	3.07%	45	2.79%
>=300%	7,711,520.25	5.25%	76	4.71%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

### **Geographical Distribution**

The following table shows the distribution of Properties securing the Loans originated by GMAC/HSB throughout England, Wales and Scotland as at the Cut-off Date.

<b>Region</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
East Anglia	4,479,168.51	3.05%	46	2.85%
East Midlands	6,444,477.93	4.39%	84	5.20%
Greater London	19,413,367.08	13.21%	118	7.31%
North	5,533,776.97	3.77%	92	5.70%
North West	17,986,583.56	12.24%	252	15.60%
Scotland	10,616,366.76	7.22%	173	10.71%
South East	34,802,653.98	23.68%	274	16.97%
South West	11,765,099.07	8.01%	115	7.12%
Wales	8,797,231.81	5.99%	124	7.68%
West Midlands	15,697,080.60	10.68%	180	11.15%
Yorkshire Humber	11,428,711.49	7.78%	157	9.72%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

### **Seasoning of Loans**

The following table shows the number of months since the date of origination of the initial Loan originated by GMAC/HSB. The ages of the Loans in this table have been taken as at the Cut-off Date and are calculated with respect to the initial advance.

<b>Seasoning (months)</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
36 to 48	145,488.32	0.10%	3	0.19%
48 to 60	543,280.02	0.37%	8	0.50%
60 to 72	142,239,456.60	96.78%	1,549	95.91%
72 to 84	3,966,222.60	2.70%	54	3.34%
84 to 96	70,070.22	0.05%	1	0.06%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

The maximum, minimum and weighted average seasoning of Loans in the Portfolio as at the Cut-off Date is 95.78, 42.88 and 68.46 months, respectively.



### *Years to Maturity of Loans*

The following table shows the number of remaining years of the term of the Loans originated by GMAC/HSB in a Mortgage Account as at the Cut-off Date and are calculated with respect to the initial advance.

<b>Years to Maturity</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <5	9,080,990.35	6.18%	129	7.99%
5 to <10	19,239,150.02	13.09%	242	14.98%
10 to <15	38,792,100.84	26.40%	411	25.45%
15 to <20	67,442,840.21	45.89%	694	42.97%
20 to <25	12,354,159.40	8.41%	138	8.54%
25 to <30	55,276.94	0.04%	1	0.06%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

The maximum, minimum and weighted average remaining term of the Loans originated by GMAC/HSB in the Portfolio as at the Cut-off Date is 26.49, 0.05 and 15.31 years, respectively.

### *Purpose of Loan*

The following table shows whether the purpose of the initial Loan originated by GMAC/HSB in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

<b>Use of Proceeds</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Purchase	42,436,537.43	28.88%	476	29.47%
Remortgage	104,527,980.33	71.12%	1,139	70.53%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

### *Buy to Let/Owner-Occupied Loans*

<b>Buy to Let/Owner-Occupied Loans</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Buy to Let	789,820.28	0.54%	11	0.68%
Owner-Occupied	146,174,697.48	99.46%	1,604	99.32%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

### *Repayment Terms*

The following table shows the repayment terms for the Loans originated by GMAC/HSB in a Mortgage Account as at the Cut-off Date.

<b>Repayment Terms</b>	<b>Aggregate Current</b>	<b>% of Total</b>	<b>Number of</b>	<b>% of Total</b>
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	<b>Balance as at the Cut-off Date (£)</b>		<b>Mortgage Accounts</b>	
Interest Only	97,434,587.22	66.30%	852	52.76%
Repayment	49,529,930.54	33.70%	763	47.24%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

### *Original Valuation Method*

The GMAC loans were sold without supporting evidence on the valuations so retrospective AVMs were carried in the framework of this transaction. The AVM valuation is used unless the OLV calculated with the historical AVM valuation is lower than the OLV based on the original valuation by more than 10 percentage points. However, given the lack of supporting evidence, all GMAC loans are labelled as AVM.

<b>Original Valuation Method</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
AVM	146,964,517.76	100.00%	1,615	100.00%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

### *Product Types*

The following table shows the distribution of special rate loans as at the Cut-off Date.

<b>Product Type</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Libor	59,991,934.51	40.82%	657	40.68%
BBR	86,972,583.25	59.18%	958	59.32%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

### *Libor-Linked Loans: Current Interest Rate*

<b>Libor</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
2% to <3%	10,767,896.60	17.95%	143	21.77%
3% to <4%	41,944,096.58	69.92%	428	65.14%
4% to <5%	6,785,616.73	11.31%	81	12.33%
5% to <6%	366,620.21	0.61%	4	0.61%
6% to <7%	127,704.39	0.21%	1	0.15%
<b>Totals .....</b>	<b>59,991,934.51</b>	<b>100.00%</b>	<b>657</b>	<b>100.00%</b>

### *BBR-Linked Loans: Current Interest Rate*

<b>BBR</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
1% to <2%	214,298.78	0.25%	1	0.10%
2% to <3%	70,581,913.41	81.15%	773	80.69%
3% to <4%	15,594,297.97	17.93%	178	18.58%

4% to <5%	582,073.09	0.67%	6	0.63%
<b>Totals .....</b>	<b>86,972,583.25</b>	<b>100.00%</b>	<b>958</b>	<b>100.00%</b>

**Previous CCJs**

The following table is based on a credit bureau agency test at the time of due diligence prior to acquisition of GMAC/HSB portfolio by the Seller. The credit bureau agency test covered a 6 year period prior to the due diligence date."

<b>Previous CCJs</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	87,488,828.76	59.53%	916	56.72%
Yes	59,475,689.00	40.47%	699	43.28%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

**Previous Bankruptcy(ies) / Individual Voluntary Arrangements**

The following table is based on a credit bureau agency test at the time of due diligence prior to acquisition of GMAC/HSB portfolio by the Seller. The credit bureau agency test covered a 6 year period prior to the due diligence date."

<b>Bankruptcy / Individual Voluntary Arrangements</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	132,785,059.47	90.35%	1,409	87.24%
N/A	7,212,438.08	4.91%	145	8.98%
Yes	6,967,020.21	4.74%	61	3.78%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

**Right to Buy**

<b>Right to Buy</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	146,964,517.76	100.00%	1,615	100.00%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

**Income Verification**

<b>Income Verification</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Self-certified	73,473,166.98	49.99%	700	43.34%
Verified	73,491,350.78	50.01%	915	56.66%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

**Employment Type**

<b>Employment Type</b>	<b>Aggregate Current</b>	<b>% of Total</b>	<b>Number of</b>	<b>% of Total</b>
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	<b>Balance as at the Cut-off Date (£)</b>		<b>Mortgage Accounts</b>	
Employed Full	100,093,265.96	68.11%	1,194	73.93%
Other	1,096,165.44	0.75%	13	0.80%
Pensioner	950,388.46	0.65%	16	0.99%
Unemployed	55,980.58	0.04%	1	0.06%
Unknown	44,768,717.32	30.46%	391	24.21%
<b>Totals .....</b>	<b>146,964,517.76</b>	<b>100.00%</b>	<b>1,615</b>	<b>100.00%</b>

## LOANS ORIGINATED BY CCFS

### Summary Table

#### Originator: CCFS

Total Current Balance	£104,870,723
Total Original Balance	£107,613,831
Number of Borrowers	934
Number of Loans	934
Average Loan Balance	£112,281
W.A. OLTV	72.32%
W.A. CLTV	70.73%
W.A. Coupon	5.55%
W.A. Margin	5.32%
Interest-Only	19.11%
Buy To Let	18.61%
Right-to-buy	0.00%
First time buyers	0.32%
Self-certification	0.00%
Self-employed	29.35%

The following table shows the range of Current Balances originated by CCFS (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Cut-off Date.

<b>Range of Current Balances*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
£25,000 – £49,999.99	1,832,155.63	1.75%	49	5.25%
£50,000 – £74,999.99	12,362,184.30	11.79%	201	21.52%
£75,000 – £99,999.99	17,573,382.41	16.76%	208	22.27%
£100,000 – £124,999.99	16,323,782.21	15.57%	150	16.06%
£125,000 – £149,999.99	15,009,288.22	14.31%	113	12.10%
£150,000 – £174,999.99	11,823,164.74	11.27%	75	8.03%
£175,000 – £199,999.99	9,943,037.09	9.48%	54	5.78%
£200,000 – £299,999.99	17,997,646.95	17.16%	78	8.35%
£300,000 – £399,999.99	1,562,743.43	1.49%	5	0.54%
£400,000 – £499,999.99	443,337.89	0.42%	1	0.11%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

\* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Loans originated by CCFS as of the Cut-off Date is £443,337.89, £23,240.08 and £112,281.29 respectively.

### Loan to Value Ratios at Origination

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Loans originated by CCFS in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Cut-off Date based on the aggregate amount of the initial advances and any further advances on the later of the date of origination and the date of the further

advance of the Loan divided by the value of the Property securing the Loans in the Mortgage Account either (i) as at that date or (ii) in the event there has been any variation in the mortgage contract, the date of such variation. The Seller has not revalued any of the mortgaged properties on acquisition of the relevant loan by the Seller or thereafter and the relevant mortgage property may therefore not have been revalued since the date of the origination of the related Loan other than in certain instances where additional lending has been applied for or advanced, and in certain product switch application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, other than as set out above, the revised valuation has not been used in formulating this data.

<b>Range of LTV Ratios at Origination*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	1,431,825.64	1.37%	25	2.68%
25% – 49.99%	7,430,077.11	7.08%	96	10.28%
50% – 74.99%	32,545,887.68	31.03%	308	32.98%
75% – 79.99%	23,131,800.07	22.06%	185	19.81%
80% – 84.99%	32,349,703.38	30.85%	263	28.16%
85% – 89.99%	7,981,428.99	7.61%	57	6.10%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The original maximum, minimum and weighted average Loan to Value Ratio as at the Cut-off Date of the Loans in the Portfolio originated by CCFS is 87.31 per cent., 9.18 per cent. and 72.32 per cent respectively.

#### **Current Loan to Value Ratios**

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan originated by CCFS as at the Cut-off Date by the original valuation of the Property securing that Loan at the same date.

<b>Range of Current LTV Ratios*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	1,593,619.32	1.52%	29	3.10%
25% – 49.99%	8,240,483.98	7.86%	106	11.35%
50% – 74.99%	39,494,162.89	37.66%	357	38.22%
75% – 79.99%	32,636,583.35	31.12%	252	26.98%
80% – 84.99%	19,005,877.08	18.12%	160	17.13%
85% – 89.99%	3,899,996.25	3.72%	30	3.21%
<b>Totals.....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans originated by CCFS (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 86.73 per cent., 6.93 per cent. and 70.73 per cent respectively.

### Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan originated by CCFS as at the Cut-off Date by the indexed original valuation of the Property securing that Loan at the same date.

<b>Range of Current Indexed LTV Ratios* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0% – 24.99%	1,593,619.32	1.52%	29	3.10%
25% – 49.99%	8,349,097.39	7.96%	106	11.35%
50% – 74.99%	42,897,378.01	40.91%	378	40.47%
75% – 79.99%	32,204,243.12	30.71%	255	27.30%
80% – 84.99%	17,037,698.53	16.25%	144	15.42%
85% – 89.99%	2,788,686.50	2.66%	22	2.36%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

\* Indexed using the Nationwide House Price Index (seasonally adjusted) based on quarterly data as at 30 June 2013.

\*\* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Cut-off Date of all the Loans originated by CCFS (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 88.15 per cent., 6.91 per cent. and 70.25 per cent respectively.

### Arrears Analysis of Non Repossessed Mortgage Accounts

<b>Month(s) in Arrears* **</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0	103,407,322.69	98.60%	921	98.61%
<1 month	972,089.62	0.93%	8	0.86%
1 month	491,310.56	0.47%	5	0.54%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

\* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. The resulting number of months in arrears is arrived at by dividing that difference (if any) by the amount of the required monthly payment.

\*\* No Loan which is more than one month in arrears will be sold to the Issuer by the Seller on the Closing Date.

**Maximum Arrears status over the past two years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0	103,539,468.77	98.73%	922	98.72%
0 to <1	1,331,254.10	1.27%	12	1.28%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Maximum Arrears status over the past five years**

<b>Month(s) in Arrears*</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0	103,539,468.77	98.73%	922	98.72%
0 to <1	1,331,254.10	1.27%	12	1.28%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (0-12 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 0 months from the Cut-off Date and finishing 12 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0%	104,870,722.87	100.00%	934	100.00%
<b>Totals.....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (12-24 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 12 months from the Cut-off Date and finishing 24 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0%	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Balance Increase as per cent. of scheduled monthly payment (24-36 months)**

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 24 months from the Cut-off Date and finishing 36 months from the Cut-off Date.



<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0%	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (36-48 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 36 months from the Cut-off Date and finishing 48 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0%	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

***Balance Increase as per cent. of scheduled monthly payment (48-60 months)***

The following table shows the increase in the Current Balance of the Loans as a percentage of the scheduled monthly payment applicable at the time of the increase in the Current Balance. The period in which the increase in the Current Balance occurred is defined as starting 48 months from the Cut-off Date and finishing 60 months from the Cut-off Date.

<b>Balance Increase as % of scheduled monthly payment</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0%	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

***Geographical Distribution***

The following table shows the distribution of Properties securing the Loans originated by CCFS throughout England, Wales and Scotland as at the Cut-off Date.

<b>Region</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
East Anglia	7,286,321.54	6.95%	57	6.10%
East Midlands	8,422,366.67	8.03%	90	9.64%
Greater London	8,151,282.36	7.77%	49	5.25%
North	4,833,998.60	4.61%	47	5.03%
North West	13,641,150.75	13.01%	140	14.99%
Scotland	7,215,425.91	6.88%	75	8.03%
South East	24,551,444.75	23.41%	167	17.88%
South West	8,419,868.21	8.03%	69	7.39%
Wales	4,245,520.57	4.05%	54	5.78%
West Midlands	9,726,055.29	9.27%	90	9.64%
Yorkshire Humber	8,377,288.22	7.99%	96	10.28%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

### *Seasoning of Loans*

The following table shows the number of months since the date of origination of the initial Loan. The ages of the Loans originated by CCFS in this table have been taken as at the Cut-off Date and are calculated with respect to the initial advance.

<b>Seasoning (months)</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to 12	70,486,125.17	67.21%	611	65.42%
12 to 24	32,217,416.61	30.72%	301	32.23%
24 to 36	2,167,181.09	2.07%	22	2.36%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

The maximum, minimum and weighted average seasoning of Loans originated by CCFS in the Portfolio as at the Cut-off Date is 34.20, 2.01 and 9.68 months, respectively.

### *Years to Maturity of Loans*

The following table shows the number of remaining years of the term of the Loans originated by CCFS in a Mortgage Account as at the Cut-off Date and are calculated with respect to the initial advance.

<b>Years to Maturity</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
0 to <5	614,464.10	0.59%	7	0.75%
5 to <10	5,763,810.82	5.50%	73	7.82%
10 to <15	17,377,466.68	16.57%	166	17.77%
15 to <20	25,918,954.26	24.72%	250	26.77%
20 to <25	38,372,802.21	36.59%	308	32.98%
25 to <30	16,823,224.80	16.04%	130	13.92%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

The maximum, minimum and weighted average remaining term of the Loans in the Portfolio originated by CCFS as at the Cut-off Date is 29.83, 4.26 and 20.16 years, respectively.

### *Purpose of Loan*

The following table shows whether the purpose of the initial Loan originated by CCFS in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

<b>Use of Proceeds</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Purchase	68,127,591.13	64.96%	570	61.03%
Remortgage	36,743,131.74	35.04%	364	38.97%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Buy to Let/ Owner-Occupied Loans**

<b>Buy to Let/Owner-Occupied Loans</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Buy to Let	19,518,416.79	18.61%	177	18.95%
Owner-Occupied	85,352,306.08	81.39%	757	81.05%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Repayment Terms**

The following table shows the repayment terms for the Loans originated by CCFS in a Mortgage Account as at the Cut-off Date.

<b>Repayment Terms</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Interest Only	20,040,134.53	19.11%	173	18.52%
Repayment	84,830,588.34	80.89%	761	81.48%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Original Valuation Method**

<b>Original Valuation Method</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Full	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Product Types**

The following table shows the distribution of special rate loans as at the Cut-off Date.

<b>Product Type</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Libor	46,750,246.95	44.58%	390	41.76%
Fixed	58,120,475.92	55.42%	544	58.24%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Libor-Linked Loans: Current Interest Rate**

<b>Libor</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
4% to <5%	23,332,639.91	49.91%	199	51.03%
5% to <6%	18,795,198.62	40.20%	151	38.72%
6% to <7%	4,522,672.63	9.67%	39	10.00%
7% to <8%	99,735.79	0.21%	1	0.26%
<b>Totals .....</b>	<b>46,750,246.95</b>	<b>100.00%</b>	<b>390</b>	<b>100.00%</b>

**Fixed-Rate Loans: Current Interest Rate**

<b>Fixed</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
5% to <6%	39,594,861.47	68.13%	387	71.14%
6% to <7%	16,195,100.31	27.86%	135	24.82%
7% to <8%	2,330,514.14	4.01%	22	4.04%
<b>Totals .....</b>	<b>58,120,475.92</b>	<b>100.00%</b>	<b>544</b>	<b>100.00%</b>

**Previous CCJs**

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

<b>Previous CCJs</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	82,458,042.76	78.63%	732	78.37%
Yes	22,412,680.11	21.37%	202	21.63%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Previous Bankruptcy(ies) / Individual Voluntary Arrangements**

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

<b>Bankruptcy / Individual Voluntary Arrangements</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Right to Buy**

<b>Right to Buy</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
No	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Income Verification**

<b>Income Verification</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Verified	104,870,722.87	100.00%	934	100.00%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

**Employment Type**

<b>Employment Type</b>	<b>Aggregate Current Balance as at the Cut-off Date (£)</b>	<b>% of Total</b>	<b>Number of Mortgage Accounts</b>	<b>% of Total</b>
Employed Full	73,672,252.91	70.25%	691	73.98%
Other	77,364.44	0.07%	1	0.11%
Self-employed	30,781,156.07	29.35%	238	25.48%
Unemployed	274,272.41	0.26%	3	0.32%
Unknown	65,677.04	0.06%	1	0.11%
<b>Totals .....</b>	<b>104,870,722.87</b>	<b>100.00%</b>	<b>934</b>	<b>100.00%</b>

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Mortgage Sale Agreement

#### *Portfolio*

Under the Mortgage Sale Agreement, on the Closing Date the Issuer will pay the Initial Consideration to the Seller and:

- (a) a portfolio of English and Welsh residential mortgage loans and their associated mortgages (the **English Mortgages**) and other Related Security (together, the **English Loans**) will become subject to a bare trust (the **CCA Trust**) declared by the Seller in favour of the Issuer, and will be held by the Seller on bare trust for the Issuer until such time as the Issuer notifies the Seller that the Issuer has obtained the requisite licence under the CCA (the **Effective Date**); and
- (b) the Seller will hold on trust under the Scottish Declaration of Trust a portfolio of Scottish residential mortgage loans for the benefit of the Issuer (together, the **Scottish Loans** and together with the above portfolio of English and Welsh residential mortgage loans, the **Loans**) and associated first ranking standard securities (the **Scottish Mortgages** and together with the English Mortgages, the **Mortgages** and, together with the other security for the Loans, the **Related Security**)

in each case referred to as the sale by the Seller to the Issuer of the Loans and Related Security.

