

## IMPORTANT NOTICE

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

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

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

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE SELLER (A "**U.S. RISK RETENTION CONSENT**") AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**U.S. RISK RETENTION RULES**"), THE NOTES AND THE RESIDUAL CERTIFICATES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "U.S. PERSON" IN REGULATION S. EACH PURCHASER OF THE NOTES, THE RESIDUAL CERTIFICATES OR A BENEFICIAL INTEREST THEREIN ACQUIRED IN THE INITIAL SYNDICATION OF THE NOTES OR RESIDUAL CERTIFICATES BY ITS ACQUISITION OF THE NOTES, THE RESIDUAL CERTIFICATE OR A BENEFICIAL INTEREST THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) EITHER (i) IS NOT A RISK RETENTION U.S. PERSON OR (ii) IT HAS OBTAINED A U.S. RISK RETENTION CONSENT FROM THE SELLER, (2) IS ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE, AND (3) IS NOT ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

THE FOLLOWING PROSPECTUS HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THE FOLLOWING PROSPECTUS MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED. BY ACCESSING THE FOLLOWING PROSPECTUS, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THE FOLLOWING PROSPECTUS BY ELECTRONIC TRANSMISSION, (C) YOU ARE

NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS EMAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA AND (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005.

The following prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Stratton Mortgage Funding 2019-1 plc (the "**Issuer**"), Ertow Holdings IV Designated Activity Company (the "**Seller**"), Burlington Loan Management Designated Activity Company (the "**Retention Holder**"), HSBC Bank plc ("**HSBC**") nor any person who controls any such person nor any director, officer, employee or agent of any such person or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the following prospectus distributed to you in electronic format and the hard copy version available to you on request from HSBC.

## Stratton Mortgage Funding 2019-1 plc

*(Incorporated under the laws of England and Wales with limited liability, registered number 11917142)*

<u>Class of Notes</u>	<u>Initial Principal Amount</u>	<u>Issue Price</u>	<u>Reference Rate</u>	<u>Margin</u>	<u>Step-Up Margin (payable from Optional Redemption Date)</u>	<u>Ratings (S&amp;P / DBRS)</u>	<u>Final Maturity Date</u>
Class A Notes	£320,823,000	100.00%	Compounded Daily SONIA	1.20% per annum	1.80% per annum	AAA (sf) / AAA (sf)	The Interest Payment Date falling in May 2051
Class B Notes	£12,260,000	100.00%	Compounded Daily SONIA*	1.80% per annum	2.70% per annum	AA+ (sf) / AA (sf)	The Interest Payment Date falling in May 2051
Class C Notes	£15,325,000	100.00%	Compounded Daily SONIA*	2.10% per annum	3.10% per annum	AA (sf) / A (low) (sf)	The Interest Payment Date falling in May 2051
Class D Notes	£15,325,000	100.00%	Compounded Daily SONIA*	2.50% per annum	3.50% per annum	AA- (sf) / BBB (low) (sf)	The Interest Payment Date falling in May 2051
Class E Notes	£16,347,000	100.00%	Compounded Daily SONIA*	3.50% per annum	4.50% per annum	BBB+ (sf) / B (sf)	The Interest Payment Date falling in May 2051
Class F Notes	£16,347,000	100.00%	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in May 2051
Class X Notes	£2,500,000	100.00%	Compounded Daily SONIA*	2.00% per annum	N/A**	Not Rated	The Interest Payment Date falling in May 2051
Class Z1 Notes	£12,265,000	100.00%	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in May 2051
Class Z2 Notes	£8,174,000	100.00%	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in May 2051

The Optional Redemption Date is the Interest Payment Date falling in August 2022. From the Collection Period End Date immediately preceding the Optional Redemption Date, the Option Holder has the right to exercise the Call Option in relation to the Portfolio, which would result in an early redemption of the Notes.

\* Capped at 8%

\*\* On and from the Optional Redemption Date, the Class X Notes will not bear interest.

## ARRANGER

### HSBC

The date of this Prospectus is 10 June 2019

<b>Issue Date</b>	The Issuer will issue the Notes in the classes set out above and the Residual Certificates on or about 10 June 2019 (the " <b>Closing Date</b> ").
<b>Standalone/ programme issuance</b>	Standalone issuance.
<b>Listing</b>	<p>This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the "<b>Prospectus Directive</b>"). This Prospectus has been approved by the Central Bank of Ireland (the "<b>Central Bank</b>") as the competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, (together, the "<b>Rated Notes</b>"), the Class X Notes, the Class F Notes, the Class Z1 Notes and the Class Z2 Notes (together with the Class Z1 Notes, the "<b>Class Z Notes</b>"). The Rated Notes together with the Class F Notes and the Class Z1 Notes are the "<b>Collateralised Notes</b>". The Collateralised Notes together with the Class X Notes and the Class Z2 Notes are the "<b>Notes</b>", which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "<b>MIFID II</b>" or the "<b>Markets in Financial Instruments Directive</b>") and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("<b>Euronext Dublin</b>") for the Notes to be admitted to the official list (the "<b>Official List</b>") and trading on its regulated market (the "<b>Regulated Market</b>"). Euronext Dublin's Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.</p>
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans and their related security sold on the Closing Date by Ertow Holdings IV Designated Activity Company (the "<b>Seller</b>") and originated by the Originators (as defined below) and secured over residential properties located in England, Wales, Northern Ireland and Scotland which will be purchased by the Issuer on the Closing Date.</p> <p>See the sections entitled "<i>Transaction Overview – Portfolio and Servicing</i>", "<i>The Loans</i>" and "<i>Characteristics of the Provisional Portfolio</i>" for further details.</p>
<b>Credit Enhancement</b>	<p>Credit enhancement of the Notes is provided in the following manner:</p> <ul style="list-style-type: none"><li>• in relation to each Class of the Rated Notes and the Class F Notes, the overcollateralisation funded by Collateralised Notes ranking junior to such Class of Notes in the relevant Priority of Payments (if any);</li><li>• in relation to each Class of Notes, the amount by which Available Revenue Receipts exceed the amounts required to pay interest (and, in the case of the Class X Notes, principal) on the relevant Class of Notes and all other amounts ranking in priority thereto in accordance with the Pre-Enforcement Revenue</li></ul>

Priority of Payments;

- in relation to the Class X Notes the cumulative excess (if any) accumulating from the Closing Date until the Final Discharge Date of Available Revenue Receipts after providing for items (a) to (u) of the Pre-Enforcement Revenue Priority of Payments;
- the Reserve Fund which will provide credit enhancement to all Classes of the Rated Notes, subject to application in accordance with the relevant Priority of Payments; and
- following the delivery of an Enforcement Notice, the Reserve Fund will provide credit enhancement to the Notes in accordance with the Post-Enforcement Priority of Payments.

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

## **Liquidity Support**

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

- in relation to each Class of Notes, the subordination in payment of those Classes of Notes (if any) ranking junior in the Pre- Enforcement Revenue Priority of Payments and the Residual Certificates;
- in relation to each Class of the Rated Notes, the amount by which Available Revenue Receipts exceed the amounts required to pay interest on the relevant Class of Notes in accordance with the Pre-Enforcement Revenue Priority of Payments and all other amounts ranking in priority thereto;
- in relation to each Class of the Rated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Revenue Deficits (after having applied amounts standing to the credit of the Reserve Fund) (i) in the case of the Class A Notes, at any time, (ii) in the case of the Class B Notes, conditionally on or prior to the Class A Note Redemption Date and thereafter unconditionally at any time and (iii) in the case of the other Classes of Rated Notes, where such Class of Notes is the Most Senior Class of Notes;
- in relation to each Class of the Rated Notes, the Reserve Fund, which will provide liquidity support:
  - (a) to the Class A Notes at all times;
  - (b) prior to the date on which the Class A Notes have been redeemed in full (the "**Class A Note Redemption Date**"), conditionally to the Class B Notes;
  - (c) after the Class A Note Redemption Date but on or prior to the date on which the Class A Notes and the Class B Notes have been redeemed in full (the "**Senior Note Redemption Date**"), to the Class B Notes at all times;
  - (d) following the Class A Note Redemption Date, to all other Classes of the Rated Notes in the amount by which the balance standing to the Reserve Fund exceeds the Reserve Fund Required Liquidity Amount

(if any) subject to application in accordance with the Pre-Enforcement Revenue Priority of Payments;

- (e) following the Senior Note Redemption Date, to all Classes of Rated Notes subject to application in accordance with the Pre-Enforcement Revenue Priority of Payments;
- (f) on the Final Redemption Date, all amounts standing to the credit of the Reserve Fund (after first, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Liquidity Availability Conditions)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments; and
- (g) following the delivery of an Enforcement Notice to all Classes of Notes in accordance with the Post- Enforcement Priority of Payments.

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

**Redemption Provisions**

Information on any mandatory redemption of the Notes is summarised on page 86 ("*Transaction Overview – Overview of the Characteristics of the Notes and the Residual Certificates*") and set out in full in Condition 8 (*Redemption*) of the terms and conditions of the Notes (the "**Conditions**").

**Benchmarks**

Interest payable under the Notes may be calculated by reference to SONIA,. At the date of this Prospectus, the administrator of SONIA does not appear on the register of administrators and benchmarks established and maintained by European Securities and Markets Authority in accordance with article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the Bank of England is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

**Credit Rating Agencies**

S&P Global Ratings, a division of Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and DBRS Ratings Limited ("**DBRS**") (each a "**Rating Agency**" and together, the "**Rating Agencies**"). As of the date of this prospectus (the "**Prospectus**"), each of the Rating Agencies is a credit rating agency established in the European Union (the "**EU**") and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation.

**Credit Ratings**

The ratings assigned to the Rated Notes by S&P address, *inter alia*:

- the likelihood of full and timely payments due to the holders of the Class A Notes and the Class B Notes of interest on each Interest Payment Date;
- the likelihood of full and ultimate payment of interest to the holders of the Class C Notes, the Class D Notes and the Class E (where the Class C Notes, the Class D Notes and the Class E Notes are not the Most Senior Class of Notes then outstanding), respectively, by a date that is not later than the Final Maturity Date;

- the likelihood of full and timely payment of interest due to the holders of the Class C Notes (where the Class C Notes are the Most Senior Class of Notes then outstanding), the Class D Notes (where the Class D Notes are the Most Senior Class of Notes then outstanding) and the Class E Notes (where the Class E Notes are the Most Senior Class of Notes then outstanding respectively, on each Interest Payment Date; and
- the likelihood of ultimate payment to the holders of the Rated Notes of principal in relation to the Rated Notes on or prior to the Final Maturity Date.

The ratings assigned to the Class A Notes by DBRS addresses the timely payment of interest and ultimate payment of principal on or before the Final Maturity Date in accordance with the terms under which the Class A Notes have been issued. The ratings assigned to the other Classes of Notes by DBRS address the ultimate payment of principal and interest on or before the Final Maturity Date in accordance with the terms under which such Notes have been issued.

Ratings are expected to be assigned to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes on or before the Closing Date.

The Class Z1 Notes and the Class Z2 Notes will not be rated. The Residual Certificates will not be rated.

The assignment of a rating to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes by any Rating Agency is not a recommendation to invest in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes respectively or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

## **Obligations**

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

## **Retention Undertaking**

On the Closing Date, Burlington Loan Management Designated Activity Company, (the "**Retention Holder**") will, as an originator for the purposes of the Securitisation Regulation (as defined below) retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) as required by Article 6(1) of Regulation (EU) 2017/2402 (the "**Securitisation Regulation**") (which does not take into account any relevant national measures and as interpreted and applied on the date hereof) (the "**Retention**"). As at the Closing Date, the Retention will be comprised by the Retention Holder holding through its interest and exposure in the profit participating loan entered into with the Seller an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, represented in this case by the retention by the Seller of the Class Z Notes, in accordance with Article 6(3)(d) of the Securitisation Regulation. The aggregate Principal Amount Outstanding of the Class Z Notes as at the Closing Date is equal to at least 5 per cent of the nominal value of the securitised exposures. The Retention Holder will undertake to retain the material net economic interest and will give further undertakings with respect to the Retention (as to which, see the section entitled "*Regulatory Requirements*"). Any change in the manner in which the interest is held will be notified to the Noteholders. See the section entitled "*Regulatory Requirements*" for further information.

The Retention Holder, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the securitized assets for purposes of compliance with the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the "**U.S. Risk Retention Rules**"), but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. See the section entitled "*Risk Factors - U.S. Risk Retention Requirements*".

**ERISA  
Considerations**

The Notes may not be purchased or held by any "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), which is subject thereto, or any "plan" as defined in Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") to which Section 4975 of the Code applies, or by any person any of the assets of which are, or are deemed for purposes of ERISA or Section 4975 of the Code to be, assets of such an "employee benefit plan" or "plan", or by any governmental, church or non-U.S. plan which is subject to any state, local, other federal law of the United States or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), and each purchaser of the Notes will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds the Notes will not be, such an "employee benefit plan", "plan", person or governmental, church or non-U.S. plan subject to Similar Law.