Upon the occurrence of the Effective Date, those English Loans and the English Mortgages and their Related Security will be assigned by way of equitable assignment to the Issuer and the Scottish Loans and the Scottish Mortgages and their Related Security will continue to be held on trust pursuant to the Scottish Declaration of Trust or any further Scottish Declaration of Trust executed pursuant to the Mortgage Sale Agreement, in each case referred to as the **sale** by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the **Portfolio**.

The consideration due to the Seller in respect of the sale of the Portfolio is payable on the Closing Date and is the aggregate of:

- (a) an amount equal to 99.88% of the Current Balance of the Loans in the Closing Date Portfolio determined as at close of business on 30 September 2013 (the **Initial Consideration**) and
- (b) deferred consideration consisting of Residual Payments in respect of the Portfolio pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates issued by the Issuer to the Seller on the Closing Date.

Any Residual Payment payable pursuant to the Residual Certificates will be paid (subject to the relevant Interest Payment Date not falling in a Determination Period) in accordance with the priority of payments set out in the section headed "*Cashflows — Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*" and "*Cashflows – Distribution of Available Redemption Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer*" below.

#### *Title to the Mortgages, registration and notifications*

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

The transfers to the Issuer will be completed on or before the 20th Business Day after the later to occur of the Effective Date and the earliest to occur of the following:

- (a) the Seller being required to perfect legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Seller or by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security; or
- (b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy; or
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event,

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

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

- (a) an order is made or an effective resolution passed for the winding up of the Seller; or
- (b) the Seller stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Seller or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the Seller is unable to pay its debts as they fall due.

If any of the Perfection Events described above occurs prior to the Effective Date, the Seller shall send written notice to each Borrower in respect of a Loan informing such Borrower of, *inter alia*, the interests of the Issuer in such Loan and its Related Security pursuant to the CCA Trust or (as applicable) the relevant Scottish Declaration of Trust. Legal assignment or assignation of the Loans (which, in respect of the Scottish Loans, would involve executing assignations of the Scottish Loans) and notice of the legal assignment or assignation will be given to the Borrowers upon the Issuer having obtained a CCA licence. The Issuer is currently in the process of obtaining such a licence.

The Title Deeds and Loan Files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the Title Deeds and Loan Files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

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

On the Closing Date, the Representations and Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer.

No searches, enquiries or independent investigations have been made by the Issuer, the Security Trustee or the Note Trustee, each of whom is relying on the representations and warranties. See further the risk factor entitled "*Searches, Investigations and Warranties*" above.

If the Seller elects to accept an application from or makes an offer (which is accepted) to a Borrower for a Product Switch or Further Advance, the Seller will be obliged to repurchase such Loan and its Related Security from the Issuer in accordance with the provisions of the Mortgage Sale Agreement prior to making any such Further Advance or Product Switch.

### *Representations and Warranties*

The warranties (the **Loan Warranties**, and each a **Loan Warranty**) that will be given on the Closing Date to the Issuer and separately to the Security Trustee by OSB pursuant to the Mortgage Sale Agreement include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the Mortgage Sale Agreement) and see also "*Insurance Contracts*" above:

- (a) each Loan was acquired by the Seller and was denominated in pounds Sterling upon origination and may not be changed by the relevant Borrower to any other currency;
- (b) the particulars of the Loans set out in exhibit 2 to the Mortgage Sale Agreement were complete, true and accurate in respect of the data fields described in the Mortgage Sale Agreement as of the relevant cut-off date;
- (c) each Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect (other than in cases where the Issuer's prior consent was obtained);
- (d) all of the Borrowers are individuals;
- (e) the rate of interest under each Loan is charged monthly in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto;
- (f) at least one monthly interest payment due in respect of each Loan have been paid by the relevant Borrower;
- (g) no Borrower, Mortgagor or guarantor is an employee or director of OSB;
- (h) no Loan is a Flexible Loan;
- (i) each Loan is either a Fixed Rate Loan or a Floating Rate Loan;
- (j) each Loan has a term ending no later than three years earlier than the Final Maturity Date;
- (k) no Underpayments or Payment Holidays have been granted by the Seller in respect of any Loan as at the Cut-off Date;
- (l) the amount outstanding under each Loan is a valid debt to OSB from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the



courts' discretion in relation to equitable remedies and (ii) the warranty does not apply in relation to any redemption fees or other charges that may be payable;

- (m) subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry or (as applicable) the Registers of Scotland (and, in those cases, there is nothing to prevent that registration or recording being effected), the whole of the Current Balance on each Loan is secured by a Mortgage or Mortgages over a residential property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or (in Scotland) a first ranking standard security except in so far as there is a prior statutory charge or standard security (as the case may be) where the relevant Loan is a Right to Buy Loan for which the Seller and the relevant Borrower have the benefit of Right to Buy Insurance;
- (n) no Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, OSB has complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made pursuant thereto;
- (o) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140D of the CCA;
- (p) there are no outstanding obligations to make any Further Advances (excluding any Retentions) to any Borrower;
- (q) other than in relation to Buy to Let Loans, in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy;
- (r) in relation to any leasehold Property, in any case where OSB has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, OSB has taken such reasonable steps (if any) and in such time as would be taken by a reasonable prudent residential mortgage lender lending to borrowers in England, Wales and Scotland (a **Reasonable, Prudent Mortgage Lender**) to protect its security and the Loan;
- (s) no Loan is currently repayable in a currency other than Sterling;
- (t) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was £10,000 or more but less than £1,000,000;
- (u) in the case of each Loan, the relevant Originator caused to be made on its behalf a valuation of the relevant Property by a valuer approved by such Originator (being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers for the valuation of a Property, (a **Valuer**) or by an automated valuation model and a Valuation Report was obtained;
- (v) all of the Properties are residential (including those in relation to which the relevant Mortgage is a Buy to Let Loan) and located in England, Wales and Scotland;
- (w) no Loan is more than one month in arrears;
- (x) prior to making a Loan to a Borrower, the relevant Originator received a Certificate of Title from solicitors or conveyancers relating to such Property and the results thereof were such as would be acceptable to a Reasonable Prudent Mortgage Lender in order to proceed with the Loan;
- (y) in relation to each Mortgage other than Scottish Mortgages, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any

encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

- (i) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (z) in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free from any encumbrance (save for the Scottish Mortgage and any subsequent ranking standard security) which would materially adversely affect such title and, without limiting the foregoing, in the case of a long leasehold Property:
- (i) any requisite consent of the landlord to, or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (ii) the terms of the lease would, at the time of origination, have been acceptable to a Reasonable, Prudent Mortgage Lender;
- (aa) OSB's title to each Mortgage has been perfected in all cases except in relation to Mortgages which have been originated within two months of the Cut-off Date by Charter Court Financial Services Limited, in relation to which, if OSB's title has not already been perfected, OSB are currently in the process with all due diligence of registering or recording title in their name and OSB is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
- (bb) no Loan or Related Security is subject to any right of rescission, set off, lien, counterclaim or defence and there are no outstanding claims by OSB in respect of any material breaches of the terms of any Loan;
- (cc) OSB has not waived any of its rights under or in relation to a Loan or Related Security which would materially reduce the value of the Loan;
- (dd) the terms of the Loan Agreement or Related Security relating to each Loan are not "unfair terms" within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- (ee) in relation to each English Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to the relevant Originator as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower, an approved tenant in the case of Buy-to-Let Loans or has signed a Deed of Consent so as to ensure that the relevant Property is not subject to any right of occupancy. In relation to each Scottish Mortgage relating to a Loan, 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;
- (ff) the Mortgage Conditions for each Property require the relevant Property to be insured to an amount not less than the full reinstatement cost as determined by the relevant valuer or automated valuation model (as applicable);

- (gg) save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be) all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by OSB or the Servicer and the title deeds held at the Land Registry or the Registers of Scotland (as the case may be) are held on the basis that any such title deeds shall be returned to OSB or the Servicer or its solicitors or agents;
- (hh) OSB has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at the Land Registry or the Registers of Scotland (as the case may be) of OSB as proprietor or heritable creditor of the relevant Mortgage;
- (ii) OSB has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on OSB's legal and beneficial title to any Loan or Related Security;
- (jj) OSB has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- (kk) OSB has at all relevant times held and continues to hold (i) a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England, Wales and Scotland; and (ii) a registration under the Data Protection Act 1998 or equivalent;
- (ll) all formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their related Mortgages and the other Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken (except that the Issuer has applied for, but not yet obtained, a licence under the Consumer Credit Act 1974);
- (mm) OSB or the Servicer has, since OSB acquired the Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of OSB or the Servicer;
- (nn) OSB has at all relevant times held and continues to hold authorisation and appropriate permissions from the UK Regulator for conducting all regulated activities specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;
- (oo) OSB has complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loan and Related Security, in particular the provisions of MCOB as amended from time to time;
- (pp) having made due enquiry of the Servicer, so far as OSB is aware, no Borrower has made any complaint and there is no pending or threatened action or proceeding by an applicant against OSB or the Servicer in respect of the Loans or Related Security which would have a material adverse effect on amounts recoverable in relation to the Loans;
- (qq) in respect of each Buy to Let Loan:
  - (i) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 (an **Assured Shorthold Tenancy**) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (a **Short Assured Tenancy**) for a fixed term not more than 12 months or, where the Housing Act 1988 or, as applicable, the Housing (Scotland) Act 1988 does not apply to the tenancy, a tenancy agreement on terms no less favourable to the Seller as would be the case if the tenancy had been an Assured Shorthold

Tenancy or, as the case may be, a Short Assured Tenancy (an **Other Tenancy Agreement** ) and together with the Assured Shorthold Tenancies and the Short Assured Tenancies, the **Existing Tenancy Agreements**)) and (ii) the Seller is not aware of any material breach of such Existing Tenancy Agreements;

(ii) as far as the Seller is aware, the relevant Originator caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except for Self-Certified Loans) of the relevant Property by a Valuer in all material respects in accordance with the Lending Criteria or by an automated valuation model;

(iii) the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance, any subsequent ranking mortgage and subject to any Existing Tenancy Agreements) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

(A) the lease cannot be forfeited on the bankruptcy of the tenant;

(B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and

(C) a copy of the consent or notice has been or will be placed with the Title Deeds;

(iv) In relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free from any encumbrance (save for the Scottish Mortgage and any subsequent ranking standard security and subject to any Existing Tenancy Agreements) which would materially adversely affect such title and, without limiting the foregoing, in the case of a long leasehold Property:

(A) any requisite consent of the landlord to, or notice to the landlord of, the creation of the Related Security has been obtained or given; and

(B) the terms of the lease would, at the time of origination, have been acceptable to a Reasonable, Prudent Mortgage Lender.

(v) the Seller has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry of the Seller as proprietor or registered owner or heritable creditor of the relevant Mortgage;

(rr) As far as the Seller is aware, in relation to a Loan which is a Right to Buy Loan, either (X):

(i) the relevant originator was at the time of origination of that Loan an approved lending institution or, as the case may be, a recognised lending institution within the meaning given to that expression in the 1985 Act or the 1987 Act or had adequate title insurance to protect against such risk;

(ii) the original advance was made to the person exercising the right to buy; and

(iii) the original advance was made for the purposes of enabling the recipient thereof to purchase the relevant Property,

or (Y) the Seller has the benefit of Right to Buy Insurance in respect of such Right to Buy Loan;

- (ss) OSB has created and maintained all records in respect of the Mortgages in accordance with the UK Regulator's Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
- (tt) no Loan or Related Security is cancellable under the Financial Services (Distance Marketing) Regulations (2004) (as amended) or under any other applicable law;
- (uu) each Loan sold by OSB to the Issuer pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan, a "financial asset" as defined in: (i) United Kingdom Financial Reporting Standard 25 (**FRS 25**) (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with FRS 25); or (ii) International Accounting Standard 32 (**IAS 32**) (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with IAS 32);
- (vv) no Related Security consists of stock or marketable securities (in either case for the purposes of Section 125 of the Finance Act 2003), chargeable securities (for the purposes of Section 99 of the Finance Act 1986) or a chargeable interest for the purposes of Section 48 of the Finance Act 2003;
- (ww) neither the Seller, nor (so far as OSB is aware), the relevant Originator or any other person who has held title in any Loan, has 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;
- (xx) so far as OSB is aware, no fraud, misrepresentation or concealment has been perpetrated in respect of any Loan by:
  - (i) any person who prepared a valuation of a Property; or
  - (ii) any solicitors who acted for the relevant Originator in relation to any Loan; or
  - (iii) any insurance broker or agent in relation to any insurance contract relating to a Loan; or
  - (iv) any Borrower of any Loan; or
  - (v) any other party within the knowledge of OSB,

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;
- (yy) as at the Cut-off Date, no Borrower under a Loan also holds a savings account with OSB.

Neither the Security Trustee, the Arranger nor any Lead Manager has undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the warranties referred to above which will be made by OSB to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

The Seller will additionally undertake that no Underpayment or Payment Holiday will be offered or any offer to repay a Mortgage at a discount will be made to any Borrower following the Closing Date.

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

**Certificate of Title** means a solicitor's, licensed or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the pro forma set out in the Standard Documentation

**Closing Date Portfolio** means the portfolio that will be sold to the Issuer on the Closing Date and which will be randomly selected from the Cut-off Date Portfolio (following the removal of Loans that do not comply with Loan Warranty (w) that no Loan is more than one month in arrears and any other Loan in relation to which it is discovered there has been a breach of a Loan Warranty);

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

**Flexible Loans** means loans where the borrower has exercisable redraw rights under the relevant loan;

**Floating Rate Loan** means a Loan or any sub-account(s) of such Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the outstanding principal balance is subject to a variable interest rate;

**Interest-only Loan** means a Loan where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term.

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

**Mortgage Conditions** means all the terms and conditions applicable to a Loan, including without limitation those set out in the relevant mortgage conditions booklet and the relevant general conditions of the relevant Originator, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

**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 1985 Act or the 1987 Act, as applicable;

**Self-Certified Loans** means those Loans in the Portfolio in respect of which income and employment details of the relevant Borrower are not substantiated by supporting documentation;

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

**UK Regulator** means:

- (a) in respect of the period before 1 April 2013, the FSA; and
- (b) in respect of the period on or after 1 April 2013;
  - (i) the FCA; or
  - (ii) the PRA and the FCA,

as applicable;

**UK Regulator's Rules** means the rules made by the UK Regulator under the FSMA;

**Underpayments or Payment Holidays** means any underpayment and payment holiday feature of a product where the borrower who is not in arrears can apply to defer one or more monthly payments or apply to underpay; and

**Valuation Report** means in respect of a Property secured by a Mortgage, a valuation report obtained in connection with the origination of the relevant Loan from a qualified valuer of such experience or qualification as would be acceptable to a Reasonable Prudent Mortgage Lender, the contents of which were such as would be acceptable to a Reasonable Prudent Mortgage Lender.

*Repurchase by the Seller for breach of Loan Warranties*

The Seller shall pursuant to the terms of the Mortgage Sale Agreement, repurchase the relevant Loans and their Related Security if it is determined that a Loan sold to the Issuer on the Closing Date had materially breached any of the Loan Warranties. Where such breach has not been remedied by the Seller within 30 days of receiving notice of such breach from the Issuer, then the Issuer shall serve a notice on the Seller (the **Loan Repurchase Notice**) requiring the Seller to repurchase such Loan (i) on the Monthly Pool Date immediately following the calendar month in which the Seller received such Loan Repurchase Notice or (ii) such other date as the Issuer may direct in the Loan Repurchase Notice (provided that the date so specified by the Issuer shall not be later than thirty (30) days after receipt by the Seller of receipt of the Loan Repurchase Notice). The repurchase price for such Loan shall be equal to its Current Balance determined as at such Monthly Pool Date.

*Further Advances and Product Switches – Repurchase by the Seller*

As used in this Prospectus, **Initial Advance** means all amounts advanced by the Seller to a Borrower under a Loan other than a Further Advance.

**Further Advance** means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

The Servicer will, pursuant to the terms of the Servicing Agreement, inform the Seller if a Borrower requests a Further Advance or a Product Switch. If the Seller elects to offer the relevant Borrower a Further Advance or a Product Switch, the Seller shall, prior to making the Further Advance or Product Switch repurchase the relevant Loan at its then Current Balance (i) on the Monthly Pool Date immediately following the calendar month in which the Seller has indicated an intention to make a Further Advance or a Product Switch to the relevant Borrower or (ii) such other date as the Issuer may direct in the Loan Repurchase Notice (provided that (i) the date so specified by the Issuer shall not be later than thirty (30) days after receipt by the Seller of receipt of the Loan Repurchase Notice and (ii) the Loan and its Related Security must be repurchased by the Seller before the relevant Product Switch or Further Advance, as applicable, is completed). Neither the Servicer nor the Seller shall make an offer to a Borrower for a Further Advance if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

**Product Switches:** The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. Any Loan which has been subject to a Product Switch must be repurchased by the Seller at its then Current Balance on the Monthly Pool Date immediately following the calendar month in which the Product Switch was made in accordance with the Mortgage Sale Agreement.

The Seller (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Switch. Neither the Servicer nor the Seller shall make an offer to a Borrower for a Product Switch if it

would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

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

- (a) agreed with a Borrower to control or manage arrears on the Loan;
- (b) in the maturity date of the Loan unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes;
- (c) imposed by statute; or
- (d) in the frequency with which the interest payable in respect of the Loan is charged.

*Repurchase by the Seller for High Deposit Loans*

On each Calculation Date, the Seller shall determine whether any Borrower as at the immediately preceding Monthly Period End Date had a deposit account with the Seller where the balance of such deposit account was in excess of £85,000 (or such other amount as set by the Financial Services Compensation Scheme from time to time) before notice of transfer of the legal ownership of that Borrower's Loan to either the Issuer or another third party is given (any such Borrower a **High Deposit Borrower** and the relevant Loan, a **High Deposit Loan**). The Seller shall send notice to the Issuer, the Cash Manager and the Rating Agencies of any such High Deposit Loan(s) and the amount held on deposit by the relevant High Deposit Borrower with the Seller as at the immediately preceding Monthly Period End Date.

The Seller shall, pursuant to the terms of the Mortgage Sale Agreement, be required to repurchase any High Deposit Loan from the Issuer (i) on the Monthly Pool Date immediately following the calendar month in which the Seller has determined that a Loan is a High Deposit Loan or (ii) such other date as the Issuer may direct in the Loan Repurchase Notice (provided that the date so specified by the Issuer shall not be later than thirty (30) days after receipt by the Seller of such notice). The repurchase price for such Loan shall be equal to its Current Balance determined as at such Monthly Pool Date.

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

**Calculation Date** means the 7th Business Day of January, April, July and October or if such day is not a Business Day, the next following Business Day.

**Collection Period** means the quarterly period commencing on and including the Collection Period Start Date and ending on and including the last calendar day before the immediately following Collection Period Start Date (for the avoidance of doubt, the first Collection Period will commence on 1 October 2013 and end on 31 December 2013).

**Collection Period Start Date** means the 1st of January, April, July and October (for the avoidance of doubt, the first Collection Period Start Date will be 1 October 2013 and the second Collection Period Start Date will be 1 January 2014).

**Collection Period End Date** means the last day of the calendar quarter immediately preceding the immediately following Calculation Date.

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



- (a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,

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

**MH/CP Documentation** means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or property secured thereby.

**Monthly Period** means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month (for the avoidance of doubt the first Monthly Period will commence on 1 October 2013 and end on the last calendar day of October 2013).

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

**Monthly Pool Date** means (a) the first day of the calendar month immediately following each Monthly Period End Date where the first day of the calendar month is not a Saturday or a Sunday, (b) the second day of the calendar month immediately following each Monthly Period End Date where the first day of the calendar month is a Sunday, or (c) the third day of the calendar month immediately following each Monthly Period End Date where the first day of the calendar month is a Saturday.

**Mortgage** means in respect of any English Loan each first fixed charge by way of legal mortgage or in respect of any Scottish Loan each first ranking standard security which is, or is to be, sold, assigned or transferred by the Seller to the Issuer pursuant to the Mortgage Sale Agreement (or in respect of each English Mortgage prior to the Effective Date, held upon the CCA Trust) or, in respect of a Scottish Mortgage, the Scottish Declaration of Trust which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

**Mortgage Deed** means, in respect of any Mortgage, the deed in written form creating that Mortgage (being in respect of any Scottish Loans, a standard security).

**Property** means (in England and Wales) a freehold, leasehold or commonhold property or (in Scotland) a heritable property or property held under a long lease, which is, in each case, subject to a Mortgage.

**Related Security** means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement.

**Right to Buy Loan** means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under section 156 of the

Housing Act 1985 (the **1985 Act**) excluding however such Loans in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired (in the case of English Mortgages) or the Housing (Scotland) Act 1987 (as amended the **1987 Act**) (in the case of Scottish Mortgages) excluding however any such Loans in respect of which the period during which the standard security in favour of the seller of the Property referred to in section 72 of the 1987 Act is of effect has expired.

**Scottish Mortgage** means a first ranking standard security over a Property located in Scotland.

**Scottish Transfers** means in relation to Scottish Mortgages title to which is recorded or registered in the General Register of Sasines or the Land Register of Scotland, an assignation thereof granted by the Seller in favour of the Issuer pursuant to the Mortgage Sale Agreement in substantially the relevant form scheduled thereto.

#### *Governing Law*

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law (other than certain aspects relating to the Scottish Loans and their Related Security which are governed by Scots law).

#### **Servicing Agreement**

##### *Introduction*

The Issuer, the Security Trustee, the Seller and the Servicer will enter into the Servicing Agreement (the **Servicing Agreement**) on or about the Closing Date.

On or about the Closing Date, the Servicer will be appointed by the Issuer, and for so long as the Loans are subject to the CCA Trust, the Seller in its capacity as trustee of the CCA Trust acting on the instructions of the Issuer, and, in the case of Scottish Loans for so long as they are subject to the trust created by the Scottish Declaration of Trust (the **Scottish Trust**), the Seller in its capacity as trustee in respect of the Scottish Trust to be its agent to service the Loans and their Related Security. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

##### *Powers*

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power to service the Portfolio in accordance with the servicing specification set out in the Servicing Agreement.:

##### *Undertakings by the Servicer*

The Servicer has undertaken, among other things, to:

- (a) give such time and attention to and provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Servicer;
- (b) comply with any proper directions, orders and instructions which the Issuer or the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement;

- (c) keep in force all approvals, authorisations, permissions, consents and licences required in order properly to service the Loans and their Related Security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act 1998, licence under the CCA and any authorisation and permissions under the FSMA;
- (d) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services;
- (e) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;
- (f) as soon as reasonably practicable upon becoming aware of any fact or circumstance which may have a material adverse effect on any Loan or Loans through performing the Services under the Servicing Agreement, notify the Issuer and the Seller in writing of such event;
- (g) notify the Issuer (with a copy to the Seller) upon becoming aware of any legal proceedings being taken against it or of any judgment or decree being given against it in any proceedings, which would, in each case materially and adversely affect its ability to perform its obligations under the Servicing Agreement or which may materially and adversely affect either the Issuer or the Seller;
- (h) as soon as reasonably practicable upon becoming aware of any failure to comply with any of its material obligations under the Servicing Agreement, notify the Issuer and the Security Trustee of such failure.

#### *Interest rate setting*

The Servicer shall have the full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set in relation to the Loans sold by the Seller to the Issuer or, for so long as the Loans are subject to the CCA Trust, held on trust under the CCA Trust for the benefit of the Issuer thereunder or, in respect of the Scottish Loans, held in trust under the Scottish Trust, the rates of interest or margins applicable in relation to the Loans. The Servicer will also be required to notify Borrowers of any changes in monthly payments in relation to the relevant Loans in accordance with the Mortgage Conditions.

#### *Cash Management obligations of the Servicer*

The Servicer shall (i) on the Business Day following receipt and identification of any amounts into any Collection Account into which payments are made through the Direct Debiting Scheme in respect of Loans by Borrowers and (ii) on the second Business Day following receipt and identification of any amounts paid into any Collection Account into which payments made other than in accordance with the Direct Debiting Scheme representing amounts received and being identified as being in respect of the Loans in the Portfolio, transfer such amounts into the Deposit Account.

**Direct Debiting Scheme** means the scheme for the manual or automated debiting of bank accounts operated in accordance with the detailed rules of certain members of the Association for Payment Clearing Services.

### *Replacement of Collection Account Bank*

The Servicer shall monitor the Collection Account Bank for any Insolvency Event and confirms that if there is an Insolvency Event in relation to the Collection Account Bank (a **Collection Account Bank Default**), it shall, as directed by the issuer and as agreed in writing by the Seller, assist the Seller in opening a replacement collection account in the name of the Seller with a financial institution: (i) which is a bank as defined in Section 991 of the Income Tax Act 2007; and (ii) which is of a reputable standing as soon as reasonably practicable and in any event within 30 Business Days.

If the rating of the Collection Account Bank falls below the Collection Account Bank Rating, the Servicer will assist the Seller to, within 30 Business Days of such occurrence:

- (a) open a replacement collection account in the name of the Seller with a financial institution (x) having a rating of at least the Collection Account Bank Rating, (y) approved in writing by the Issuer and the Security Trustee and (z) which is a bank as defined in Section 991 of the Income Tax Act 2007; or
- (b) obtain an unconditional and unlimited guarantee of the obligations of the Collection Account Bank from a financial institution having the Collection Account Bank Rating; or
- (c) take any other action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes.

In the event a replacement collection account is opened, the Servicer shall procure that (A) all direct debit mandates are transferred to such replacement collection account and (B) all Monthly Payments made by a Borrower under a payment arrangement other than the Direct Debiting Scheme are made to such replacement collection account from the date on which the replacement collection account is opened.

### *Compensation of the Servicer*

The Issuer shall pay the Servicer a servicing fee of an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate of (X) prior to the Step-Up Date, 0.20 per cent. per annum and (Y) following the Step-Up Date, 0.22 per cent. per annum, to the aggregate Current Balance of all Loans in the Portfolio as determined at the end of the Collection Period immediately preceding the immediately preceding Interest Payment Date (in each case exclusive of VAT) (the **Standard Servicing Fee**).

The Issuer shall also pay the Servicer a special servicing fee calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year) of (X) prior to the Step-Up Date, 0.68 per cent. per annum and (Y) following the Step-Up Date, 0.72 per cent. per annum of the average of each of the Arrears Portfolio Balances determined on the last calendar day of each month in the Collection Period ending on the Collection Period End Date immediately preceding the immediately preceding Interest Payment Date (provided that where such Collection Period End Date would otherwise fall prior to the Closing Date, the Arrears Portfolio Balance will be determined as at 30 September 2013) (in each case exclusive of VAT) (the **Special Servicing Fee**) (the Standard Servicing Fee and the Special Servicing Fee together, the **Servicing Fee**). The Pre-Acceleration Revenue Priority of Payments provides for the Servicing Fee to be payable by way of Senior Servicing Fee and Subordinated Servicing Fee.

While Charter Court Financial Services Limited or Engage Credit Limited are performing the servicing obligations, the Senior Servicing Fee will be capped at an amount equal to 0.30 per cent. each year of the aggregate Current Balance of the Loans in the Portfolio as determined as at the end of the Calculation Period immediately preceding the immediately preceding Interest Payment Date (inclusive of VAT) and the Subordinated Servicing Fee is any amount in excess thereof, provided that the Subordinated Servicing Fee shall be capped at a maximum of 0.30 per cent. each year of the aggregate Current Balance of the Loans in

the Portfolio as determined as at the end of the Calculation Period immediately preceding the immediately preceding Interest Payment Date (inclusive of VAT).

**Arrears Portfolio Balance** means at any time the aggregate of the Current Balance of all Loans in the Portfolio under which either (a) the relevant Borrower has an amount due and outstanding on their Loan of at least one monthly payment due by the relevant Borrower under their Loan or (b) the relevant Borrower has an amount due and outstanding on their Loan account of less than one monthly payment due by the relevant Borrower under their Loan but where the Borrower has missed the monthly payment due in that month and the Servicer has been successful in recovering all or part of that monthly payment before the end of the relevant calendar month. For the purpose of this definition, 'one monthly payment' means the lowest of any monthly payment due by the relevant Borrower at any time before the end of the relevant calendar month.

#### *Removal or Resignation of the Servicer*

The Issuer (subject to the prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement and give notice to the Back-up Servicer that it is to commence its duties within 60 calendar days if any of the following events each a **Servicer Termination Event**) occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the Servicer's non-compliance to be remedied;
- an insolvency event occurs in relation to the Servicer.
- the Servicer ceases to perform the business of mortgage administration; or
- if the Servicer loses any regulatory approval which is necessary in order to provide some or all of the Services, as the case may be, or any restriction is applied by a regulator which will prevent the Servicer from complying with its obligations under the Servicing Agreement provided that, it does not result or arise from compliance by the Servicer with any instruction from the Issuer or the Security Trustee.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 6 months' written notice to the Security Trustee and the Issuer (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) provided that a substitute servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer on the similar terms as the Servicing Agreement or the Back-up Servicer agrees to act as Servicer on the terms of the Back-up Servicing Agreement. The resignation of the Servicer is conditional on (a) (if Rated Notes remain outstanding) the resignation having no adverse effect on the then current ratings of the Notes unless the Noteholders agree otherwise by Extraordinary Resolution, or (b) (if no Rated Notes remain outstanding) the Class F Noteholders agree by an Extraordinary Resolution, in each case the substitute

servicer or Back-up Servicer, as applicable, shall assume and perform all the duties and obligations of the Servicer on substantially the same terms as the Servicing Agreement or Back-up Servicing Agreement.

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

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

The Issuer fully and continually indemnifies the Servicer from and against any and all proceedings, costs, liabilities, damages, claims, fines and expenses which the Servicer sustains or incurs or which may be brought or established against the Servicer by any person including any regulator and which in any case arise out of or in relation to or by reason of the Servicer providing the services (including, for the avoidance of doubt, applying the fees and expenses set out in the tariff of charges to any Borrower and/or Loan and the taking of any step in connection with any arrears/possession) except where the relevant proceedings, costs, liabilities, damages, claims and expenses arise by reason of the Servicer's fraud, breach or negligent performance of or failure to perform any obligation of the Servicer in this agreement save that this indemnity shall not extend to any tax imposed on or calculated by reference to the fees, charges, commissions or other remuneration payable to the Servicer.

#### *Liability of the Servicer*

The Servicer undertakes to the Issuer, the Seller and the Security Trustee to indemnify the Issuer, the Seller and the Security Trustee against all proceedings, costs, liabilities, damages, claims and expenses which such other may suffer or incur as a direct and foreseeable result of the Servicer's fraud, breach or negligent performance of or failure to perform any obligation in the Servicing Agreement but only to the extent of the Servicer's own fraud, breach or negligent performance of or failure to perform any obligation in the Servicing Agreement and not the wilful default of the Issuer, the Seller or the Security Trustee seeking indemnity. This indemnity does not extend to any special, indirect or consequential damage, loss of profit or business which liability to a party is specifically excluded from the Servicing Agreement.

The Servicer's liability (other than where such liability arises as a result of the fraud, wilful default or Gross Negligence of the Servicer) in contract, tort, delict (including negligence or breach of statutory or regulatory duty) or otherwise howsoever, and whatever the cause thereof, arising by reason of or in connection with this agreement:

- (a) shall be limited to £2,500,000 (two million five hundred thousand pounds) in aggregate for so long as the Servicer is appointed under the Servicing Agreement; and
- (b) shall not include any claim for any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings or for any special indirect or consequential damage of any nature whatsoever which liability is hereby excluded.

**Gross Negligence** means any act or omission of the Servicer which falls below the level of care and skill that could reasonably be expected of a prudent party, in circumstances where that act, conduct or omission (as applicable) also shows a deliberate and/or manifestly careless or reckless disregard of potential consequences of such act or omission on the interests of another party and could reasonably be expected to cause significant prejudice to the interests of that other party.

The Servicer excludes all liability howsoever arising for any actions, claims, costs or damages accruing against the Seller and occasioned by defective underwriting or administration of any Mortgage, the cause of which has accrued before the Closing Date.

### *Governing Law*

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law, provided that any terms of the Servicing Agreement which are particular to Scots law will be construed in accordance with Scots law and will be made by way of deed.

### **Deed of Charge**

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

### *Security*

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

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Trust Deed, the Deed of Charge and each Scottish Declaration of Trust);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the English Loans and the English Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignment in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust) (the **Scottish Supplemental Charge**);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any sums standing to the credit thereof;
- (f) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and
- (g) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of fixed charges as aforesaid).

**Authorised Investments** means:

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

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

- (i) such investments (A) have a maturity date of 60 days or less and mature on or before the next following Interest Payment Date or within 60 days, whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) on or before the next following Interest Payment Date or within 60 days, whichever is sooner, and (C) are rated at least F1+ by Fitch and A-1+ by S&P (and AA- (long-term) by Fitch if the investments have a long-term rating); or
- (ii) such investments (A) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date or within 90 days, whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) on or before the next following Interest Payment Date or within 90 days, whichever is sooner, and (C) are rated at least F1+ by Fitch and A-1+ by S&P (and AA- (long-term) by Fitch if the investments have a long-term rating).

**Secured Creditors** means the Security Trustee, the Note Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer, the Cash Manager, the Account Bank, the Back-up Servicer, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank, the Liquidation Agent and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

**Transaction Documents** means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Back-up Servicing Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge (including each Scottish Supplemental Charge, any Scottish Sub-Security and any other documents entered into pursuant to the Deed of Charge), the Collection Account Declaration of Trust, the Deed Poll, the Liquidation Agent Agreement, the Share Trust Deed, the Issuer Power of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Scottish Declaration of Trust, the Seller Power of Attorney, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and the Residual Certificates.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among other events, when an Event of Default occurs, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of administrative receiver or receiver or upon commencement of the winding up of the Issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

*Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments*

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes declaring the Notes to be immediately due and payable, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (Events of Default) declaring the Residual Certificates to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the relevant Deposit Account as described in "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*" and "*Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" below.



### *Post-Acceleration Priority of Payments*

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (Events of Default) of the Notes, declaring the Notes to be immediately due and payable, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (Events of Default) declaring that any Residual Payments pursuant to the Residual Certificates are immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (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 and/or the Residual Certificates, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Rated Noteholders (and all persons ranking in priority to the Rated Noteholders as set out in the order of priority of payment below) or, once all of the Rated Noteholders have been repaid, to the Class F Noteholders (and all persons ranking in priority thereto) or, once all the Class F Noteholders have been repaid, to the Certificateholders (and all persons ranking in priority thereto), or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Rated Noteholders (and all persons ranking in priority to the Rated Noteholders as set out in the order of priority below) or, once all of the Rated Noteholders have been repaid, to the Class F Noteholder (and all persons ranking in priority thereto) or, once all the Class F Noteholders have been repaid, to the Certificateholders (and all persons ranking in priority thereto), which opinion shall be binding on the Secured Creditors and reached after considering at anytime and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

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

### *Governing Law*

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law and aspects relating to Scottish Loans and their Related Security (including the Scottish Supplemental Charge entered into pursuant thereto) will be governed by Scots law.

### **Trust Deed**

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

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

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

### *Retirement of Note Trustee*

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

### *Governing Law*

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

### **Agency Agreement**

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

### *Governing Law*

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

### **Cash Management Agreement**

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

### *Cash Management Services to be Provided to the Issuer*

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

- (a) apply, or cause to be applied, Available Revenue Receipts, in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;
- (b) record credits to, and debits from, the General Reserve Ledger, the Principal Deficiency Ledgers, the Principal Ledger, the Revenue Ledger, the Issuer Profit Ledger and the Liquidity Reserve Fund Ledger (if any) as and when required; and
- (c) if required (i) during the Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Principal Receipts and (ii) following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, reconcile the calculations to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with Condition 5.10(c) and the Cash Management Agreement.