**Residual  
Certificates**

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

**Significant  
Investor**

The Seller will on the Closing Date purchase 100 per cent. of the Class A Notes, 100 per cent. of the Class B Notes, 100 per cent. of the Class C Notes, 100 per cent. of the Class D Notes, 100 per cent. of the Class E Notes, 100 per cent. of the Class F Notes, 100 per cent. of the Class X Notes, 100 per cent. of the Class Z1 Notes and 100 per cent. of the Class Z2 Notes. The Seller is not obliged to retain any Notes other than the Class Z Notes. See the section entitled "*Regulatory Requirements*" for further details.

**Volcker Rule**

The Issuer is of the view that it is not now, and immediately after giving effect to the offering and sale of the Notes and the application of the proceeds thereof on the Closing Date will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the "Volcker Rule"). In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended (the "**Investment Company Act**") and under the Volcker Rule and its related regulations may be available, the issuing entity has relied on the determinations that it may rely on an exemption from registration under the Investment Company Act under Section 3(c)(5) of the Investment Company Act and, accordingly, may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to certain issuers that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act. However, the general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes or Residual Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.



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

## IMPORTANT NOTICE

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ORIGINATORS, THE MOORGATE LEGAL TITLE HOLDERS, THE RMS 25 LEGAL TITLE HOLDER, THE RETENTION HOLDER, THE ARRANGER, THE MOORGATE SERVICER, THE RMS 25 SERVICER, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, MOORGATE FUNDING 2014-1 PLC, STRATTON FINANCE I LIMITED, ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES (INCLUDING THEIR RESPECTIVE AFFILIATES) OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (TOGETHER, THE "RELEVANT PARTIES" AND EACH A "RELEVANT PARTY"). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE RELEVANT PARTIES OR BY ANY PERSON OTHER THAN THE ISSUER.**

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class X Notes, the Class Z1 Notes and the Class Z2 Notes will each be represented on issue by a global note certificate in registered form (a "**Global Note**"). The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class X Notes, the Class Z1 Notes and the Class Z2 Notes may be issued in definitive registered form under certain circumstances.

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

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

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN

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*".

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE SELLER (A "**U.S. RISK RETENTION CONSENT**") AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**U.S. RISK RETENTION RULES**"), THE NOTES AND THE RESIDUAL CERTIFICATES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO THE DEFINITION OF "U.S. PERSON" IN REGULATION S. EACH PURCHASER OF THE NOTES, THE RESIDUAL CERTIFICATES OR A BENEFICIAL INTEREST THEREIN ACQUIRED IN THE INITIAL SYNDICATION OF THE NOTES OR THE RESIDUAL CERTIFICATES, BY ITS ACQUISITION OF THE NOTES, THE RESIDUAL CERTIFICATES OR A BENEFICIAL INTEREST THEREIN WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) EITHER (i) IS NOT A RISK RETENTION U.S. PERSON OR (ii) HAS OBTAINED A U.S. RISK RETENTION CONSENT FROM THE SELLER, (2) IS ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE, AND (3) IS NOT ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

Each initial and subsequent purchaser of the Notes will be deemed by its acceptance of such Notes to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of the Notes as set out in the Subscription Agreement and described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases. See "*Transfer Restrictions and Investor Representations*".

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

The Residual Certificates are not intended to be marketable securities and are not offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any investor.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

NONE OF THE ISSUER NOR ANY RELEVANT PARTY OR ANY OF THEIR RESPECTIVE AFFILIATES MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

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

EXCEPT AS SPECIFICALLY EXCLUDED THEREIN, THE SELLER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE SELLER*", "*THE LOANS*" AND "*CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SELLER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE 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 THE SELLER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE AND NOT SPECIFICALLY EXCLUDED THEREIN) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE CASH MANAGER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE CASH MANAGER AND ISSUER ACCOUNT BANK*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CASH MANAGER (HAVING TAKEN ALL REASONABLE

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

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

THE RMS 25 SERVICER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE RMS 25 SERVICER". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE RMS 25 SERVICER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE RMS 25 SERVICER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

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

THE RMS 25 LEGAL TITLE HOLDER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE RMS 25 LEGAL TITLE HOLDER". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE RMS 25 LEGAL TITLE HOLDER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE RMS 25 LEGAL TITLE HOLDER AS

TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

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

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

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

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE ORIGINATORS AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES AND/OR THE RESIDUAL CERTIFICATES OR THEIR DISTRIBUTION. THE ORIGINATORS ARE NOT TRANSACTION PARTIES AND HAVE NO OBLIGATIONS IN RESPECT OF THE ISSUER, THE NOTES AND/OR THE RESIDUAL CERTIFICATES. THE MOORGATE LEGAL TITLE HOLDERS HAVE NO OBLIGATIONS IN RESPECT OF THE ISSUER, THE NOTES AND/OR THE RESIDUAL CERTIFICATES, SAVE FOR OBLIGATIONS SET OUT IN RELATION TO THE MOORGATE LEGAL TITLE HOLDERS IN THE TRANSACTION DOCUMENTS WHICH THE MOORGATE LEGAL TITLE HOLDERS ARE PARTY TO.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE RETENTION HOLDER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES AND/OR RESIDUAL CERTIFICATES 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 RETENTION HOLDER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE ORIGINATORS, THE MOORGATE LEGAL TITLE HOLDERS, THE RMS 25 LEGAL TITLE HOLDER, THE ARRANGER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE RETENTION HOLDER, THE SELLER, THE MOORGATE LEGAL TITLE HOLDERS, THE RMS 25 LEGAL TITLE HOLDER OR THE ORIGINATORS 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 ORIGINATORS, THE MOORGATE LEGAL TITLE HOLDERS, THE RMS 25 LEGAL TITLE HOLDER, THE RETENTION HOLDER, THE SELLER OR THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE RETENTION HOLDER, THE SELLER, THE ORIGINATORS, THE MOORGATE LEGAL TITLE HOLDERS, THE RMS 25 LEGAL TITLE HOLDER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAVE SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE ARRANGER, THE RETENTION HOLDER, THE SELLER, THE ORIGINATORS, THE MOORGATE LEGAL TITLE HOLDERS, THE RMS 25 LEGAL TITLE HOLDER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE RETENTION HOLDER, THE SELLER, THE ORIGINATORS, THE MOORGATE LEGAL TITLE HOLDERS, THE RMS 25 LEGAL TITLE HOLDER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER, OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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

THE ARRANGER AND THE LEAD MANAGER DO NOT ACCEPT ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE ISSUER. THE RETENTION HOLDER, THE ORIGINATOR, THE SELLER OR ANY OTHER TRANSACTION PARTY WITH REQUIREMENTS OF THE SECURITISATION REGULATION.