In addition, the Cash Manager will:

- (a) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:
  - (i) the **Principal Ledger**, which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
  - (ii) the **Revenue Ledger**, which will record all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable) or by way of Third Party Amounts;
  - (iii) the **General Reserve Ledger** which will record amounts credited to the general reserve fund (the **General Reserve Fund**) from the proceeds of the Class F Noteholder's funding of the Class F Notes and withdrawals from the General Reserve Ledger on each Interest Payment Date (see "*Credit Structure — General Reserve Fund and General Reserve Fund Ledger*" below);
  - (iv) the **Principal Deficiency Ledger** which will record on the appropriate sub-ledger as a debit, deficiencies arising from Losses on the Portfolio and any Aggregate Arrears Balance and amounts credited to the Liquidity Reserve Fund (if funded in accordance with paragraph (b) of the Pre-Acceleration Principal Priority of Payments) and Available Principal Receipts applied in accordance with paragraphs (a), (c) and (i) of the Pre-Acceleration Principal Priority of Payments and record as a credit, Available Revenue Receipts applied pursuant to the Pre-Acceleration Revenue Priority of Payments (if any) (other than amounts applied in accordance with paragraph (v) of the Pre-Acceleration Revenue Priority of Payments) (which amounts shall, for the avoidance of doubt, thereupon be applied as Available Principal Receipts) (see "*Credit Structure — Principal Deficiency Ledger*" below);
  - (v) the **Liquidity Reserve Fund Ledger** which will record amounts credited to (from Available Revenue and Available Principal in accordance with the relevant Priority of Payments) and debited from the Liquidity Reserve Fund (to fund senior expenses and interest payments on the Rated Notes other than the Class E Notes) in accordance with the applicable Priority of Payments (see "*Credit Structure — Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*" below);
  - (vi) the **Principal Reserve Ledger** which will record amounts credited to (from the proceeds of issuance of the Class F Notes) and debited from the Principal Reserve Fund (to be applied towards items (d) to (j) (inclusive) of the Pre-Acceleration Principal Priority of Payments) (see "*Credit Structure — Principal Reserve Fund and Liquidity Reserve Fund Ledger*" below);
  - (vii) the **Class E Liquidity Reserve Fund Ledger** which will record amounts credited to (from Available Revenue in accordance with the Pre-Acceleration Revenue Priority of Payments) and debited from the Class E Liquidity Reserve Fund (to fund interest payments on the Class E Notes) in accordance with the applicable Priority of Payments (in aggregate, the total amount standing to the credit of the General Reserve Ledger and the amount standing to the credit of the Liquidity Reserve Fund Ledger) (see "*Credit Structure — Class E Liquidity Reserve Fund and Class E Liquidity Reserve Fund Ledger*" below);
  - (viii) the **Issuer Profit Ledger** which shall record as a credit amounts retained by the Issuer as profit in accordance with the Pre-Acceleration Revenue Priority of Payments; and

- (ix) the **Liquidation Agent Reserve Ledger** which will record £100,000 credited on the Closing Date to the liquidation agent reserve fund (the **Liquidation Agent Reserve Fund**) from the proceeds of the Class F Notes and on each Interest Payment Date on and from the Market Portfolio Purchase Trigger Date record amounts credited thereto in accordance with the Pre-Acceleration Revenue Priority of Payments up to the Liquidation Agent Reserve Fund Required Amount. Amounts standing to the credit of the Liquidation Agent Reserve Fund will on each Interest Payment Date on and from the Market Portfolio Purchase Trigger Date until the earlier of the Final Maturity Date or sale of the Loans be used to pay the Sounding Fee to the Liquidation Agent and thereafter shall be applied as Available Revenue Receipts. An amount standing to the credit of the Liquidation Agent Reserve Ledger shall be invested in Authorised Investments.
- (b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;
- (c) provide the Issuer, the Seller, the Security Trustee, the Noteholders, the Certificateholders and the Rating Agencies with the Investor Report by no later than ten Business Days following the 7th Business Day of each month; and
- (d) until such time as the Seller notifies the Cash Manager that it has received accounting or regulatory off-balance sheet treatment in relation to the Loans, the Notes and the Residual Certificates, at the direction of the Seller, and following such time at its own discretion invest monies standing from time to time to the credit of a Deposit Account in Authorised Investments as determined by the Issuer or by the Cash Manager subject to the following provisions:
  - (i) any such Authorised Investment shall be made in the name of the Issuer;
  - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
  - (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the Deposit Account.

provided that the Cash Manager shall be required to invest all monies standing to the credit of the Liquidation Agent Reserve Ledger in Authorised Investments.

#### *Remuneration of Cash Manager*

The Cash Manager will be paid a fixed fee for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments. If a replacement cash manager is appointed in accordance with the terms of the Cash Management Agreement, the Issuer shall pay the replacement cash manager for its services hereunder a fee to be determined at the time of such appointment in accordance with the provisions of the Cash Management Agreement.

#### *Termination of Appointment and Replacement of Cash Manager*

In certain circumstances the Issuer and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

For the avoidance of doubt, if after using reasonable endeavours to enter into such a back-up cash management agreement, the Cash Manager is unable to find a suitable third party willing to act as a back-up cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

#### *Liability of the Cash Manager*

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

#### *Governing Law*

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

#### **The Bank Account Agreement**

Pursuant to the terms of the Bank Account Agreement entered into on or about the Closing Date between the Issuer, the Account Bank, the Cash Manager, the Seller and the Security Trustee, the Issuer will maintain with the Account Bank the Deposit Account which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

#### *Governing Law*

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

**Account Bank Rating** means a short-term unsecured, unsubordinated and unguaranteed debt rating of A-1 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed rating of A by S&P and a short-term issuer default rating of F1 by Fitch and a long-term issuer default rating of A by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Rated Notes.

#### **The Back-up Servicing Agreement**

On or prior to the Closing Date, the Issuer will enter into the Back-up Servicing Agreement with, *inter alia*, the Back-up Servicer and the Security Trustee.

The Back-up Servicing Agreement provides for the Back-up Servicer to undertake the servicing services within 60 calendar days of the termination of the Servicer in accordance with the Servicing Agreement.

The liability of the Back-up Servicer under the Back-up Servicing Agreement (other than as a result of its fraud, wilful default or Gross Negligence) in contract, tort (including negligence or breach of statutory or regulatory duty) or otherwise howsoever, and whatever the cause thereof, arising by reason of or in connection with the Back-up Servicing Agreement:

- (a) shall be limited over the duration of the Back-up Servicing Agreement to £250,000 in the aggregate; and
- (b) shall not include any claim for (i) any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings; or (ii) any special indirect or consequential damage whatsoever which liability is hereby excluded,

provided that on and from the date on which the Back-up Servicer is required to take over the role of Servicer, the limit on the liability of the Back-up Servicer shall be determined in accordance with the provisions set out in the Servicing Agreement – see "*Summary of the key Transaction Documents – Servicing Agreement – Liability of Servicer*".

**Gross Negligence** means any act or omission of the Back-up Servicer which falls below the level of care and skill that could reasonably be expected of a prudent party, in circumstances where that act, conduct or omission (as applicable) also shows a deliberate and/or manifestly careless or reckless disregard of potential consequences of such act or omission on the interests of another party and could reasonably be expected to cause significant prejudice to the interests of that other party.

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

### **The Liquidation Agent Agreement**

On or prior to the Closing Date, the Issuer will enter into the Liquidation Agent Agreement with, *inter alia*, the Liquidation Agent and the Security Trustee.

The Liquidation Agent Agreement provides for the Liquidation Agent to take certain actions to liquidate the Loans in accordance with the terms of the Liquidation Agent Agreement.

For further information on the Liquidation Agent Agreement see the section entitled "*Early Redemption of the Notes*" above.

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

### **The Corporate Services Agreement**

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

#### *Governing Law*

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

### **The Collection Account Declaration of Trust**

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

The Issuer's share of the Collection Account Trust at any relevant time (the **Issuer Trust Share**) shall equal all amounts credited to the Collection Accounts at such time in respect of the Loans and their Related

Security comprised in the Portfolio taking into account any amounts previously paid to the Issuer in respect of the Loans and their Related Security.

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

*Governing Law*

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

## CREDIT STRUCTURE

The Notes and the Residual Certificates are obligations of the Issuer only. The Notes and the Residual Certificates are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes and the Residual Certificates are not obligations of, or the responsibility of, or guaranteed by, any of the Seller, the Arranger, the Lead Manager, the Servicer, the Back-up Servicer, the Cash Manager, the Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the Note Trustee, the Security Trustee, OSB, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes or the Residual Certificates shall be accepted by any of the Seller, the Arranger, the Servicer, the Cash Manager, the Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the Note Trustee, the Security Trustee, OSB or by any other person other than the Issuer.

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

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

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

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

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

### 2. General Reserve Fund and General Reserve Ledger

On the Closing Date, the Issuer will establish a fund called the **General Reserve Fund** to provide credit enhancement for the Rated Notes which will be credited with the General Reserve Required Amount on the Closing Date. The General Reserve Fund will be funded from the proceeds of the Class F Notes on the Closing Date. The General Reserve Fund will be deposited in the Deposit Account (with a corresponding credit being made to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the Deposit Account in Authorised Investments. For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

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



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

The **General Reserve Required Amount** will be an amount equal to £1,365,491.17 on the Closing Date (and thereafter an amount equal to the greater of (X) 3.00 per cent., of the Current Balance of the Portfolio as at the Closing Date minus the Liquidity Reserve Fund Required Amount and (Y) zero). On any Interest Payment Date on which the Rated Notes are fully repaid or provided for, the General Reserve Required Amount will be reduced to zero and any amounts held in the General Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the Pre-Acceleration Revenue Priority of Payments.

On the Final Rated Note Distribution Date the General Reserve Ledger Residual Amount will be applied as Available Principal Receipts and used to redeem the Notes on such Interest Payment Date.

### 3. Use of Principal Receipts to pay Revenue Deficiency

On each Calculation Date, the Cash Manager will calculate whether there will be an excess or a deficit of Available Revenue Receipts to pay items (a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (the **Revenue Deficiency**), then pursuant to item (a) of the Pre-Acceleration Principal Priority of Payments, to the extent that such items cannot be funded from Available Revenue Receipts following the application of Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments (including any amount to be applied as Available Principal Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments), the Issuer can use Available Principal Receipts to pay items (a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments, provided that (taking into account any such payment) the following conditions (the **Reallocation Conditions**) are satisfied:

- (a) in respect of any payment towards interest due on the Class B Notes, such payment would not result in the outstanding balance of the Class B Principal Deficiency Sub-Ledger being greater than 0% of the Principal Amount Outstanding of the Class B Notes (taking into account any redemptions of the Class B Notes to be applied on the relevant Interest Payment Date);
- (b) in respect of any payment towards interest due on the Class C Notes, such payment would not result in the outstanding balance of the Class C Principal Deficiency Sub-Ledger being greater than 0% of the Principal Amount Outstanding of the Class C Notes (taking into account any redemptions of the Class C Notes to be applied on the relevant Interest Payment Date); and
- (c) in respect of any payment towards interest due on the Class D Notes, such payment would not result in the outstanding balance of the Class D Principal Deficiency Sub-Ledger being greater than 0% of the Principal Amount Outstanding of the Class D Notes (taking into account any redemptions of the Class D Notes to be applied on the relevant Interest Payment Date).

Subject to satisfying the Reallocation Conditions, any amount of Available Principal Receipts to be applied to cure a Revenue Deficiency will be allocated to the Principal Deficiency Ledger.

### 4. Liquidity Reserve Fund and Liquidity Reserve Fund Ledger

The Issuer will maintain the Liquidity Reserve Fund to provide liquidity for senior expenses and the Rated Notes (the **Liquidity Reserve Fund**), which will be credited with the Liquidity Reserve Fund Required Amount. The Liquidity Reserve Fund will be funded by the Class F Notes on the Closing Date and deposited in the Deposit Account and a corresponding credit will be made to the Liquidity

Reserve Ledger. The Issuer may invest amounts standing to the credit of the Liquidity Reserve Fund (if available) in Authorised Investments.

If, following the application of Available Revenue Receipts or the use of items (a) to (d) of the definition of Available Principal Receipts applied in accordance with item (a) of the Pre-Acceleration Principal Priority of Payments, there remains a Revenue Deficiency then monies standing to the credit of the Liquidity Reserve Fund as at the end of the immediately preceding Collection Period may be applied (subject to the Reallocation Conditions being satisfied in respect of such application) in accordance with item (f) of the definition of Available Principal Receipts on each Interest Payment Date to make payments at items (a) to (e), and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments to the extent required. The Liquidity Reserve Fund will be funded initially from the Class F Notes and subsequently from Available Revenue Receipts up to the Liquidity Reserve Fund Required Amount in accordance with the Pre-Acceleration Revenue Priority of Payments and thereafter, if required, from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount credited to the Liquidity Reserve Fund on each Interest Payment Date in accordance with item (b) of the Pre-Acceleration Principal Priority of Payments. For more information about the application of the amounts standing to the credit of the Liquidity Reserve Fund, see the section "*Cashflows – Applications of Monies Released from the Liquidity Reserve Fund*".

On the Final Rated Note Distribution Date amounts credited to the Liquidity Reserve Fund, after satisfying amounts required to be withdrawn in accordance with paragraph (f) of the definition of Available Principal Receipts, will be applied as Available Principal Receipts and applied to redeem the Notes on such Interest Payment Date.

**Liquidity Reserve Fund Required Amount** on any Interest Payment Date (taking into account any redemptions of the Notes on such Interest Payment Date) shall be an amount equal to the greater of (X) 3.00 per cent. of the sum of the Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on that Interest Payment Date minus 3.00 per cent., multiplied by the aggregate of:

- (a) if the outstanding balance of the Class B Principal Deficiency Sub-Ledger is greater than 0% of the Principal Amount Outstanding of the Class B Notes, the Principal Amount Outstanding of the Class B Notes;
- (b) if the outstanding balance of the Class C Principal Deficiency Sub-Ledger is greater than 0% of the Principal Amount Outstanding of the Class C Notes, the Principal Amount Outstanding of the Class C Notes; and
- (c) if the outstanding balance of the Class D Principal Deficiency Sub-Ledger is greater than 0% of the Principal Amount Outstanding of the Class D Notes, the Principal Amount Outstanding of the Class D Notes;

and (Y) zero.

## 5. **Principal Reserve Fund and Principal Reserve Ledger**

The Issuer will maintain the Principal Reserve Fund to provide additional funding for payment of principal in relation to the Notes (the **Principal Reserve Fund**), which will be credited with the Principal Reserve Fund Required Amount. The Principal Reserve Fund will be funded by the Class F Notes on the Closing Date and deposited in the Deposit Account and a corresponding credit will be made to the Principal Reserve Ledger. The Issuer may invest amounts standing to the credit of the Principal Reserve Fund in Authorised Investments. Monies standing to the credit of the Principal

Reserve Fund will be applied on the earlier to occur of the Interest Payment Date on which all the Notes are redeemed in full and the Step-Up Date to provide additional funding for items (d) to (j) (inclusive) of the Pre-Acceleration Principal Priority of Payments.

**Principal Reserve Fund Required Amount** means an amount equal to 1.00 per cent. of the Current Balance of the Portfolio as at the Closing Date.

## 6. **Class E Liquidity Reserve Fund and Class E Liquidity Reserve Fund Ledger**

The Issuer will maintain the Class E Liquidity Reserve Fund to provide liquidity for the Class E Notes (the **Class E Liquidity Reserve Fund**), which will be credited with the Class E Liquidity Reserve Fund Required Amount. The Class E Liquidity Reserve Fund will be funded by the Class F Notes on the Closing Date and deposited in the Deposit Account and a corresponding credit will be made to the Class E Liquidity Reserve Ledger. The Issuer may invest amounts standing to the credit of the Class E Liquidity Reserve Fund (if available) in Authorised Investments.

If, following the application of Available Revenue Receipts there is a shortfall to pay amounts required under paragraph (m) of the Pre-Acceleration Revenue Priority of Payments (the **Class E Revenue Deficiency**), then monies standing to the credit of the Class E Liquidity Reserve Fund as at the end of the immediately preceding Collection Period may be applied (subject to the Class E Reallocation Conditions being satisfied in respect of such application)) on each Interest Payment Date to make payments at items (m) of the Pre-Acceleration Revenue Priority of Payments to the extent required. For more information about the application of the amounts standing to the credit of the Class E Liquidity Reserve Fund, see the section "*Cashflows – Applications of Monies Released from the Liquidity Reserve Fund*".

The **Class E Liquidity Reserve Fund Required Amount** on any Interest Payment Date prior to the earlier of (A) the Interest Payment Date on which the debit balance of the Class E Principal Deficiency Sub-Ledger is equal to 100% of the Principal Amount Outstanding of the Class E Notes; (B) the Final Maturity Date; and (C) the redemption in full of the Rated Notes, shall be an amount equal to 0.5% of the Current Balance of the Loans as at the Closing Date and thereafter shall be zero.

The application of funds standing to the credit of the Class E Liquidity Reserve Ledger shall be subject to the satisfaction of certain condition (the **Class E Reallocation Condition**). The Class E Reallocation Condition shall be satisfied where the outstanding balance of the Class E Principal Deficiency Sub-Ledger is less than 100% of the Principal Amount Outstanding of the Class E Notes (taking into account any redemptions of the Class E Notes to be applied on the relevant Interest Payment Date).

If on any Interest Payment Date the debit balance of the Class E Principal Deficiency Sub-Ledger is 100% of the Principal Amount Outstanding of the Class E Notes, all amounts standing to the credit of the Class E Liquidity Reserve Ledger shall be applied as Available Revenue Receipts.

On the Final Rated Note Distribution Date all amounts credited to the Class E Liquidity Reserve Ledger will, after satisfying any Class E Revenue Deficiency, be applied as Available Principal Receipts and used to redeem the Notes on such Interest Payment Date.

## 7. **Total Reserve Fund**

The aggregate of amounts standing to the credit of the General Reserve Fund, the Liquidity Reserve Fund, the Principal Reserve Fund and the Class E Liquidity Reserve Fund shall be the **Total Reserve Fund**.

## 8. Principal Deficiency Ledger

A Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and any Aggregate Arrears Balance in respect of the Portfolio and/or the use of any Principal Receipts (but not the application of any amounts standing to the credit of the Liquidity Reserve Fund) in accordance with items (a), (c) and (i) of the Pre-Acceleration Revenue Priority of Payments and/or the credit of any amounts to the Liquidity Reserve Fund in accordance with item (b) of the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will comprise six sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to the Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to the Class D Notes), the Class E Principal Deficiency Sub-Ledger (relating to the Class E Notes) and the Class F Principal Deficiency Sub-Ledger (relating to the Class F Notes). Any Losses on the Portfolio and/or any Aggregate Arrears Balance in respect of the Portfolio and/or any use of the Available Principal Receipts to be applied as Available Revenue Receipts in accordance with items (a), (c) and (i) of the Pre-Acceleration Principal Priority of Payments and/or crediting of the Liquidity Reserve Fund from Available Principal Receipts in accordance with item (b) of the Pre-Acceleration Principal Priorities of Payment will be recorded as a debit (a) first, to the Class F Principal Deficiency Sub-Ledger up to an amount equal to the amount by which, on the Closing Date, the sum of the Principal Reserve Fund Required Amount and the aggregate principal outstanding balance of the Loans in the Portfolio exceeded the aggregate Principal Amount Outstanding of the Rated Notes; (b) second, to the Class E Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class E Notes; (c) third, to the Class D Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class D Notes; (d) fourth, to the Class C Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class C Notes; (e) fifth, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class B Notes; and (f) sixth, to the Class A Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan. Amounts allocated to each Principal Deficiency Sub-Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments (other than amounts applied in accordance with paragraph (v) of the Pre-Acceleration Revenue Priority of Payments). Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

In the event that there is a reduction in the Aggregate Arrears Balance the Issuer will reduce the debit balance of the Principal Deficiency Ledger by the amount of such reduction. On each Interest Payment Date the Issuer will apply the Available Principal Receipts as Available Revenue Receipts in accordance with the Pre-Acceleration Principal Priority of Payments to the extent that the debit balance on the Principal Deficiency Ledger is less than zero (such amount, the **Arrears Revenue Amount**).

**Arrears Reallocated Principal Receipts** means amounts of Available Principal Receipts applied in accordance with paragraph (c) of the Pre-Acceleration Principal Priority of Payments as Available Revenue Receipts in an amount equal to the lesser of the Arrears Revenue Amount and amounts of Available Principal Receipts available to be applied in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments.

**9. Available Revenue Receipts and Available Principal Receipts**

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

If, on any Interest Payment Date whilst there are Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest (other than on the Most Senior Class of Notes outstanding) then the Issuer will be entitled under Condition 17 (Subordination by Deferral) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default.

Failure to pay interest on the Most Senior Class of Notes outstanding within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

## CASHFLOWS

### Definition of Revenue Receipts

**Revenue Receipts** means (a) payments of interest and other fees due and paid from time to time under the Loans (including any Early Repayment Fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced and (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed, subject in each case to the Mortgage Enforcement Allocation Conditions.

**Mortgage Enforcement Allocation Conditions** means the conditions which apply to the allocation of amounts received from a Borrower (including any amounts received as a result of repossessions or other recoveries) where the amount recovered is insufficient to pay all amounts due in respect of the Loan. Such amounts shall be applied as (i) principal, and such amounts shall be included in Principal Receipts, (ii) interest, and such amounts shall be included in Revenue Receipts, and (iii) as fees due from time to time under the Loans, and such amounts shall be included in Revenue Receipts.

### Definition of Available Revenue Receipts

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

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts in such Determination Period, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Deposit Account and income from any Authorised Investments in each case to be received on the Interest Payment Date;
- (c) the amounts standing to the credit of the General Reserve Ledger as at the immediately preceding Calculation Date;
- (d) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (e) amounts deemed to be Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments
- (f) amounts deemed to be Available Revenue Receipts in accordance with paragraph (k) of the Pre-Acceleration Principal Priority of Payments;
- (g) (other than on the Final Rated Note Distribution Date) any amount standing to the credit of the Liquidity Reserve Fund in excess of the Liquidity Reserve Fund Required Amount as at the immediately preceding Calculation Date; and
- (h) on the date on which the balance on the Class E Principal Deficiency Sub-Ledger is greater than or equal to 100% of the Principal Amount Outstanding of the Class E Notes, all amounts standing to the credit of the Class E Liquidity Reserve Fund; and
- (i) (a) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.10(c) and (b) any amounts credited to the Deposit Account in accordance with paragraph (x) of the Pre-Acceleration Revenue Priority of Payments,

- *less:*
- (j) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties instructed to the Cash Manager by the Servicer (including the Seller) such as (but not limited to):
  - (i) any service charge, ground rent, insurance premium or additional amounts paid by the Servicer, which such payment is necessary in order to maintain and protect the value of any property secured by a Mortgage in the Portfolio;
  - (ii) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
  - (iii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
  - (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller; and
  - (v) any Insurance Premium Amounts,

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

#### **Application of Monies Released from the General Reserve Fund**

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger as at the end of the immediately preceding Collection Period will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments (other than in respect of an Interest Payment Date which is also an Optional Redemption Exercise Date, in which case monies standing to the credit of the General Reserve Fund will be applied in accordance with the Post-Acceleration Priority of Payments). Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

#### **Application of Principal Receipts to pay Revenue Deficiency**

Prior to service of a Note Acceleration Notice on the Issuer and subject to the satisfaction of the Reallocation Conditions, pursuant to item (a) of the Pre-Acceleration Principal Priority of Payments, to the extent that such items cannot be funded from Available Revenue Receipts, the Issuer can use Available Principal Receipts to pay items (a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Revenue Deficiency on such Interest Payment Date.

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

Following service of a Note Acceleration Notice on the Issuer or on an Interest Payment Date which is also an Optional Redemption Exercise Date, Available Revenue Receipts will be applied in accordance with the Post-Acceleration Priority of Payments.

### **Application of Monies Drawn from the Liquidity Reserve Fund**

Prior to service of a Note Acceleration Notice on the Issuer, if following the application of Available Revenue Receipts or the use of items (a) to (d) of the definition of Available Principal Receipts applied in accordance with item (a) of the Pre-Acceleration Principal Priority of Payments there remains a Revenue Deficiency then monies standing to the credit of the Liquidity Reserve Fund Ledger as at the end of the immediately preceding Collection Period may be applied (subject to the Reallocation Conditions being satisfied in respect of such application) on each Interest Payment Date to make payments at items (a) to (e), and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments to the extent required.

Following service of a Note Acceleration Notice on the Issuer or on an Interest Payment Date which is also an Optional Redemption Exercise Date, monies standing to the credit of the Liquidity Reserve Fund will be applied in accordance with the Post-Acceleration Priority of Payments.

If any amounts are funded from Available Principal Receipts in accordance with paragraph (a) of the Pre-Acceleration Revenue Priority of Payments to fund items (a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments, a corresponding debit will be made to the Principal Deficiency Ledger.

### **Application of Monies Drawn from the Principal Reserve Fund**

Prior to service of a Note Acceleration Notice on the Issuer and on the earlier to occur of the Interest Payment Date on which all the Notes are redeemed in full or the Step-Up Date, the Issuer will prior to the application of the Priority of Payments on such date use amounts standing to the credit of the Principal Reserve Fund to provide additional funding towards payment in full of items (d) to (j) (inclusive) of the Pre-Acceleration Principal Priority of Payments in order of priority thereof. If, following such application of amounts standing to the credit of the Principal Reserve Fund there would be any amounts remaining in the Principal Reserve Fund, such amount shall be available as Available Principal Receipts and be applied in accordance with the Pre-Acceleration Priority of Payments on such date.

Following service of a Note Acceleration Notice on the Issuer or on an Interest Payment Date which is also an Optional Redemption Exercise Date, monies standing to the credit of the Principal Reserve Fund will be applied in accordance with the Post-Acceleration Revenue Priority of Payments.

### **Application of Monies Drawn from the Class E Liquidity Reserve Fund**

Prior to service of a Note Acceleration Notice on the Issuer, if following the application of Available Revenue Receipts there remains a Class E Revenue Deficiency then monies standing to the credit of the Class E Liquidity Reserve Fund as at the end of the immediately preceding Collection Period may be applied (subject to the Class E Reallocation Conditions being satisfied in respect of such application) on each Interest Payment Date to make payments at item (m) of the Pre-Acceleration Revenue Priority of Payments.

Following service of a Note Acceleration Notice on the Issuer or on an Interest Payment Date which is also an Optional Redemption Exercise Date, monies standing to the credit of the Class E Liquidity Reserve Fund Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

### **Application of Monies Drawn from the Liquidation Agent Reserve Ledger**

Prior to the service of a Note Acceleration Notice on the Issuer, amounts credited to the Liquidation Agent Reserve Ledger will be applied solely to pay any amounts due to the Liquidation Agent in respect of Sounding Fees. Following a sale of the Loans or the redemption of the Notes all amounts standing to the credit of the Liquidation Agent Reserve Ledger will be applied as Available Principal Receipts.



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

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

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax (VAT) thereon as provided therein; and
  - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and
  - (iii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (u) below)); and

- (ii) any Transfer Costs which the Servicer has failed to pay pursuant to Clause 18.3 of the Servicing Agreement;
- (d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Servicer (other than the Subordinated Servicing Fees) and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein; and
  - (iii) any amounts then due and payable to the Back-up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class A Notes;
- (f) *sixth* (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (g) *seventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class B Notes;
- (h) *eighth*, (so long as the Class B Notes will remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (i) *ninth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class C Notes;
- (j) *tenth*, (so long as the Class C Notes will remain outstanding following such Interest Payment Date), to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class D Notes;
- (l) *twelfth*, (so long as the Class D Notes will remain outstanding following such Interest Payment Date), to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (m) *thirteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class E Notes;

- (n) *fourteenth*, (so long as the Class E Notes will remain outstanding following such Interest Payment Date), to credit the Class E Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (o) *fifteenth*, (other than on the Final Rated Note Distribution Date), to credit the Liquidity Reserve Ledger up to the Liquidity Reserve Fund Required Amount;
- (p) *sixteenth*, (i) while the Rated Notes are outstanding, (so long as the Rated Notes will remain outstanding following such Interest Payment Date), to credit the General Reserve Ledger up to the General Reserve Required Amount and (ii) on the Final Rated Note Distribution Date, an amount equal to the General Reserve Ledger Residual Amount to be applied as Available Principal Receipts;
- (q) *seventeenth*, the Subordinated Servicing Fee then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
- (r) *eighteenth*, on and from the Market Portfolio Purchase Trigger Date, to fund the Liquidation Agent Reserve Fund to the Liquidation Agent Reserve Fund Required Amount;
- (s) *nineteenth* (so long as the Class F Notes will remain outstanding following such Interest Payment Date), to credit the Class F Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (t) *twentieth*, (other than on the Final Rated Note Distribution Date), to amounts credited to the Class E Liquidity Reserve Ledger up to the Class E Liquidity Reserve Ledger Required Amount;
- (u) *twenty-first*, to pay the Issuer an amount equal to £1,125 on each Interest Payment Date to be retained by the Issuer as profit in respect of the business of the Issuer;
- (v) *twenty-second*, to the extent that any of the Rated Notes remain outstanding on and from the Step-Up Date (taking into account redemptions on such Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payment), to apply remaining Available Revenue Receipts as Available Principal Receipts;
- (w) *twenty-third*, to provide for amounts due on the relevant Interest Payment Date to pay interest due and payable on the Class F Notes;
- (x) *twenty-fourth*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be credited to the Deposit Account to be applied on the next Interest Payment Date as Available Revenue Receipts; and
- (y) *twenty-fifth*, any excess amounts *pro rata* and *pari passu* to the holders of the Residual Certificates.

As used in this Prospectus:

**Accrued Interest** means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date.

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

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

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

**Early Repayment Fee** means any fee (other than a Redemption Fee) which a Borrower is required to pay in the event that the Borrower is in default or his or her Loan becomes repayable for any other mandatory reason or he or she repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions.

**Early Repayment Fee Receipts** means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Fees.

**Final Rated Note Distribution Date** means the Interest Payment Date on which the Principal Amount Outstanding of the Rated Notes, taking into account Available Principal Receipts (other than amounts in respect of items (g) and (h) of the definition of Available Principal Receipts) applied in accordance with the Pre-Acceleration Principal Priority of Payments, would be less than the aggregate of (A) the General Reserve Ledger Residual Amount, (B) the amount standing to the credit of the Liquidity Reserve Fund (after satisfying amounts required to be withdrawn on that Interest Payment Date in accordance with paragraph (e) of the definition of Available Principal Receipts) and (C) all amounts standing to the credit of the Class E Liquidity Reserve Fund (after taking into account any amounts withdrawn to cover any Class E Revenue Deficiency).

**General Reserve Ledger Residual Amount** means on the Final Rated Note Distribution Date an amount equal to the lesser of:

- (a) the amount applied as Available Revenue Receipts in accordance with item (c) of the definition of Available Revenue Receipts on such Interest Payment Date; and
- (b) the amount of Available Revenue Receipts on such Interest Payment Date less amounts paid in respect of items (a) to (o) of the Pre- Acceleration Revenue Priority of Payments.

**Insurance Premium Amounts** means an amount equal to the *pro rata* share of any cost of contingent insurance premium taken out by the Seller or the Servicer, as applicable, in respect of the Loans.

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

**Redemption Fee** means the standard redemption fee charged to the Borrower by the Seller where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan.

**Transfer Costs** means the Issuer's costs and expenses associated with the transfer of servicing to a substitute servicer.

#### **Definition of Principal Receipts**

**Principal Receipts** means (a) principal repayments under the Loans (including payments of arrears, Capitalised Interest and Capitalised Expenses and Capitalised Arrears), (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property),

(c) any payment pursuant to any insurance policy in respect of a mortgaged property in connection with a Loan in the Portfolio, (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date), and (e) the sale proceeds received by the Issuer on a sale of the Loans on and after the Step-Up Date minus any success fees paid to the Liquidation Agent and any costs and expenses incurred in respect of the sale including any Third Party Sale Expenses subject in each case to the Mortgage Enforcement Allocation Conditions.

**Capitalised Arrears** means, in relation to a Loan, at any date, amounts which are overdue in respect of that Loan and which as at that date have been included in the Current Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

**Capitalised Expenses** means, in relation to a Loan, the amount of all expenses charges, fees, premiums or payments capitalised and included in the Current Balance in respect of such Loan in accordance with the relevant Mortgage Conditions.

### **Definition of Available Principal Receipts**

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date (i) received by the Issuer during the immediately preceding Collection Period and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period or on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;
- (b) (in respect of the first Interest Payment Date only) an amount equal to the difference between (i) the aggregate of the proceeds of the Notes minus (X) any amounts credited to the Liquidity Reserve Fund, the Class E Liquidity Reserve Fund, the General Reserve Fund, the Principal Reserve Fund and the Liquidation Agent Reserve Fund on the Closing Date and (Y) any fees and expenses of the Issuer to be paid on the Closing Date and (ii) the Initial Consideration;
- (c) the amounts (if any) calculated on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class E Principal Deficiency Sub-Ledger and/or the Class F Principal Deficiency Sub-Ledger is reduced;
- (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.10(c);
- (e) amounts deemed to be Available Principal Receipts in accordance with item (v) of the Pre-Acceleration Revenue Priority of Payments;

*plus*

- (f) if the items (a) to (e) above are not sufficient to pay item (a) of the Pre-Acceleration Principal Priority of Payments, then a drawing from the Liquidity Reserve Fund (subject to the Reallocation Conditions being met in relation to any such drawing) in an amount equal to the lesser of (i) the amount required such that items (a) to (e) above plus this paragraph (f) would be sufficient to pay

item (a) of the Pre-Acceleration Principal Priority of Payments and (ii) the balance of the Liquidity Reserve Fund;

*plus*

- (g) on the Final Rated Note Distribution Date, all amounts standing to the credit of the Liquidity Reserve Fund and the Class E Liquidity Reserve Fund (after satisfying amounts required to be withdrawn in accordance with paragraph (f) above to cover any Revenue Deficiency and amounts withdrawn to cover any Class E Revenue Deficiency);

*plus*

- (h) on the Final Rated Note Distribution Date, the General Reserve Ledger Residual Amount;

*plus*

- (i) following a sale of the Loans or redemption of the Notes any amounts standing to the credit of the Liquidation Agent Reserve Fund to the extent not applied to pay the Success Fee due to the Liquidation Agent;

*plus*

- (j) if, following the application of amounts standing to the credit of the Principal Reserve Fund on an Interest Payment Date to provide additional funding to meet payment in full of items (d) to (j) (inclusive) of the Pre-Acceleration Priority of Payments in order of priority thereof, there would be any excess amounts standing to the credit of the Principal Reserve Fund, such excess amount.

**Application of Available Principal Receipts Prior to the service of a Note Acceleration Notice on the Issuer**

Prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of higher priority have been paid in full) (unless the Interest Payment Date is also an Optional Redemption Exercise Date, in which case Available Principal Receipts shall be applied in accordance with the Post-Acceleration Priority of Payments):

- (a) *first*, to the extent that the same cannot be paid out of Available Revenue Receipts to pay items (a) to (e) and (g), (i) and (k) of the Pre-Acceleration Revenue Priority of Payments, any such amounts to be paid in sequential order, subject to satisfying the Reallocation Conditions;
- (b) *second*, amounts to be credited to the Liquidity Reserve Fund Ledger (to the extent not funded from Available Revenue Receipts);
- (c) *third*, amounts in respect of Arrears Reallocated Principal Receipts to be applied as Available Revenue Receipts;
- (d) *fourth*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (e) *fifth*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;

- (f) *sixth*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (g) *seventh*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (h) *eighth*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (i) *ninth*, to pay any Subordinated Servicing Fee due to the Servicer to the extent not funded from Available Revenue Receipts;
- (j) *tenth*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero; and
- (k) *eleventh*, the excess (if any) to be applied as Available Revenue Receipts.

**Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer**

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer or on an Interest Payment Date which is also an Optional Redemption Date, the Security Trustee (or the Cash Manager on its behalf) will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) or where the Interest Payment Date is an Optional Redemption Date (including any Interest Payment Date deemed to be an Optional Redemption Date in accordance with Condition 7.5) the Cash Manager will apply all amounts available to the Issuer (including all amounts standing to the credit of the General Reserve Fund, the Liquidity Reserve Fund and the Class E Liquidity Reserve Fund) but not including any amounts from the sale of the Loans pursuant to the Market Portfolio Purchase to be applied to pay Success Fee and any Third Party Sale Expenses) in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Post-Acceleration Priority of Payments** and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the **Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
  - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any costs, charges, liabilities and expenses then due and payable to them under

the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

- (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein; and
  - (iii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
  - (iii) any amounts then due and payable to the Back-up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Servicer under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein; and
  - (iv) only in respect of an Interest Payment Date which is also an Optional Redemption Exercise Date, any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (j) below;
- (d) *fourth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (f) *sixth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (g) *seventh*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;



- (h) *eighth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (i) *ninth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
- (j) *tenth*, to pay the Issuer an amount equal to £1,125 on each Interest Payment Date to be retained by the Issuer as profit in respect of the business of the Issuer; and
- (k) *eleventh*, any excess amounts *pro rata* and *pari passu* to the holders of the Residual Certificates.

## DESCRIPTION OF THE GLOBAL NOTES AND GLOBAL RESIDUAL CERTIFICATES

### General

The Notes as at the Closing Date will each be represented by a global note certificate (a **Global Note**). The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate (a **Global Residual Certificate**). All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes and the Global Residual Certificate will be registered in the name of the nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depository as the owner of the Global Note or Global Residual Certificate, as applicable.

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

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and higher integral multiples of £1000 (an **Authorised Denomination**).

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

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

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

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

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

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

### **Payments on the Global Notes**

Payment of principal and interest on, and any other amount due in respect of, the Global Notes or Global Residual Certificates will be made in Sterling by or to the order of Elavon Financial Services Limited (the **Principal Paying Agent**) on behalf of the Issuer to the order of the Common Depository or its nominee as the registered holder thereof with respect to the Global Notes or Global Residual Certificates. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depository or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of

Euroclear or Clearstream, Luxembourg. On each record date (the **Record Date**) Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders or Certificateholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes or the Residual Certificates, (i) where the Notes or the Residual Certificates are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Notes or the Residual Certificates are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

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

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

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

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

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

## **Redemption of Global Notes**

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

## **Cancellation of Global Notes**

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

## **Transfers and Transfer Restrictions**

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

## **Issuance of Registered Definitive Notes and Registered Definitive Residual Certificates**

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

may be (in the case of Notes), the due date for redemption. Registered Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum authorised denomination. See "*Risk Factors — Denominations*" above.

### **Action in Respect of the Global Notes or Global Residual Certificates and the Book-Entry Interests**

Not later than ten days after receipt by the Issuer of any notices in respect of a Global Note or Global Residual Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note or Global Residual Certificate, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note or Global Residual Certificate and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note or Global Residual Certificate in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes or Global Residual Certificates.