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

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

#### Forward-Looking Statements and Statistical Information

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. This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**") which have been prepared in reliance on information provided by the Issuer. Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Relevant Parties has attempted to verify any forward-looking 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 or Statistical Information. None of the Relevant Parties assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.



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## **RISK FACTORS**

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

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

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

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

### **Credit Structure**

#### ***Liabilities under the Notes***

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

#### ***Limited source of Funds***

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, interest earned on the Issuer Accounts and the availability of the Reserve Fund (applied in accordance with the terms of the Cash Management Agreement and subject to the satisfaction of the relevant Liquidity Availability Conditions). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation of the Issuer under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of an Enforcement Notice is described below (see further "*Security and insolvency considerations*" below).

### ***Limited recourse***

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

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

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

### ***Limitations on enforcement***

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

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

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

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

### ***Credit risk***

The Issuer is subject to the risk of default in payment by the Borrowers and the inability of the relevant Servicer, on behalf of the Issuer and the Moorgate Legal Title Holders or the RMS 25 Legal Title Holder (as applicable), to realise or recover sufficient funds under the arrears and default procedures in respect of any Loan and its Related Security in order to discharge all amounts due and owing by the relevant Borrower(s) under such Loan, which may adversely affect payments on the Notes. This risk is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such

credit enhancement features will protect the Noteholders from all risk of loss. Should there be credit losses arising in respect of the Loans, this could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal on the Notes.

### ***Liquidity of the Issuer***

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

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

Pursuant to the Priorities of Payments, certain junior Classes of Notes are subordinated in right of payment of principal and interest to more senior Classes of Notes.

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

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

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

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

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

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

The Class X Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate (prior to enforcement) to all payment of interest due in respect of the Rated Notes and (following enforcement) all payments due in respect of the Rated Notes and the Class F Notes as provided in the Conditions and the Transaction Documents.

The Class X Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payment of interest due in respect of the Rated Notes and (following enforcement) all payments due in respect of the Rated Notes and

the Class F Notes and payment of interest on the Class X Notes, as provided in these Conditions and the Transaction Documents.

The Class Z1 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payments of principal due in respect of the Rated Notes and the Class F Notes and (following enforcement) all payments due in respect of the Rated Notes, the Class F Notes and the Class X Notes, as provided in the Conditions and the Transaction Documents.

The Class Z2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payments of principal due in respect of the Rated Notes, the Class F Notes and the Class Z1 Notes and (following enforcement) all payments due in respect of the Rated Notes, the Class F Notes, the Class X Notes and the Class Z1 Notes, as provided in the Conditions and the Transaction Documents.

The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to Residual Payments at all times, and are subordinate to all payments due in respect of the Notes, as provided in the terms and conditions of the Residual Certificates (the "**Residual Certificates Conditions**") and the Transaction Documents.

In addition to the above, payments on the Notes and the Residual Certificates are subordinate to payments of certain fees, costs and expenses payable to the other Secured Creditors (including, amongst others, the Note Trustee, the Security Trustee, the Issuer Account Bank, the Collection Account Bank, the Moorgate Servicer, the RMS 25 Servicer, the Moorgate Legal Title Holders, the RMS 25 Legal Title Holder, the Corporate Services Provider, the Cash Manager, the Paying Agents, the Registrar and the Agent Bank) and certain third parties. For further information on the likely costs payable to such Secured Creditors, please see "*Transaction Overview – Fees*" below.

Investors in the X Notes should be aware that prior to the date on which the Note Trustee serves an Enforcement Notice on the Issuer declaring the Notes to be due and repayable, payments in respect of the X Notes shall be payable only out of Available Revenue Receipts in accordance with the Pre Enforcement Revenue Priority of Payments. Following the date on which the Note Trustee serves an Enforcement Notice on the Issuer declaring the Notes to be due and repayable, payments in respect of the X Notes will be made in accordance with the Post-Enforcement Priority of Payments.

Each Residual Certificate represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Portfolio.

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

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

### ***Revenue and Principal Deficiency Ledger***

If, on any Interest Payment Date there would be a Revenue Deficit, the Issuer shall apply Available Redemption Receipts (to the extent of Available Redemption Receipts available for such purpose) in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments to cover such Revenue Deficit (such amounts, "**Principal Addition Amounts**") subject to the Liquidity Availability Conditions.

Application of any Available Redemption Receipts as Principal Addition Amounts (in addition to the aggregate of (i) all realised principal losses on the Loans which are not recovered from the proceeds

following the sale of the Property to which such Loan relates and (ii) any principal loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Loan (together, the "Losses")) will be recorded first on the Junior Principal Deficiency Sub-Ledger until the balance of the Junior Principal Deficiency Sub-Ledger is equal to the Junior PDL Notional Capacity, and next on the Class F Principal Deficiency Sub-Ledger until the balance of the Class F Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class F Notes then outstanding, 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, any principal deficiencies (should they arise) will be recouped from Available Revenue Receipts. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger, second the Class B Principal Deficiency Sub-Ledger, third the Class C Principal Deficiency Sub-Ledger, fourth the Class D Principal Deficiency Sub-Ledger, fifth the Class E Principal Deficiency Sub-Ledger, sixth the Class F Principal Deficiency Sub-Ledger and seventh the Junior Principal Deficiency Sub-Ledger.

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

- the Available Revenue Receipts, the application of amounts standing to the credit of the Reserve Fund (subject to the satisfaction of the relevant Liquidity Availability Conditions), and Principal Addition Amounts (subject to the satisfaction of the relevant Liquidity Availability Conditions) may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and
- there may be insufficient Available Revenue Receipts and Available Redemption Receipts to repay the Notes on or prior to the Final Maturity Date of the Notes.

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

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes. 86.59 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Bank of England Base Rate linked Moorgate Loans and BBR RMS 25 Loans, 9.50% of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are LIBOR Linked Moorgate Loans and LIBOR Standard RMS 25 Loans, and 3.91 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Standard Variable Rate Moorgate Loans and Standard Variable Rate RMS 25 Loans. However, the Issuer's liabilities under the Rated Notes and the Class X Notes are based on SONIA. The Issuer will not enter into any swap agreement in respect of the difference between the BBR RMS 25 Loans, the Standard Variable Rate Moorgate Loans or the Standard Variable Rate RMS 25 Loans and interest payable on the Notes and as a result there is no hedge in respect of the risk of any variances in the interest charged on any BBR RMS 25 Loans, Standard Variable Rate Moorgate Loans or the Standard Variable Rate RMS 25 Loans and interest set by reference to SONIA on the Rated Notes and the Class X Notes which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors. As such, the Issuer is subject to the risk of a mismatch between the rate of interest

payable in respect of the Loans and the rate of interest payable in respect of the Notes. However, given that all Loans in the Provisional Portfolio are linked to LIBOR, BBR or SVR, this risk is mitigated to a certain extent.

***The market continues to develop in relation to SONIA as a reference rate in the capital markets***

Investors should be aware that the market continues to develop in relation to the Sterling Overnight Index Average (SONIA) as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). As a result, the market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Notes that reference a SONIA rate issued under this prospectus. Interest on Notes which reference a SONIA rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Notes.

***Changes or uncertainty in respect of SONIA or LIBOR may affect the value or payment of interest under the Loans or the Notes***

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of certain of the Loans which are set by reference to LIBOR and the interest rate to be borne by the Notes will be determined by reference to SONIA.

Various interest rate benchmarks (including the Sterling Overnight Index Average (**SONIA**) and LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented including the EU Benchmarks Regulation (Regulation (EU) 2016/1011) (the **Benchmarks Regulation**).

Under the Benchmarks Regulation, which came into force from 1 January 2018, in general, new requirements will apply with respect to the provision of a wide range of benchmarks (including SONIA and LIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union. In particular, the Benchmarks Regulation will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevent certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed).

The sustainability of LIBOR has been questioned by the UK Financial Conduct Authority as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

Based on the foregoing, prospective investors should in particular be aware that:

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including SONIA and LIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;

- (b) while an amendment may be made under Condition 13.6 to change the SONIA rate on the Notes to an alternative base rate under certain circumstances broadly related to SONIA disruption or discontinuation and subject to certain conditions, there can be no assurance that any such amendment will be made or, if made, that it will (i) fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes or (ii) be made prior to any date on which any of the risks described in this risk factor may become relevant; and
- (c) if SONIA is discontinued or is otherwise unavailable, then the rate of interest on the Notes may be determined for a period by any applicable fall-back provisions provided for under Condition 6 of the Conditions, although such provisions may not operate as intended (depending on market circumstances and the availability of rates information at the time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when SONIA was available;
- (d) if LIBOR is discontinued or is otherwise unavailable, then the rate of interest on certain of the Loans may be determined for a period by any applicable fall-back provisions under the relevant Mortgage Conditions, although such provisions may not operate as intended (depending on market circumstances and the availability of rates information at the time); and
- (e) investors should note the various circumstances under which a Base Rate Modification may be made, which are specified in Condition 13.6. As noted above, these events broadly relate to SONIA's disruption or discontinuation, but also include, inter alia, any public statements by the SONIA administrator or its supervisor to that effect, and a Base Rate Modification may also be made if the Issuer (or the relevant Servicer) reasonably expects any of these events to occur. A Base Rate Modification may also be made if an alternative means of calculating a SONIA-based base rate is introduced which becomes a standard means of calculating interest for similar transactions. Investors should also note the various options permitted as an Alternative Base Rate as set out in Condition 13.6 and the negative consent requirements in relation to a Base Rate Modification (as to which, see "*Meetings of Noteholders and Certificateholders, Modification and Waivers*" below).

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between certain of the Loans and the Notes due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Issuer to meet its payment obligations in respect of the Notes.

Moreover, any of the above matters (including an amendment to change the base rate as described in paragraph (d) above) or any other significant change to the setting or existence of SONIA or LIBOR could affect the ability of the Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Changes in the manner of administration of SONIA or LIBOR could result in amendments to the Conditions, early redemption, discretionary valuation by the Agent Bank, delisting or other consequences in relation to the Notes. No assurance may be provided that relevant changes will not occur with respect to SONIA or LIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

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

The yield to maturity on the Notes will depend on, among other things, the amount and timing of payment of principal and interest on the Loans. Prepayments on the Loans may result from early repayment of the Loans by the relevant Borrower (whether through refinancing or otherwise), sales of Properties by Borrowers (voluntarily or as a result of enforcement proceedings under the relevant Mortgages), as well as the receipt of proceeds under any applicable insurance policies. The yield to maturity of the Notes may be adversely affected by, among other things, a higher or lower than anticipated rate of prepayments on the Loans.



The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. However, the rate of prepayment cannot be predicted. Subject to the terms and conditions of the Loans, a Borrower may "overpay" or prepay principal at any time. No assurance can be given as to the level of prepayments that the Portfolio will experience. Accelerated prepayments will generally lead to a reduction in the weighted average life of the Notes other than the Class X Notes and may lead to an increase in the weighted average life of the Class X Notes depending on the level of such prepayments. Generally, when market interest rates increase in relation to the rate of interest currently paid by a borrower, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease in relation to the rate of interest currently paid by a borrower, borrowers (in particular those paying by reference to a fixed interest rate, where there are no or minimal associated early repayment charges) are generally more likely to prepay their mortgage loans. Borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action). In addition should a Borrower elect, subject to the agreement of the relevant Legal Title Holder and the relevant Servicer, to change the terms of their Loan from an Interest-only Loan to a Repayment Loan or a Part and Part Loan, the Issuer would receive principal payments in respect of the relevant Loan earlier than would otherwise be anticipated. If the Seller is required to repurchase a Loan and its Related Security or make a payment in lieu of such repurchase because, for example, one of the Loans does not materially comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the relevant Loans. Because these factors are not within the control of the Issuer, no assurance can be given as to the level of resulting prepayments means that the Portfolio may experience.

Pursuant to the Call Option, the Option Holder may, subject to certain conditions, purchase all (but not some) of the Loans and their Related Security comprising the Portfolio at the Optional Purchase Price on any Business Day falling on or after (a) the Collection Period End Date immediately preceding the Optional Redemption Date, (b) any Collection Period End Date on which the aggregate Outstanding Principal Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Outstanding Principal Balance of the Loans comprising the Portfolio on the Cut-Off Date or (c) a change in tax law that results in the Issuer being required to make a deduction or withholding for or on account of tax or the occurrence of certain illegality events. The Issuer shall redeem all of the Notes on the Interest Payment Date falling on or immediately following the date on which the sale of the Loans and their Related Security comprising the Portfolio to the Beneficial Title Transferee pursuant to the Call Option occurs. This may adversely affect the yield to maturity on the Notes.