### **Reports**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. In addition, notices regarding the Notes or Residual Certificates will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the Irish Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the *Financial Times*); provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the *Financial Times* shall not be required with respect to such information so long as the rules of the Irish Stock Exchange allow. See also Condition 15 (Notice to Noteholders) of the Notes.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the **Conditions** of the Notes and any reference to a **Condition** shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

### 1. GENERAL

The £213,000,000 Class A1 mortgage backed floating rate notes due July 2046 (the **Class A1 Notes**), the £40,000,000 Class A2 mortgage backed fixed rate notes due July 2046 (the **Class A2 Notes**) and, together with the Class A1 Notes, the **Class A Notes**) the £20,000,000 Class B mortgage backed floating rate notes due July 2046 (the **Class B Notes**), the £26,500,000 Class C mortgage backed floating rate notes due July 2046 (the **Class C Notes**), the £31,200,000 Class D mortgage backed floating rate notes due July 2046 (the **Class D Notes**), the £13,200,000 Class E mortgage backed floating rate notes due July 2046 (the **Class E Notes** and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the **Rated Notes**) and the £51,200,000 Class F mortgage backed floating rate notes due July 2046 (the **Class F Notes**) and together with the Rated Notes, the **Notes**), in each case of Rochester Financing No. 1 plc (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 16 October 2013 (the **Closing Date**) and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these terms and conditions (the **Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to a **Sub-Class** of Notes or of Noteholders shall be a reference to the Class A1 Notes or the Class A2 Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class or Sub-Class designation of Notes, the registered holders for the time being of such Class of Notes or Sub-Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services Limited as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agent**), Elavon Financial Services Limited as registrar (in such capacity, the **Registrar**) and Elavon Financial Services Limited as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the Master Definitions and Construction Schedule (the **Master Definitions and Construction Schedule**) entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 2. FORM, DENOMINATION AND TITLE

### 2.1 Form and Denomination

Each Note will initially be represented by a global note certificate in registered form (a **Global Note**).

For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg.

For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000. A Global Note will be exchanged for the relevant Note in definitive registered form (such exchanged Global Note, the **Registered Definitive Notes**) only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or
  - (ii) announce an intention permanently to cease business and do so cease to do businessand in either case no alternative clearing system satisfactory to the Note Trustee is available;  
or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the relevant Notes in definitive registered form.

If Definitive Notes are issued in respect of Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Registered Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.



The minimum denomination of the Notes in global and (if issued and printed) definitive form will be £100,000.

References to **Notes** in these Conditions shall include the Global Notes and the Registered Definitive Notes.

## **2.2 Title**

Title to the Global Notes shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 2.1 (Form and Denomination) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set forth on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

## **3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY**

### **3.1 Status and relationship between the Notes**

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times.
- (b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B Noteholders will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).
- (c) The Class C Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class C Notes rank *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in

these Conditions and the Transaction Documents. Accordingly, the interests of the Class C Noteholders will be subordinated to the interests of each of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or any Class B Notes remain outstanding).

- (d) The Class D Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class D Notes rank *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class D Noteholders will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes remain outstanding).
- (e) The Class E Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class E Notes rank *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but (other than in respect of amounts of interest which are funded from the Class E Liquidity Reserve) subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class E Noteholders will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes remain outstanding).
- (f) The Class F Notes constitute direct, secured and (subject as provided in Condition 17 (Subordination by Deferral) and the limited recourse provisions in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class F Notes rank subordinate to all payments due in respect of the Rated Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class F Noteholders will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding).
- (g) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard (except as expressly provided otherwise) to the interests of the Most Senior Class of Notes (as defined below).
- (h) The Trust Deed also contains provisions limiting the powers of any Class to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class of Notes. Except in certain circumstances described in Condition 12, the Trust Deed contains no such limitation on the powers of the Most Senior Class of Notes, the exercise of which (save in respect of a Basic Terms Modification) will be binding on all other Classes of Notes (and on the holders of the Residual Certificates) in each case irrespective of the effect thereof on their respective interests.

As long as any Notes are outstanding but subject to Condition 12.5, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

### **3.2 Security**

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

#### 4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Deposit Account, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;

- (j) **Purchase Notes:** purchase or otherwise acquire any Notes; or
- (k) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 5. INTEREST

### 5.1 Accrual of interest

#### *Interest Accrual*

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (Payments), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### 5.2 Interest Payment Dates

- (a) The first Interest Payment Date will be the Interest Payment Date falling in January 2014.
- (b) In these Conditions, **Interest Payment Date** means, in relation to the Class A2 Notes (to and including the Interest Payment Date falling on the Step-Up Date) the 16th day of January, April, July and October in each year and in relation to the Class A1 Notes, the Class A2 Notes (from but excluding the Interest Payment Date falling on the Step-Up Date), the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes and for all other purposes, the 16th day of January, April, July and October in each year or, if such day is not a Business Day, the immediately succeeding Business Day.
- (c) Interest shall be payable quarterly in arrear on each Interest Payment Date.
- (d) In these Conditions, **Interest Period** shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding or first Interest Payment Date.

### 5.3 Fixed Rate of Interest

The fixed rate of interest payable from time to time (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 Class A2 Notes) (until the Step-Up Date) will be determined on the basis of the following provisions:

- (a) The Fixed Rate of Interest for the Class A2 Notes for any Interest Period (until the Interest Period immediately following the Step-Up Date) will be equal to 2.607 per cent. per annum.
- (b) The Fixed Interest Payment in respect of a Note of the Class A2 Notes shall be calculated by applying the Fixed Rate of Interest applicable to the Class A2 Notes to the Principal Amount Outstanding of such Note on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

- (c) The Class A2 Notes shall bear interest calculated in accordance with Condition 5.4 from and including the Interest Period which commences on the Step-Up Date.

#### 5.4 Floating Rate of Interest

- (a) The floating rate of interest payable from time to time in respect of each of the Class A1 Notes, the Class A2 Notes (from and including the Interest Period commencing on the Step-Up Date), the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (each a **Floating Rate of Interest** and together with the Fixed Rate of Interest, the **Rates of Interest**) will be determined on the basis of the following provisions:

- (i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Determination Date. The Floating Rates of Interest for the relevant Interest Period shall be the aggregate of (I) the Relevant Margin and (II) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)); and
- (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Floating Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Floating Rates of Interest for the relevant Interest Period shall be the Floating Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Floating Rate of Interest.

- (b) In these Conditions (except where otherwise defined), the expression:
- (i) **Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;
- (ii) **Interest Determination Date** means the first day of the Interest Period for which the rate will apply;
- (iii) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;

- (iv) **Relevant Margin** means in respect of each Class of the Notes the following percentage per annum:
- (A) in respect of the Class A1 Notes, 1.45 per cent. per annum (and, following the Step-Up Date, 2.50 per cent. per annum) (the **Class A1 Margin**);
  - (B) in respect of the Class A2 Notes for all Interest Periods from and including the Interest Period commencing on the Step-Up Date, 2.50 per cent. per annum (the **Class A2 Margin**);
  - (C) in respect of the Class B Notes, 1.50 per cent. per annum (and, following the Step-Up Date, 2.50 per cent. per annum (the **Class B Margin**);
  - (D) in respect of the Class C Notes, 1.50 per cent. per annum (the **Class C Margin**);
  - (E) in respect of the Class D Notes, 1.50 per cent. per annum (the **Class D Margin**);
  - (F) in respect of the Class E Notes, 1.50 per cent. per annum (the **Class E Margin**);
  - (G) in respect of the Class F Notes, 1.50 per cent. per annum (the **Class F Margin**); and
- (v) **Relevant Screen Rate** means in respect of the Notes the arithmetic mean of offered quotations for three-month Sterling deposits in the London interbank market displayed on the Reuters Screen page LIBOR01.

## **5.5 Determination of Floating Rates of Interest and Floating Interest Amounts**

### **(a) Floating Rates of Interest**

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the Sterling amount (the **Floating Interest Amounts**) in respect of the Notes payable in respect of interest on the Principal Amount Outstanding of each Class or Sub-Class of the Notes for the relevant Interest Period.

The Floating Interest Amounts shall be determined by applying the relevant Floating Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 (or 366 days if the relevant calculation is being made in respect of an Interest Period ending in a leap year) and rounding the figure downwards to the nearest penny.

## **5.6 Publication of Floating Rates of Interest and Floating Interest Amounts**

The Agent Bank shall cause the Floating Rates of Interest and the Floating Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (Notice to Noteholders) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Floating Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

## 5.7 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Floating Rates of Interest and the Floating Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Floating Rates of Interest and the Floating Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 5.5 (Determination of Floating Rates of Interest and Floating Interest Amounts). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

## 5.8 Notifications, etc to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence or fraud) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

## 5.9 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Floating Rates of Interest and the Floating Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

## 5.10 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive any Servicer Report due during a Collection Period (each such period, a **Determination Period**), then the Cash Manager may use the Servicer Reports in respect of the three most recent Collection Periods for which all relevant Servicer Reports are available (or, where there are not at least three previous Collection Periods, any previous Collection Periods) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.10 (Determinations and Reconciliation). When the Cash Manager receives all Servicer Reports relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.10(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 5.10(b) and/or 5.10(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Conditions 5.10(b) and/or 5.10(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

- (b) In respect of any Determination Period the Cash Manager shall:
- (i) determine the Interest Determination Ratio (as defined below) by reference to the three most recent Collection Periods in respect of which all relevant Servicer Reports are available (or, where there are not at least three previous Collection Periods, any previous Collection Periods);
  - (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the **Calculated Revenue Receipts**); and
  - (iii) calculate the Principal Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the **Calculated Principal Receipts**).
- (c) Following any Determination Period, upon receipt by the Cash Manager of all Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 5.10(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined below) as follows:
- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and
  - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

*provided* that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

**Interest Determination Ratio** means (a) the aggregate Revenue Receipts calculated in the three preceding Collection Periods for which all relevant Servicer Reports are available (or, where there are not at least three previous such Collection Periods, any previous Collection Periods) divided by (b) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Collection Periods.

**Reconciliation Amount** means in respect of any Collection Period which is a Determination Period, (a) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (b) the Calculated Principal Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods.

**Servicer Report** means a report to be provided by the Servicer on the 4th Business Day of each month and detailing the information relating to the Portfolio necessary to produce the Investor Report.



## **6. PAYMENTS**

### **6.1 Payment of Interest and Principal**

Payments of any amount in respect of a Note including principal and interest shall be made by Sterling cheque in the case of the Notes, or upon application by the relevant Noteholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent.

### **6.2 Laws and Regulations**

Payments of any amount in respect of a Note including principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

### **6.3 Payment of Interest following a Failure to pay Principal**

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest, which continues to accrue in respect of such Note in accordance with Condition 5.1 (Accrual of interest) and Conditions 5.3 (Fixed Rate of Interest) or 5.4 (Floating Rate of Interest) will be paid, in respect of a Global Note, as described in Condition 6.1 (Payment of Interest and Principal) above and, in respect of any Registered Definitive Note, in accordance with this Condition 6.

### **6.4 Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Luxembourg or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (Notice to Noteholders) and will notify the Rating Agencies of such change or addition.

## **6.5 No Payment on non-Business Day**

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

## **6.6 Partial Payment**

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register, indicating the amount and date of such payment.

## **6.7 Payment of Interest**

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (No Payment on non-Business Day)) or by reason of non-compliance by the Noteholder with Condition 6.1 (Payment of Interest and Principal), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (Notice to Noteholders).

## **7. REDEMPTION**

### **7.1 Redemption at Maturity**

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in July 2046.

### **7.2 Mandatory Redemption**

(a) Each of the Notes shall, subject to Condition 7.3 (Optional Redemption of the Notes in Full) and 7.4 (Optional Redemption for Taxation Reasons), be redeemed on each Interest Payment Date and prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose (to the extent not used to credit the Liquidity Reserve Fund) which shall be applied in the following order of priority:

- (i) to repay the Class A Notes until they are each repaid in full, and thereafter be applied
- (ii) to repay the Class B Notes until they are each repaid in full, and thereafter to be applied
- (iii) to repay the Class C Notes until they are each repaid in full, and thereafter to be applied
- (iv) to repay the Class D Notes until they are each repaid in full, and thereafter to be applied
- (v) to repay the Class E Notes until they are each repaid in full, and thereafter to be applied
- (vi) to repay the Class F Notes until they are each repaid in full.

- (b) The principal amount redeemable in respect of each of the Notes (the **Note Principal Payment**) on any Interest Payment Date shall be in the case of the Notes, the Available Principal Receipts available for such purpose on the Calculation Date immediately preceding the Interest Payment Date to be applied in redemption of that Class divided by the number of Notes in that Class in the relevant denomination then outstanding. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of the Notes, is 100,000. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.
- (c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on its Main Securities Market) the Irish Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 15 (Notice to Noteholders) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Notes on any Interest Payment Date a notice to this effect will be given to the holders of the Notes.

### 7.3 Optional Redemption of the Notes in Full

- (a) On giving not more than 60 nor less than 14 days' notice to the holders of the Notes in accordance with Condition 15 (Notice to Noteholders) and the Note Trustee, and provided that:
- (i) on or prior to the Interest Payment Date on which such notice expires (the **Optional Redemption Date**), no Note Acceleration Notice has been served;
  - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Rated Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Post-Acceleration Priority of Payments); and
  - (iii) the Optional Redemption Date is (A) the Interest Payment Date falling in January 2018 or any Interest Payment Date thereafter or (B) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount outstanding of the Notes on the Closing Date,

the Issuer may redeem on any Optional Redemption Date all (but not some only) of the Rated Notes on such Optional Redemption Date.

- (b) Any Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the Optional Redemption Date.

## 7.4 Optional Redemption for Taxation Reasons

If by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or each of the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; then the Issuer shall, if the same would avoid the effect of such relevant event described above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, provided that (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any written confirmation from each of the Rating Agencies that the then current ratings of the Rated Notes would not be adversely affected by such substitution) or (B) a written certification from or on behalf of the Issuer (in each case on the basis of appropriate advice being received by the Issuer or the party which provides such certification on behalf of the Issuer) to the Note Trustee that such proposed action (i) (while any Rated Notes remain outstanding) has been notified to the Rating Agencies, (ii) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Notes, (iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (iv) would not have an adverse effect on the rating of the Rated Notes (upon which confirmation or certificate the Note Trustee shall be entitled to rely absolutely without liability to any person for so doing), and (ii) such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee and holders of the Notes in accordance with Condition 15 (Notice to Noteholders), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer (i) stating that one or more of the circumstances referred to above prevail(s), (ii) setting out details of such circumstances and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer and each of the Paying Agents has or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on each Class of the holders of the Rated Notes.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Post-Acceleration Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the

Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

#### **7.5 Mandatory Redemption in full pursuant to a Residual Certificate Portfolio Purchase or Market Portfolio Purchase**

- (a) On the occurrence of a Residual Certificate Portfolio Purchase or a Market Portfolio Purchase, the consideration received by the Issuer will be applied in accordance with the Post-Acceleration Priority of Payments on the immediately succeeding Interest Payment Date and such Payment Date shall be deemed to be an Optional Redemption Date with the result that the Rated Notes will be redeemed in full in accordance with this Condition 7.5 (*Mandatory Redemption in full pursuant to a Residual Certificate Portfolio Purchase or Market Portfolio Purchase*).
- (b) Any Note redeemed pursuant to Condition 7.5(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the Interest Payment Date on which the redemption occurred.

#### **7.6 Principal Amount Outstanding**

The **Principal Amount Outstanding** of each Class of Notes on any date shall be in each case their original principal amount, in respect of the Class A1 Notes of £213,000,000, in respect of the Class A2 Notes of £40,000,000, in respect of the Class B Notes of £20,000,000, in respect of the Class C Notes of £26,500,000, in respect of the Class D Notes of £31,200,000, in respect of the Class E Notes of £13,200,000 and in respect of the Class F Notes of £51,200,000, in each case less the aggregate amount of all principal payments in respect of such Class of Notes which have been made since the Closing Date.

#### **7.7 Notice of Redemption**

Any such notice as is referred to in Condition 7.3 (Optional Redemption of the Notes in Full) or Condition 7.4 (Optional Redemption for Taxation Reasons) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (Optional Redemption of the Notes in Full) or Condition 7.4 (Optional Redemption for Taxation Reasons) may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

#### **7.8 No Purchase by the Issuer**

The Issuer will not be permitted to purchase any of the Notes.

#### **7.9 Cancellation**

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

### **8. TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 7.4, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor

any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

## 9. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (Notice to Noteholders).

## 10. EVENTS OF DEFAULT

### 10.1 Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the Most Senior Class of Notes shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (a **Note Acceleration Notice**) to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) subject to Condition 17 if default is made in the payment of any principal or interest due in respect of the Most Senior Class of Notes and the default continues for: (i) a period of seven days in the case of principal, or (ii) 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of each Class of Notes then outstanding; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of each Class of Notes then outstanding, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## **10.2 General**

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (Notes), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

## **11. ENFORCEMENT**

### **11.1 General**

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) the Security Trustee or the Note Trustee shall have been so directed by an Extraordinary Resolution of the Most Senior Class of Notes then outstanding or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

## 11.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the holders of the Rated Notes (and all persons ranking in priority to the holders of the Rated Notes) (or, once all of the holders of the Rated Notes have been repaid, to the Class F Noteholder (and all persons ranking in priority thereto) or, once the Class F Noteholder has been repaid, to the Certificateholders (and all persons ranking in priority thereto)), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, 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 to the holders of the relevant Class of Notes (or once all of the holders of the Rated Notes have been repaid, to the Class F Noteholder (and all persons ranking in priority thereto) or, once the Class F Noteholder has been repaid, to the Certificateholders (and all persons ranking in priority thereto)).

## 11.3 Limitations on Enforcement

No Noteholder or Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

## 11.4 Limited Recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders or Certificateholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the **Charged Assets**). If:

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

then neither the Noteholders nor the Certificateholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) or interest in respect of the Notes or Residual Payments in respect of the Certificates) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

## 12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- 12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class, and the Certificateholders to consider any matter affecting their



interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions, the Residual Certificates Conditions or the provisions of any of the Transaction Documents.

For the purposes of these Conditions, **Most Senior Class** means, in respect of the Notes, the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes or, if there are no Class C Notes then outstanding, the Class D Notes or, if there are no Class D Notes outstanding, the Class E Notes or, if there are no Class E Notes then outstanding, the Class F Notes.

## **12.2 Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders**

Other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of each of the relevant affected Classes of Notes and/or the Residual Certificates passed at separate meetings(s) of the holders of such classes and/or such Residual Certificates:

- (a) A resolution (including an Extraordinary Resolution) passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and the Residual Certificates irrespective of the effect it has upon them.
- (b) A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and (ii) the Residual Certificates, irrespective of the effect it has upon them.
- (c) No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders.
- (d) While the Class A Notes are outstanding, the Class A1 Notes and the Class A2 Notes will together constitute the Most Senior Class and unless the Note Trustee or, as the case may be, the Security Trustee, determines that there would be an actual or potential conflict of interest between them will vote together in a single meeting as one Class. If the Note Trustee or, as the case may be, the Security Trustee, determines that there would be an actual or potential conflict of interest between the Class A1 Notes and the Class A2 Notes, a resolution or an Extraordinary Resolution will only be effective if sanctioned by both the holders of the Class A1 Notes and the Class A2 Notes.