If the Call Option has not been exercised on or prior to the Optional Redemption Date, the Corporate Services Provider shall, on behalf of the Issuer, the RMS 25 Legal Title Holder and the Moorgate Legal Title Holders (in their capacity as trustee under each Scottish Declaration of Trust), use all reasonable endeavours to appoint a Liquidation Agent who will assist the Issuer in the sale of (i) the beneficial title and (ii) the right to require the RMS 25 Legal Title Holder and the Moorgate Legal Title Holders to transfer the legal title, to all (but not some) of the Loans and their Related Security comprising the Portfolio to the Winning Bidder or its nominee. The Issuer shall redeem all of the Rated Notes, the Class F Notes and the Class X Notes on the Interest Payment Date falling on or immediately following the date on which the sale of the Loans and their Related Security comprising the Portfolio to the Winning Bidder occurs. This may adversely affect the yield to maturity on the Notes.

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

Further, on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event, the Retention Holder (or its nominee) has the right (but not an obligation) pursuant to the Risk Retention Letter to purchase the Loans and their Related Security from the Issuer, and thereby effect a redemption of the Notes. The exercise of this right may adversely affect the yield to maturity on the Notes.

In addition to the above options, the Issuer may, in consultation with the Option Holder, issue Refinancing Notes on or after the Optional Redemption Date. The proceeds of the Refinancing Notes together with other amounts available to the Issuer will be used, *inter alia*, to effect a redemption in full of the Notes of each Class on the Interest Payment Date falling on or immediately following the Optional Refinancing Date. There is no obligation on the Issuer to issue or the Option Holder to direct the Issuer to issue Refinancing Notes. Some or all of the proceeds from the issuance of the Refinancing Notes together with certain other amounts available to the Issuer will be applied by the Issuer in accordance with the Post-Enforcement Priority of Payments on the Interest Payment Date falling on or immediately following the Optional Refinancing Date and the amount to be so applied must be equal to or greater than the Refinancing Notes Minimum Issuance Amount. The exercise of this right may adversely affect the yield to maturity of the Notes.

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

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

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

The secondary market for mortgage-backed securities similar to the Notes has at times experienced significant disruptions and limited liquidity resulting from reduced investor demand for such securities. Limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities including the Notes issued by the Issuer, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. It is not known whether such disruptions to the market will reoccur.

Whilst central bank schemes such as, amongst others, the Bank of England's Discount Window Facility, the Extended Collateral Term Repo Facility and Funding for Lending Scheme, the Eurosystem monetary policy framework of the European Central Bank, the Bank of England's Sterling Monetary Framework or the European Central Bank's liquidity scheme provides an important source of liquidity in respect of eligible securities, further restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in future are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities. None of the Arranger, the Issuer or the Seller gives any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for such central bank schemes. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for such central bank schemes.

In addition potential investors should be aware that global markets have recently been negatively impacted by the then prevailing global market conditions and reduced growth expectations for the Organisation for Economic Co-operation and Development economies, which could affect any secondary market for instruments similar to the Notes. In particular, at the date of this Prospectus, as well as the current challenges facing the European macro-economic environment, certain European governments are in discussions with other countries in the Eurozone, the International Monetary Fund and other creditors are in the process of establishing or have already established and are implementing an austerity programme. There has been further uncertainty in the global markets as a result of the United Kingdom's vote to leave the European Union (see the risk factor below entitled "*General Market Volatility and post-UK referendum uncertainty*"). It is unclear what the effect of these discussions will be on the Eurozone economy. This uncertainty may have implications for the liquidity of the Notes in the secondary market.

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

The ratings assigned to the Rated Notes by S&P address, *inter alia*:

- (a) the likelihood of full and timely payments due to the holders of the Class A Notes and the Class B Notes of interest on each Interest Payment Date;
- (b) the likelihood of full and ultimate payment of interest to the holders of the Class C Notes, the Class D Notes and the Class E Notes (where the Class C Notes, the Class D Notes and the Class E Notes are not the Most Senior Class of Notes then outstanding), respectively, by a date that is not later than the Final Maturity Date;
- (c) the likelihood of full and timely payment of interest due to the holders of the Class C Notes (where the Class C Notes are the Most Senior Class of Notes then outstanding), the Class D Notes (where the Class D Notes are the Most Senior Class of Notes then outstanding) and the Class E Notes (where the Class E Notes are the Most Senior Class of Notes then outstanding) respectively, on each Interest Payment Date; and
- (d) the likelihood of ultimate payment to the holders of the Rated Notes of principal in relation to the Rated Notes on or prior to the Final Maturity Date.

The ratings assigned to the Class A Notes by DBRS addresses the timely payment of interest and ultimate payment of principal on or before the Final Maturity Date in accordance with the terms under which the Class A Notes have been issued. The ratings assigned to the other Classes of Notes by DBRS address the ultimate payment of principal and interest on or before the Final Maturity Date in accordance with the terms under which such Notes have been issued.

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

A Rating Agency may lower, withdraw or qualify its rating if, in the sole judgement of the Rating Agency the credit quality of the Rated Notes has declined or is in question. At any time, any Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Rated Notes may be withdrawn, lowered or qualified. If any assigned to the Rated Notes is downgraded or withdrawn, the market value and/or liquidity of the Rated Notes may be reduced.

Rating agencies other than the Rating Agencies could seek to rate the Rated Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Rated Notes by the Rating Agencies, those

unsolicited ratings could have an adverse effect on the value of the Rated Notes. For the avoidance of doubt and unless the context otherwise requires, any reference to "**ratings**" or "**rating**" in this Prospectus is to the ratings assigned by the Rating Agencies only.

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

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

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

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

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

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

Where the Transaction Documents allow the Note Trustee or the Security Trustee to seek a Rating Agency Confirmation and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer and (i) (A) one or more 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 (if there is only one Non-Responsive Rating Agency) (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, if there is only one Non-Responsive Rating Agency, each of the events in sub-paragraphs (i) (A) or (B) and (ii) has occurred or if there is more than one Non-Responsive Rating Agency that the events in paragraphs (i)(A) or (i)(B) are satisfied. Each of the Note Trustee and the Security Trustee may rely on such certificate absolutely without further enquiry and without liability.

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 Notes may not be a suitable investment for all investors***

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

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

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

### ***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 in issue) or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding (or if no Notes remain outstanding, of the Residual Certificates then in issue) shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give an Enforcement Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest thereon as provided in a trust deed between the Issuer, the Security Trustee and the Note Trustee (the "**Trust Deed**").

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

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

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

In relation to the undertakings to be given by the Retention Holder and the Seller in the Risk Retention Letter in accordance with the Securitisation Regulation regarding the material net economic interest to be retained by the Retention Holder 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 Retention Holder with such undertakings and will not be under any obligation to take any action in relation to non-compliance with such undertakings unless and until the Note Trustee or the Security Trustee has received actual written notice of the same from any party to any Transaction Document (a "**Transaction Party**"), in which event the only obligation of the Note Trustee or the Security Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding.

### ***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 decisions of defined majorities to bind all Noteholders and Certificateholders (including Noteholders and Certificateholders who did not attend and vote at the relevant meeting and Noteholders and Certificateholders who voted in a manner contrary to the requisite majority for such vote).

The Conditions and the Residual Certificates Conditions also provide that the Note Trustee, and may direct the Security Trustee to agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to (a) other than in the case of a Basic Terms Modification, any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions, the Residual Certificates Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, materially prejudicial to the interests of the Noteholders or, if there are no Notes outstanding, the Certificateholders or (b) any modification which, in the opinion of the Note Trustee is of a formal, minor or technical nature or to correct a manifest error. The Conditions and Residual Certificates Conditions also specify that certain categories of amendments (including changes to majorities required to pass resolutions or quorum requirements) would be classified as Basic Terms Modifications. Investors should note that a Basic Terms Modification is required to be sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable which are affected by such Basic Terms Modifications unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates then in issue. Further, the Note Trustee or, as the case may be, the Security Trustee may also be obliged, in certain circumstances, to agree to amendments to the Conditions and the Residual Certificates Conditions and/or the Transaction Documents or, in the case of (vi) below, to enter into any new supplemental or additional documents that the Issuer or the relevant Servicer on its behalf considers necessary for the purpose of (i) complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, (ii) complying with certain risk retention legislation, regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect, (iii) enabling the Notes to be (or to remain) listed on Euronext Dublin, (iv) enabling the Issuer or any of the other Transaction Parties to comply with FATCA (or any voluntary agreement entered into which a taxing authority in relation thereto), (v) complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation, the CRA3 Requirements, or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect, (vii) complying with the CRR Amendment Regulation, (viii) enabling the Issuer to comply with any obligation which applies to it under the Securitisation Regulation, including as a result of the adoption of regulatory or implementing technical standards in relation to the Securitisation Regulation or (ix) changing the base rate in respect of the Notes from SONIA to an alternative base rate and make such other amendments as are necessary or advisable in the reasonable commercial judgment of the Issuer (or the relevant Servicer on its behalf) to facilitate such change ) to the extent that there has been or that there is reasonably expected to be a material disruption or cessation to SONIA or in the event that an alternative means of calculating a SONIA-based rate of interest is introduced and becomes a standard method of calculating interest for similar transactions (a "**Base Rate Modification**") after the Closing Date (each a "**Proposed Amendment**"), without the consent of the Noteholders or Certificateholders.

In relation to any such Proposed Amendments, the Issuer is required, amongst other things, to certify in writing to the Note Trustee and the Security Trustee that the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (Notice to Noteholders) and by publication on Bloomberg on the "Company News" screen relating to the Notes. However, Noteholders should be aware that, in relation to each Proposed Amendment, if Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification, the modification will be passed without Noteholder consent.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with

the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 13 (Meetings of Noteholders Modification, Waiver and Substitution). See "*Terms and Conditions of the Notes – Condition 13 (Meetings of Noteholders, Modification, Waiver and Substitution)*" and "*Terms and Conditions of the Residual Certificates – Residual Certificates Condition 12 (Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution)*" below.

In addition, the Security Trustee may upon receipt of direction from the Certificateholders, be obliged, without any liability for so doing, to enter into additional documentation in respect of any transfer of the servicing of the Moorgate Loans from the Moorgate Servicer to a replacement servicer and/or any transfer of legal title to the Moorgate Loans from the Moorgate Legal Title Holders to another legal title holder (which may or may not be the replacement servicer). The Noteholders will not be required to provide consent for the entering into of such additional documentation. The identity of any replacement servicer and/or new legal title holder shall be as directed by the Certificateholders

Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (i) exposing the Note Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.

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

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

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

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of all Classes of Noteholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). The Deed of Charge contains provisions requiring the Security Trustee (subject to being indemnified and/or secured and/or prefunded) to act on the instructions of the Note Trustee.

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

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

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

Prospective investors should note that the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may purchase some or all of any of the Notes (other than, with respect



to the Seller, the Class Z Notes) and/or the Residual Certificates, and in doing so, will not be prevented from being entitled to attend meetings of the Noteholders and/or the Certificateholders or vote at Noteholder and/or Certificateholder meetings or by way of written resolution (as applicable). The interests of the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may conflict generally with that of the other Noteholders and/or Certificateholders, and the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder are not required to vote in any particular manner.

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

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

In respect of the interests of the Certificateholders, the Trust Deed contains provisions requiring the Note 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 requiring the Note Trustee to, except where expressly provided otherwise, have regard only to the interests of the Noteholders for so long as there are any Notes outstanding.

#### ***Risks related to the Mortgages***

##### ***Claims against third parties***

The Seller has, pursuant to the Mortgage Sale Agreement, assigned to the Issuer its causes and rights of action against solicitors and valuers, to the extent such rights are assignable. Such rights were assigned to the Seller (to the extent assignable) by each of Moorgate Funding 2014-1 plc and Stratton Finance I Limited, each of which entered into a Seller Mortgage Sale Agreement with the Seller. Neither of Moorgate Funding 2014-1 plc nor Stratton Finance I Limited were the originators of the relevant Loans and the said rights may not have been effectively assigned to the relevant entity when such rights were purported to have been assigned to such entity (either from the relevant Originator or otherwise). The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the Originators in relation to the origination of any Loan, may have been negligent or fraudulent. The Seller is a special purpose vehicle with limited assets and funds and as such will, after having satisfied its obligations to pay its secured creditors, have limited resources available to it to repurchase any Loans if required pursuant to the terms of the Mortgage Sale Agreement or to make any indemnity payments under the Mortgage Sale Agreement or any other Transaction Document. No assurance can be given that the Seller will always have the resources to comply with any undertaking in any Transaction Document in such a way that provides adequate protection to the Issuer or at all and additionally, the Seller has no obligation to repurchase any Loans in breach of any Loan Warranty or make any payment in lieu of such repurchase beyond the Optional Redemption Date (please also see the section headed "*Limited Resources of the Seller*" below).