- 12.3 Other than in relation to Basic Terms Modifications and subject as provided in Conditions 12.2 and 12.4, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of (A) one Class of Notes or Sub-Class of Notes only or (B) the Residual Certificates only shall be deemed to have been duly passed if passed at a meeting of the holders of (A) that Class of Notes or Sub-Class of Notes or (B) the Residual Certificates; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of more than one Class of Notes or Sub-Class of Notes but does not give rise to a conflict of interest between the holders of such Classes of Notes or Sub-Classes of Notes so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of all the Classes of Notes or Sub-Classes of Notes so affected; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, but does not give rise to an actual or potential conflict of interest between the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting of the holders of such one or more Classes of Notes or Sub-Classes of Notes

without the consent of the Certificateholders; a resolution which in the opinion of the Note Trustee affects the interests of the holders of any two or more Classes of Notes or Sub-Classes of Notes and gives or may give rise to an actual or potential conflict of interest between the holders of such two or more Classes of Notes or Sub-Classes of Notes shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such two or more Classes of Notes or Sub-Classes of Notes, it shall be duly passed at separate meetings of the holders of such two or more Classes of Notes or Sub-Classes of Notes; and a resolution which in the opinion of the Note Trustee affects the interests of the holders of any one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates and gives or may give rise to an actual or potential conflict of interest between the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, it shall be duly passed at separate meetings of the holders of such one or more Classes of Notes or Sub-Classes of Notes and without the consent of the Certificateholders.

#### 12.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes or Sub-Class or Sub-Classes for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the aggregate Principal Amount Outstanding of such Class or Classes or Sub-Class or Sub-Classes of Notes.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or Sub-Class or Sub-Classes or holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, or of the definitions of Residual Payment or Residual Payment Amount (including, in relation to any Class or Sub-Class of Notes or Residual Certificates, if any such modification is proposed for any Class or Sub-Class Notes senior to such Class or the Residual Certificates) (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) alter the provisions of paragraph 31, 32 and 33 of Schedule 5 to the Trust Deed, or (viii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes or Sub-Class of Notes or one or more persons holding or representing in the aggregate not less than three-quarters of the number of Residual Certificates then outstanding. The quorum at any adjourned meeting (whether passing an Ordinary Resolution, Extraordinary Resolution or Extraordinary Resolution in relation to a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class or Sub-Class or one or more persons present and holding or representing in the aggregate not less than one-quarter of the number of Residual Certificates then outstanding. Any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at separate meetings of each Class of Noteholders so affected (or, in relation to the Class A Notes if so affected, separate meetings of the Class A1 Notes and the Class A2 Notes if the Note Trustee or, as the case may be, the Security Trustee, determines the relevant modification could give rise to an actual or potential conflict of interest between the holders of the Class A1 Notes and the Class A2 Notes) and/or by a meeting of the Certificateholders, if so affected. Notwithstanding

the above, the Seller will not have any voting rights in respect of any Class of Notes (unless it holds all (but not some only) of any class of Notes).

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

12.5 (Other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice and other than in relation to Basic Terms Modifications of the Notes (but not, for the avoidance of doubt, the Residual Certificates)) and subject to the more detailed provisions of the Trust Deed, an Extraordinary Resolution or an Ordinary Resolution of the Noteholders of any Class or Sub-Class of Noteholders or the Certificateholders, may be duly passed and shall be binding on all of the Noteholders or the Noteholders of such Class or Sub-Class and/or the Certificateholders (as applicable) in accordance with its terms where regardless of whether or not such Noteholder or Certificateholder has notified the Note Trustee and, for so long as the Notes and/or the Residual Certificates are held through the Clearing Systems, the Principal Paying Agent in accordance with Condition 12.5(c) below of its objection to such Ordinary Resolution or Extraordinary Resolution:

- (a) notice of such Extraordinary Resolution or Ordinary Resolution, as applicable, (including the full text of the same) has been given to the Noteholders or the Noteholders of such Class or Sub-Class and/or the Certificateholders, as applicable in accordance with the provisions of Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*) and is simultaneously made available through Bloomberg or any industry recognised successor to Bloomberg on a page associated with the Notes and/or Residual Certificates (unless impracticable to do so due to changes in the Bloomberg system after the Closing Date) (with such notice being repeated in the same manner 20 days after such notice is first given);
- (b) such notice contains a statement requiring such Noteholders or the Certificateholders to notify both the Note Trustee in writing (with such evidence as to holding and blocking of such Noteholder's or Certificateholder's holding of such Notes or Certificates, as applicable, as the Note Trustee may require) and, for so long as the Notes and/or the Residual Certificates are held through the Clearing Systems, the Principal Paying Agent via the Clearing Systems if they object to such Extraordinary Resolution or Ordinary Resolution, stating that unless holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more in (A) aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders); or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in (A) aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders), makes such objection, the Extraordinary Resolution (other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice and other than in relation to Basic Terms Modifications) or Ordinary Resolution will be deemed to be passed by the Noteholders or the Noteholders of such Class or Sub-Class or the Certificateholders (as applicable) 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
- (c) holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more in (A) aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders) or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in (A) aggregate Principal Amount

Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders), have not notified the Note Trustee in writing (with such evidence as to holding and blocking of such Noteholder's or Certificateholder's holding of such Notes or Certificates, as applicable, as the Note Trustee may require) and, for so long as the Notes and/or Residual Certificates are held through the Clearing Systems, the Principal Paying Agent via the Clearing Systems of their objection to such Extraordinary Resolution or Ordinary Resolution within 40 days of the date that notice was first given to Noteholders and Certificateholders.

Upon the Note Trustee receiving objections from the Noteholders or Certificateholders of 10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in (A) aggregate of the Principal Amount Outstanding of the Notes of the relevant Class or Classes or Sub-Class or Sub-Classes (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders), the Note Trustee shall give notice to the relevant Class or Classes or Sub-Class or Sub-Classes of Noteholders or the Certificateholders (as applicable) in accordance with the provisions of Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*) 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 12 or a meeting of the Certificateholders in accordance with the provisions of Residual Certificates Condition 11 in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance with the provisions of this Condition 12 or Residual Certificates Condition 11, as applicable.

- 12.6 The Note Trustee or, as the case may be, the Security Trustee, may agree with the Issuer and any other parties but without the consent or sanction of the Noteholders or the Certificateholders or the other Secured Creditors at any time and from time to time concur with the Issuer or any other person in making or sanctioning any modification (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document):
- (a) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, other than in respect of a Basic Terms Modification, which in the opinion of the Note Trustee (acting in accordance with the Trust Deed), or as the case may be, the Security Trustee (acting on the directions of the Note Trustee, so long as there are any Notes or Residual Certificates outstanding or all the Secured Creditors if there are no Notes or Residual Certificates outstanding), will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes (or if there are no Notes outstanding, the interests of the Certificateholders), or the interests of the Note Trustee or the Security Trustee; or
  - (b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee (acting in accordance with the Trust Deed), or as the case may be, the Security Trustee (acting on the directions of the Note Trustee, so long as there are any Notes or Residual Certificates outstanding or all the Secured Creditors if there are no Notes or Residual Certificates outstanding), such modification is of a formal, minor or technical nature or to correct a manifest error.
- 12.7 The Note Trustee may also without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any subsequent breach or Event of Default at any time and from time to time but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Note Trust Deed) the interests of the Most Senior Class of Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders) shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by the

Issuer or any other person of any of the covenants or provisions contained in the Trust Deed or any other Transaction Document or determine that any Event of Default shall not be treated as such provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes (or if there are no Notes outstanding, the interests of the Certificateholders) or by a direction under Condition 10 (*Events of Default*) or Residual Certificates Condition 9 (*Events of Default*)) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

- 12.8 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders and the Certificateholders as soon as practicable thereafter in accordance with Condition 15 (Notice to Noteholders) and Residual Certificates Condition 14 (Notice to Certificateholders).
- 12.9 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.10 In connection with any such substitution of principal debtor referred to in Condition 7.4 (Optional Redemption for Taxation Reasons), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions, the Residual Certificates, the Residual Certificates Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.
- 12.11 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee and the Security Trustee may, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Rated Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.
- 12.12 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes or Sub-Class or Sub-Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class or Sub-Class or Sub-Classes as a Sub-Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any

indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.13 **Extraordinary Resolution** means in respect of the holders of any Class of Notes or Sub-Class of Notes:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes or Sub-Class of Notes which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.

12.14 **Ordinary Resolution** means in respect of the holders of any Class of Notes or Sub-Class of Notes:

- (a) a resolution passed at a meeting duly convened and held in accordance with these presents by a clear majority of the persons eligible to attend and vote at such meeting and voting at such meeting on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes or Sub-Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.

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

#### **12.16 Issuer Substitution Condition**

The Note Trustee may concur with the Issuer to any substitution under these Conditions and subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (Covenants). In the case of a substitution pursuant to this Condition 12.16, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

### **13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their

indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **14. REPLACEMENT OF NOTES**

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

#### **15. NOTICE TO NOTEHOLDERS**

##### **15.1 Publication of Notice**

- (a) Subject to paragraph (b) below, all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Note Trustee may approve. The holders of any coupons will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.
- (b) Whilst the Notes are represented by Global Notes, notices to Noteholders will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

##### **15.2 Note Trustee's Discretion to Select Alternative Method**

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

#### **16. REPLACEMENT NOTES**

- 16.1 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the

Noteholders, issue one or more classes of replacement notes (**Replacement Notes**) to replace one or more classes of the Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the class of Notes which it replaces and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, provided that the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (Optional Redemption of the Notes in Full).

- 16.2 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is not satisfied, the Issuer may, without the consent of the Noteholders, issue one or more classes of Replacement Notes to replace one or more classes of the Notes, each class of which shall have the same terms and conditions in all respects as the class of Notes which is replaced (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**)) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, provided that the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (Optional Redemption of the Notes in Full), in respect of such issue of Replacement Notes and provided further that, for the purposes of this Condition 16.2, where interest in respect of the Replacement Notes or the class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the class of Notes being replaced.

## 17. SUBORDINATION BY DEFERRAL

### 17.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 17, include any interest previously deferred under this Condition 17.1 (a) and accrued interest thereon) payable (other than in respect of the Class A Notes) after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the **Deferred Interest**) in respect of the relevant Class of Notes (other than the Class A Notes) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than amounts payable in respect of the Class F Notes).

### 17.2 General

Any amounts of Deferred Interest shall accrue interest (**Additional Interest**) at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 17.1 (Interest) applies) or on such earlier date as the relevant Class of Notes become due and repayable in full in accordance with these Conditions.

### 17.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 17, the Issuer will give notice thereof to the holders of the relevant Class of Notes, in



accordance with Condition 15 (Notice to Noteholders). Any deferral of interest in accordance with this Condition 17 will not constitute an Event of Default. The provisions of this Condition 17 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all deferred interest and accrued interest thereon shall become due and payable.

## **18. NON-RESPONSIVE RATING AGENCY**

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

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (i) (A) or (B) and (ii) above has occurred, the Issuer having sent a written request to each Rating Agency.

## **19. GOVERNING LAW**

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law (other than certain supplemental security documents to be granted pursuant to the Deed of Charge which will be governed by and shall be construed in accordance with Scots law).

## **20. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

*The following are the Terms and Conditions of the Residual Certificates (the **Residual Certificates Conditions**) and any reference to a Residual Certificate Condition shall be construed accordingly) in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)*

### 1. GENERAL

The 100 residual certificates (the **Residual Certificates**) of Rochester Financing No. 1 plc (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 16 October 2013 (the **Closing Date**) and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Certificateholders (in such capacity, the **Note Trustee**). Any reference in these residual certificate terms and conditions (the **Residual Certificates Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, or to the respective holders thereof. Any reference in these Residual Certificates Conditions to a **Sub-Class** of Notes or of Noteholders shall be a reference to the Class A1 Notes or the Class A2 Notes, as the case may be, or to the respective holders thereof. Any reference in these Residual Certificates Conditions to the Certificateholders means the registered holders for the time being of the Residual Certificates. The security for the Residual Certificates is constituted by a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services Limited as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agent**), Elavon Financial Services Limited as registrar (in such capacity, the **Registrar**) and Elavon Financial Services Limited as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of amounts in respect of the Residual Certificates.

The statements in these Residual Certificates Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the Master Definitions and Construction Schedule (the **Master Definitions and Construction Schedule**) entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 2. FORM AND TITLE

### 2.1 Form and Denomination

Each Residual Certificate will initially be represented by a global residual certificate in registered form (a **Global Residual Certificate**).

For so long as any of the Residual Certificates are represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in such Global Residual Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate. Each Global Residual Certificate will be deposited with and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg.

A Global Residual Certificate will be exchanged for the relevant Certificate in definitive registered form (such exchanged Global Residual Certificate, the **Registered Definitive Residual Certificates**) only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or
  - (ii) announce an intention permanently to cease business and do so cease to do businessand in either case no alternative clearing system satisfactory to the Note Trustee is available;  
or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Registered Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to Residual Certificates in these Residual Certificates Conditions shall include the Global Residual Certificates and the Registered Definitive Residual Certificates.

### 2.2 Title

Title to the Global Residual Certificates shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as

the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Registered Definitive Residual Certificates may be transferred upon the surrender of the relevant Registered Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Registered Definitive Residual Certificates are subject to any restrictions on transfer set forth on the Registered Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Residual Certificate to be issued upon transfer of such Registered Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Registered Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Residual Certificates are not issuable in bearer form.

### **3. STATUS AND SECURITY**

#### **3.1 Status of the Residual Certificates**

- (a) The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 10 (Enforcement)) unconditional obligations of the Issuer and reflect the Issuer's obligation to pay deferred consideration for its purchase of the Portfolio, consisting of the Residual Payments. The Residual Certificates rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payments on the Residual Certificates. Payments of interest and principal on the Notes will at all times rank in priority to payments of the Residual Certificates.
- (b) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee in any such case to have regard only (except as expressly provided otherwise) to the interests of the Noteholders for so long as there are any Notes outstanding.

#### **3.2 Security**

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Certificateholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

#### 4. ISSUER COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Residual Certificates:** purchase or otherwise acquire any Residual Certificates; or

- (k) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 5. RESIDUAL PAYMENTS

### 5.1 Right to Residual Payments

Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of deferred consideration for the purchase by the Issuer of the Portfolio.

### 5.2 Payment

Residual Payments will be payable on the Interest Payment Dates, determined in accordance with the Conditions of the Notes, subject to such Interest Payment Date not falling within a Determination Period (as determined in accordance with the Conditions of the Notes) (in which event, no Residual Payments will be payable in respect of the Residual Certificates).

In these Residual Certificates Conditions:

- (a) **Interest Payment Date** means, each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.
- (b) **Residual Payment** means:
  - (i) prior to the delivery of a Note Acceleration Notice, for an Interest Payment Date, the amount by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (x) of the Pre-Acceleration Revenue Priority of Payments on that Interest Payment Date; and
  - (ii) following the delivery of a Note Acceleration Notice, for any date on which amounts are to be applied in accordance with the Post-Acceleration Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Acceleration Priority of Payments exceeds the amounts required to satisfy items (a) to (j) of the Post-Acceleration Priority of Payments on that date;
- (c) **Residual Payment Amount** means, for each Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Priorities of Payments, the Residual Payment for that date, divided by 100;

### 5.3 Determination of Residual Payment

The Cash Manager shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the Residual Payment and, in respect of each Residual Certificate, the Residual Payment Amount.

### 5.4 Publication of Residual Payment and Residual Payment Amount

The Cash Manager shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 14 (Notice to Certificateholders) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Residual Payment and Residual Payment

Amount may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

## **5.5 Determination by the Note Trustee**

The Note Trustee may, without liability therefor, if the Cash Manager defaults at any time in its obligation to determine the Residual Payment and Residual Payment Amount (if any) in accordance with the above provisions and the Note Trustee has been notified of this default, determine or cause to be determined the Residual Payment and Residual Payment Amount (if any), in the manner provided in this Residual Certificates Condition 5. Any such determination shall be deemed to be determinations made by the Cash Manager.

## **5.6 Notifications, etc to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 5, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence or fraud) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Residual Certificates Condition 5.

## **5.7 Termination of Payments and cancellation of Residual Certificates**

Following the redemption in full of the Notes and the realisation of the Charged Assets, and payment of the proceeds on accordance with the relevant Priorities of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be cancelled.

# **6. PAYMENTS**

## **6.1 Payment of Residual Payment Amounts**

Payments of Residual Payment Amounts shall be made by Sterling cheque in the case of the Residual Certificates, or upon application by the relevant Certificateholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London.

## **6.2 Laws and Regulations**

Payments of Residual Payment Amounts are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Certificateholders will not be charged commissions or expenses on payments.

## **6.3 Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Luxembourg or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Certificateholders in accordance with Residual Certificates Condition 14 (Notice to Certificateholders) and will notify the Rating Agencies of such change or addition.

#### **6.4 No Payment on non-Business Day**

If the date for payment of any amount in respect of a Residual Certificate is not a Presentation Date, Certificateholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Residual Certificates Condition 6.4, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

### **7. TAXATION**

All payments of Residual Payment Amounts by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

### **8. PRESCRIPTION**

Claims in respect of Residual Payment Amounts will be prescribed after five years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 8, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Certificateholders in accordance with Residual Certificates Condition 14 (Notice to Certificateholders).

### **9. EVENTS OF DEFAULT**

#### **9.1 Residual Certificates**

Provided all of the Notes have been redeemed in full, the Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates or if so directed by an Extraordinary Resolution of



the Residual Certificates shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (a **Note Acceleration Notice**) to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of 14 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Residual Certificates; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Residual Certificates, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## **9.2 General**

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Residual Certificates Condition 9.1 (Residual Certificates), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

## **10. ENFORCEMENT**

### **10.1 General**

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Residual Certificates, the Notes or the Trust Deed (including the Conditions and these Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) all of the Notes have been redeemed in full;
- (b) the Security Trustee or the Note Trustee shall have been so directed by an Extraordinary Resolution of the Residual Certificates or directed in writing by the holders of at least 25 per cent. by number of the Residual Certificates; and
- (c) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

### **10.2 Limitations on Enforcement**

No Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

### **10.3 Limited Recourse**

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Certificateholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the **Charged Assets**). If:

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

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

then the Certificateholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of Residual Amounts in respect of the Residual Certificates) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

## **11. MEETINGS OF CERTIFICATEHOLDERS AND NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

- 11.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class, and the Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions, the Residual Certificates Conditions or the provisions of any of the Transaction Documents.

For the purposes of these Residual Certificates Conditions, **Most Senior Class** means, in respect of the Notes, the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes or, if there are no Class C Notes then outstanding, the Class D Notes or, if there are no Class D Notes outstanding, the Class E Notes or, if there are no Class E Notes then outstanding, the Class F Notes.

### **11.2 Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders**

Other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of each of the relevant affected Classes of Notes and/or the Residual Certificates passed at separate meetings of the holders of such classes and/or such Residual Certificates:

- (a) A resolution (including an Extraordinary Resolution) passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and the Residual Certificates irrespective of the effect it has upon them.
- (b) A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and (ii) the Residual Certificates, irrespective of the effect it has upon them.
- (c) No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders.
- (d) While the Class A Notes are outstanding, the Class A1 Notes and the Class A2 Notes will together constitute the Most Senior Class and unless the Note Trustee or, as the case may be, the Security Trustee, determines that there would be an actual or potential conflict of interest between them will vote together in a single meeting as one Class. If the Note Trustee or, as the case may be, the Security Trustee, determines that there would be an actual or potential conflict of interest between the Class A1 Notes and the Class A2 Notes, a resolution or an Extraordinary Resolution will only be effective if sanctioned by both the holders of the Class A1 Notes and the Class A2 Notes.

11.3 Other than in relation to Basic Terms Modifications and subject as provided in Residual Certificates Conditions 11.2 and 11.4, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of (A) one Class of Notes or Sub-Class of Notes only or (B) the Residual Certificates only shall be deemed to have been duly passed if passed at a meeting of the holders of (A) that Class of Notes or Sub-Class of Notes or (B) the Residual Certificates; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of more than one Class of Notes or Sub-Class of Notes but does not give rise to a conflict of interest between the holders of such Classes of Notes or Sub-Classes of Notes so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of all the Classes of Notes or Sub-Classes of Notes so affected; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, but does not give rise to an actual or potential conflict of interest between the holders of such one or more Classes of Notes or Sub-Classes of Notes without the consent of the Certificateholders, shall be deemed to have been duly passed if passed at a single meeting of the holders of such one or more Classes of Notes or the Sub-Classes of Notes and the Residual Certificates; a resolution which in the opinion of the Note Trustee affects the interests of the holders of any two or more Classes of Notes or Sub-Classes of Notes and gives or may give rise to an actual or potential conflict of interest between the holders of such two or more Classes of Notes or Sub-Classes of Notes shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such two or more Classes of Notes or Sub-Classes of Notes, it shall be duly passed at separate meetings of the holders of such two or more Classes of Notes or Sub-Classes of Notes; and a resolution which in the opinion of the Note Trustee affects the interests of the holders of any one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates and gives or may give rise to an actual or potential conflict of interest between the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such one or more Classes of Notes or Sub-Classes of Notes and the Residual Certificates, it shall be duly passed at separate meetings of the holders of such one or more Classes of Notes or Sub-Classes of Notes and without the consent of the Certificateholders.

#### 11.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the Residual Certificates.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes or Sub-Class or Sub-Classes of Notes or holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, or of the definitions of Residual Payment or Residual Payment Amount (including, in relation to any Class or Sub-Class of Notes or Residual Certificates, if any such modification is proposed for any Class or Sub-Class Notes senior to such Class or the Residual Certificates) (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) alter the provisions of paragraph 31, 32 and 33 of Schedule 5 to the Trust Deed, or (viii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of the Notes of such Class or Sub-Class or one or more persons present and holding or representing in the aggregate not less than three-

quarters of the number of Residual Certificates then outstanding. The quorum at any adjourned meeting (whether passing an Ordinary Resolution, Extraordinary Resolution or Extraordinary Resolution in relation to a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class or one or more persons present and holding or representing in the aggregate not less than one-quarter of the number of Residual Certificates then outstanding. Any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at separate meetings of each Class of Noteholders so affected (or, in relation to the Class A Notes if so affected, separate meetings of the Class A1 Notes and the Class A2 Notes if the Note Trustee or, as the case may be, the Security Trustee determines the relevant modification could give rise to an actual or potential conflict of interest between the holders of the Class A1 Notes and the Class A2 Notes) and/or by a meeting of the Certificateholders if so affected. Notwithstanding the above, the Seller will not have any voting rights in respect of any Class of Notes (unless it holds all (but not some only) of any class of Notes).

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

11.5 (Other than in relation to an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice and other than in relation to Basic Terms Modifications of the Notes (but not, for the avoidance of doubt, the Residual Certificates)) and subject to the more detailed provisions of the Trust Deed, an Extraordinary Resolution or an Ordinary Resolution of the Noteholders of any Class or Sub-Class of Noteholders or the Certificateholders, may be duly passed and shall be binding on all of the Noteholders or the Noteholders of such Class or Sub-Class and/or the Certificateholders (as applicable) in accordance with its terms regardless of whether or not such Noteholder or Certificateholder has notified the Note Trustee and, for so long as the Notes and/or Residual Certificates are held through the Clearing Systems, the Principal Paying Agent in accordance with Residual Certificate Condition 11.5(c) below of its objection to such Ordinary Resolution or Extraordinary Resolution where:

- (a) notice of such Extraordinary Resolution or Ordinary Resolution, as applicable, (including the full text of the same) has been given to the Noteholders or the Noteholders of such Class or Sub-Class and/or the Certificateholders in accordance with the provisions of Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*) and is simultaneously made available through Bloomberg or any industry recognised successor to Bloomberg on a page associated with the Notes and/or Residual Certificates (unless impracticable to do so due to changes in the Bloomberg system following the Closing Date) (with such notice being repeated in the same manner 20 days after such notice is first given);
- (b) such notice contains a statement requiring such Noteholders or the Certificateholders to notify both the Note Trustee in writing (with such evidence as to holding and blocking of such Noteholder's or Certificateholder's holding of such Notes or Certificates, as applicable, as the Note Trustee may require) and, for so long as the Notes and/or Residual Certificates are held through the Clearing Systems, the Principal Paying Agent via the Clearing Systems if they object to such Extraordinary Resolution or Ordinary Resolution, stating that unless holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more in (A) aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders); or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in (A) aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders), makes such objection, the Extraordinary Resolution

(other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice and other than in relation to Basic Terms Modifications) or Ordinary Resolution will be deemed to be passed by the Noteholders or the Noteholders of such Class or Sub-Class or the Certificateholders (as applicable) 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

- (c) holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more (A) aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders) or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in (A) aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or Sub-Class (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders) have not notified the Note Trustee in writing (with such evidence as to holding and blocking of such Noteholder's or Certificateholder's holding of such Notes or Certificates, as applicable, as the Note Trustee may require) and, for so long as the Notes and/or Residual Certificates are held through the Clearing Systems, the Principal Paying Agent via the Clearing Systems of their objection to such Extraordinary Resolution or Ordinary Resolution within 40 days of the date that notice was first given to Noteholders and Certificateholders.

Upon the Note Trustee receiving objections from the Noteholders or Certificateholders of 10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in (A) aggregate of the Principal Amount Outstanding of the Notes of the relevant Class or Classes or Sub-Class or Sub-Classes (in the case of a meeting of the Noteholders) or (B) number of the Residual Certificates then outstanding (in the case of a meeting of the Certificateholders), the Note Trustee shall give notice to the relevant Class or Classes or Sub-Class or Sub-Classes of Noteholders or the Certificateholders (as applicable) in accordance with the provisions of Condition 15 (Notice to Noteholders) and Residual Certificates Condition 14 (Notice to Certificateholders) that the relevant Extraordinary Resolution or the Ordinary Resolution (as the case may be) has not passed. In such circumstance, a meeting of Certificateholders may be called in accordance with the provisions of this Residual Certificate Condition 11 or a meeting of the Noteholders in accordance with Condition 12 in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance with the provisions of this Residual Certificate Condition 11 or Condition 12, as applicable.

- 11.6 The Note Trustee or, as the case may be, the Security Trustee, may agree with the Issuer and any other parties but without the consent or sanction of the Noteholders or the Certificateholders or the other Secured Creditors at any time and from time to time concur with the Issuer or any other person in making or sanctioning any modification (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document):
- (a) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, other than in respect of a Basic Terms Modification, which in the opinion of the Note Trustee (acting in accordance with the Trust Deed), or as the case may be, the Security Trustee (acting on the directions of the Note Trustee, so long as there are any Notes or Residual Certificates outstanding or all the Secured Creditors if there are no Notes or Residual Certificates outstanding), will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes (or if there are no Notes outstanding, the interests of the Certificateholders), or the interests of the Note Trustee or the Security Trustee; or

- (b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee (acting in accordance with the Trust Deed), or as the case may be, the Security Trustee (acting on the directions of the Note Trustee, so long as there are any Notes or Residual Certificates outstanding or all the Secured Creditors if there are no Notes or Residual Certificates outstanding), such modification is of a formal, minor or technical nature or to correct a manifest error.
- 11.7 The Note Trustee may also without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any subsequent breach or Event of Default at any time and from time to time but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Note Trust Deed) the interests of the Most Senior Class of Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders) shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Trust Deed or any other Transaction Document or determine that any Event of Default shall not be treated as such provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes (or if there are no Notes outstanding, the interests of the Certificateholders) or by a direction under Condition 10 (*Events of Default*) or Residual Certificates Condition 9 (*Events of Default*)) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 11.8 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders and the Certificateholders as soon as practicable thereafter in accordance with Condition 15 (Notice to Noteholders) and Residual Certificates Condition 14 (Notice to Certificateholders).
- 11.9 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 11.10 In connection with any such substitution of principal debtor referred to in Condition 7.4 (Optional Redemption for Taxation Reasons), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to a change of the laws governing the Notes, the Conditions, the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders, the Certificateholders or the other Secured Creditors.
- 11.11 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Residual Certificates Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Certificateholders, it shall have regard to the general interests of the Certificateholders but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Certificateholders be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Certificateholders.

11.12 **Extraordinary Resolution** means in respect of the Certificateholders:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Residual Certificates Conditions by a majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters of the Residual Certificates which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders.

11.13 **Ordinary Resolution** means in respect of the Certificateholders:

- (a) a resolution passed at a meeting duly convened and held in accordance with these presents by a clear majority of persons eligible to attend and vote at such meeting and voting at such meeting on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders.

#### 11.14 **Issuer Substitution Condition**

The Note Trustee may concur, with the Issuer to any substitution under the Conditions, these Residual Certificates Conditions and subject to such amendment of the Conditions, these Residual Certificates Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders or the Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes and the Residual Certificates are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Residual Certificates Condition 4 (Issuer Covenants). In the case of a substitution pursuant to the Conditions or this Residual Certificates Condition 11.14, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders or the Certificateholders, to a change in law governing the Note, the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders or the Certificateholders.

## 12. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.



The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

### **13. REPLACEMENT OF RESIDUAL CERTIFICATES**

If any Residual Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Residual Certificate will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Residual Certificate must be surrendered before a new one will be issued.

### **14. NOTICE TO CERTIFICATEHOLDERS**

#### **14.1 Publication of Notice**

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

#### **14.2 Note Trustee's Discretion to Select Alternative Method**

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

### **15. REPLACEMENT RESIDUAL CERTIFICATES**

If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Certificateholders, issue replacement residual certificates (**Replacement Residual Certificates**) to replace the Residual Certificates, which shall have terms and conditions which may differ from the terms and conditions of the Residual Certificates which it replaces.

### **16. GOVERNING LAW**

The Trust Deed, the Deed of Charge, the Residual Certificates and these Residual Certificates Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law (other than certain supplemental security documents to be granted pursuant to the Deed of Charge which will be governed by and shall be construed in accordance with Scots law).

**17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Residual Certificates or these Residual Certificates Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## TAXATION

### *United Kingdom Taxation*

The following applies only to persons who are the beneficial owners of Notes and Residual Certificates and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (**HMRC**) practice relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders and Certificateholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Each prospective Noteholder or Certificateholder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Notes under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the prospective Noteholder or Certificateholder may be subject to tax.

### **Payment of Interest on the Notes**

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

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

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest; and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security

under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

### **Withholding tax in respect of payments under the Residual Certificates**

Payments under the Residual Certificates may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief or exemption as may be available.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

### ***Foreign Account Tax Compliance Act***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose 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 is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes or Residual Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the **grandfathering date**, which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes or Residual Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory

country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold tax under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the **US-UK IGA**) based largely on the Model 1 IGA.

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

While the Notes and Residual Certificates are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes or Residual Certificates by the Issuer, any paying agent or the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes or Residual Certificates 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 and Residual Certificates 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 the US-UK IGA, all of which are subject to change or may be implemented in a materially different form.**

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

### ***EU Financial Transaction Tax***

On 14 February 2013, the European Commission issued proposals, including a draft Directive, 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 these proposals are adopted in their current form, 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 current proposals, the FTT would apply in certain circumstances to persons both within and outside of the participating member states. Generally, it would apply where at least one party is a financial

institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating member state or (b) where the financial instrument which is subject to the financial transaction is issued in a participating member state.

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

## SUBSCRIPTION AND SALE

OSB, Morgan Stanley & Co International plc (**Morgan Stanley** (the **Arranger** and a **Lead Manager**)), The Royal Bank of Scotland plc (as a **Lead Manager** and, together with Morgan Stanley, the **Lead Managers**), pursuant to a subscription agreement dated on or about 15 October 2013 between OSB, the Seller, the Arranger, the Lead Managers and the Issuer (the **Subscription Agreement**), have agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

- (A) in the case of the Lead Managers, £253,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes and £20,000,000 of the Class B Notes at the issue price of 97.82 per cent. of the aggregate principal amount of the Class B Notes; and
- (B) in the case of OSB, 100 per cent. of each of the Class C Notes, Class D Notes, Class E Notes and Class F Notes, in each case at the issue price of 100 per cent. of the aggregate principal amount of the relevant Class of Notes,

respectively as at the Closing Date.

The Issuer has agreed to indemnify OSB, the Lead Managers and the Arranger against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes and the Residual Certificates.

Other than admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on its Main Securities Market, no action has been taken by the Issuer, OSB, the Lead Managers or the Arranger, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Pursuant to the Subscription Agreement, OSB will covenant that it will (i) on the Closing Date hold, and thereafter it shall retain, a material net economic interest pursuant to paragraphs (a) to (d) (as applicable) of Article 122a(1) of Directive 2006/48/EC (as amended) or Articles 404 to 410 (as applicable) (which in each case does not take into account any implementing rules in a relevant jurisdiction) until the maturity of the Notes; (ii) at all relevant times comply with the disclosure obligations imposed on sponsor and originator credit institutions under paragraph 7 of Article 122a of Directive 2006/48/EC or Articles 404 to 410 (as applicable) provided that OSB will not be in breach of such undertaking if OSB fails to so comply due to events, actions or circumstances beyond OSB's control; (iii) on the Closing Date provide to the Issuer certification that the interest to be retained by OSB was selected by random selection; and (iv) on the Closing Date and each anniversary thereof while any Notes remain outstanding, provide a certification to the Issuer that it has retained a net economic interest of not less than 5% of the nominal value of the Portfolio as required by Article 122(a)(1) of Directive 2006/48/EC or Articles 404 to 410 (as applicable).

**Articles 404 to 410** means Articles 404 to 410 of Regulation (EU) No.575/2013 (the **CRR**), which replaces the provisions of Article 122a on 1 January 2014.

As at the Closing Date, such retention requirement will be satisfied by OSB retaining not less than 5 per cent. of randomly selected exposures which would otherwise have been securitised in the transaction effected by the Issuer. Any change to the manner in which such interest is held will be notified to the Noteholders.

***This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.***

### ***United States***

The Notes and the Residual Certificates have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes and the Residual Certificates are being offered and sold in offshore transactions in reliance on Regulation S.

OSB has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes or the Residual Certificates as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes or the Residual Certificates 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. See "*Transfer Restrictions and Investor Representations*" below.

### ***United Kingdom***

OSB has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

OSB has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, having applied for the admission of the Notes to the Official List of the Irish Stock Exchange and admission to trading on its Main Securities Market, no further action has been or will be taken in any jurisdiction by OSB that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

### **General**

OSB has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.



## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

### Offers and Sales

The Notes (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

### *Investor Representations and Restrictions on Resale*

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the Registrar, the Arranger, the Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN

ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

*Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 16 October 2013. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The Residual Certificates will not be listed.
2. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 7 August 2013 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 7 August 2013 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 9 October 2013.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

<b>Class of Notes</b>	<b>ISIN</b>	<b>Common Code</b>
Class A1 Notes	XS0980216989	098021698
Class A2 Notes	XS0980266810	098026681
Class B Notes	XS0980272545	098027254
Class C Notes	XS0980273196	098027319
Class D Notes	XS0980273436	098027343
Class E Notes	XS0980273519	098027351
Class F Notes	XS0980273782	098027378
Residual Certificates	XS0982235763	098223576

9. From the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on its Main Securities Market, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the

specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

- (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
- (b) copies of the following documents:
  - (i) the Agency Agreement;
  - (ii) the Deed of Charge;
  - (iii) the Cash Management Agreement;
  - (iv) the Master Definitions and Construction Schedule;
  - (v) the Mortgage Sale Agreement;
  - (vi) the Corporate Services Agreement;
  - (vii) the Bank Account Agreement;
  - (viii) the Collection Account Declaration of Trust;
  - (ix) the Servicing Agreement;
  - (x) the Back-up Servicing Agreement;
  - (xi) the Deed Poll;
  - (xii) the Liquidation Agent Agreement; and
  - (xiii) the Trust Deed.

10. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the website at <http://www.krbs.com/about-us/financial-information/treasury/securitisation>. Investor Reports will also be made available to the Seller and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
11. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
12. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its Main Securities Market for the purposes of the Prospectus Directive.

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**ISSUER**

**Rochester Financing No. 1 plc**  
35 Great St. Helen's  
London, EC3A 6AP

**SELLER**

**OneSavings Bank Plc**  
Reliance House, Sun Pier  
Chatham, Kent, ME4 4ET

**SERVICER**

**Charter Court Financial Services Limited**  
2 Charter Court, Broadlands  
Wolverhampton WV10 6TD

**CASH MANAGER, PRINCIPAL PAYING AGENT, AGENT BANK AND REGISTRAR**

**Elavon Financial Services Limited**  
5<sup>th</sup> Floor, 125 Old Broad Street  
London EC2N 1AR

**ARRANGER**

**Morgan Stanley & Co. International plc.**  
25 Cabot Square,  
Canary Wharf  
London E14 4QA

**NOTE TRUSTEE AND SECURITY TRUSTEE**

**U.S. Bank Trustees Limited**  
Fifth Floor, 125 Old Broad Street,  
London EC2N 1AR

**LEAD MANAGERS**

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR

**COLLECTION ACCOUNT BANK**

**National Westminster Bank plc**  
135 Bishopsgate  
London EC2M 3UR

**ACCOUNT BANK**

**Elavon Financial Services Limited**  
5th Floor, 125 Old Broad Street  
London EC2N 1AR

**LEGAL ADVISERS TO THE SELLER AND THE ISSUER**

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

**LEGAL ADVISERS TO THE SELLER AND THE ISSUER**

(as to Scots law)  
**Tods Murray LLP**  
133 Fountainbridge  
Edinburgh EH3 9AG

**LEGAL ADVISERS TO THE ARRANGER AND THE LEAD MANAGERS**

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ

**LEGAL ADVISERS TO THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ

**LISTING AGENT**

**Arthur Cox Listing Services Limited**  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2, Ireland