Any failure by or inability of the Issuer to take action against third parties may have an adverse effect on the Issuer's ability to make payments of interest and/or principal in respect of the Notes.

#### ***Legal Title Holders to retain legal title to the Loans and risks relating to set-off***

The Seller only has a beneficial and/or contractual title and interest in and to the Loans and their Related Security. Legal title to the RMS 25 Loans is held by the RMS 25 Legal Title Holder. Legal title to the Moorgate Loans is held by the Moorgate Legal Title Holders (the Moorgate Legal Title Holders and the RMS 25 Legal Title Holder being, together, the "**Legal Title Holders**"). The sale by the Seller to the Issuer of the English Loans and their Related Security (until legal title is conveyed) takes effect in equity only. The sale by the Seller to the Issuer of the Scottish Loans and their Related Security is given effect to by the Seller (as holder of the uncompleted beneficial title) directing the Legal Title Holders, as applicable, to enter into Scottish declarations of trust, in favour of the Issuer (each a "**Scottish Declaration of Trust**") as the

nominee of the Seller. By virtue of each Scottish Declaration of Trust entered into on the Closing Date, the beneficial interest in the relevant Scottish Loans and their Related Security will be held on trust by (in respect of the RMS 25 Loans) the RMS 25 Legal Title Holder and (in respect of the Moorgate Loans) the Moorgate Legal Title Holders as trustees thereunder for the benefit of the Issuer as a beneficiary (and as the nominee of the Seller). 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.

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

Further, unless (i) notice of the assignment was given to the Borrowers in respect of the English Loans and the Northern Irish Loans and their respective Related Security, and (ii) an assignation of the Scottish Loans and their Related Security is effected by the relevant Legal Title Holder to the Issuer and notice thereof is then given to the Borrowers in respect of the Scottish Loans and their Related Security, equitable or independent set-off rights may accrue in favour of any Borrower against his or her obligation to make payments to the relevant Legal Title Holder under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights any applicable Borrower may become entitled to after the transfer. Where notice of the assignment or assignation is given to any Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given. For the purposes of this Prospectus, references herein to "**set-off**" shall be construed to include analogous rights in Scotland. For further information on the effects of set-off in relation to the Portfolio, see below "*Set-off may adversely affect the value of the Portfolio or any part thereof*".

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

Neither the Seller nor (until notice of the assignment or assignation is given to Borrowers) the Issuer would be able to enforce any Borrower's obligations under a Loan or its Related Security itself but to the extent that the relevant Servicer and the relevant Legal Title Holder failed to take any or appropriate enforcement action against the relevant Borrower (in accordance with the relevant Enforcement Procedures or comply with its obligations to take enforcement actions as required under the Transaction Documents, the Issuer or the Security Trustee would be able to take action (under the relevant power of attorney to be entered into by the relevant Legal Title Holder) or would have to join the relevant Legal Title Holder 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 relevant Legal Title Holder. However, the Legal Title Holders and the Seller will undertake, pursuant to the Mortgage Sale Agreement, relevant Servicing Agreement and Deed of Assignment of Legal Title (as applicable), to hold any money repaid to it in respect of relevant Loans to the order of the Issuer or, if appropriate, the Security Trustee.

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

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

As described above, the sale by the Seller to the Issuer of the English Loans and the Northern Irish Loans and their respective Related Security will be given effect by an assignment, and the sale of the Scottish Loans and their Related Security being given effect under a Scottish Declaration of Trust. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with, in respect of the RMS 25 Loans, the RMS 25 Legal Title Holder and, in respect of the Moorgate Loans the Moorgate Legal Title Holders until the occurrence of a Perfection Event. Therefore, the rights of the Issuer may be subject to certain set-off rights which the relevant Borrower has against the relevant Legal Title Holder.

The Borrowers may be entitled to exercise certain independent or equitable set-off rights against the Issuer. Subject to the paragraph below in relation to the crystallisation of rights of set-off by Borrower's following receipt of notice of assignment, independent set-off will arise in connection with transactions that are unconnected with the relevant Borrower's Loan. Generally, an independent right of set-off could include, but is not limited to, claims by a Borrower for unpaid wages or pension liabilities (no assurance is given that the Portfolio does not include Loans made to employees of the Legal Title Holders). An independent right of set-off could also arise where the legal title holder of the Loans is a credit institution and the relevant borrower holds an unconnected savings or deposit account with such legal title holder. However, the Legal Title Holders are not deposit-taking institutions and are not authorised to hold client money as at the date of this Prospectus.

Equitable set-off rights may arise in connection with a transaction connected with the Loan. An equitable right of set-off could arise where the Seller or the relevant Legal Title Holder (or lender of record) or the Originators of the relevant Loan is in breach of contract under the relevant Loan.

Once notice has been given to the Borrowers of the assignment or assignation of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the relevant Legal Title Holder 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. Independent set-off rights against the relevant Legal Title Holder would have crystallised on notice of transfer to the relevant Legal Title Holder. Set-off rights arising under "transaction set-off" (being those set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist.

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

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

***Characteristics of the Portfolio***

The information in the section headed "*Characteristics of the Provisional Portfolio*" has been extracted from the systems of the Servicers as at the Portfolio Reference Date. The Provisional Portfolio as at the Portfolio Reference Date comprised of 3,406 Loans (not including Shortfall Accounts) with an aggregate Outstanding Principal Balance calculated by reference to the Outstanding Principal Balance of each loan as at the Portfolio Reference Date of £407,253,742.84. The Portfolio that will be sold to the Issuer on the Closing Date comprises the Provisional Portfolio, less (i) any loans that have been removed as a result of not being compliant with the Loan Warranties, and (ii) any loans which have been redeemed in full as at the Closing

Date. As a result of this and other factors, the characteristics of the Portfolio will vary from those set out in the tables in this Prospectus.

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

#### ***Risks associated with transfer of the servicing***

The terms of the Moorgate Servicing Agreement provide that servicing in respect of the Moorgate Loans may be transferred or migrated to a replacement servicer after the Closing Date. Such transfer or migration is subject to certain conditions, including that:

- (a) such substitute Moorgate Servicer has experience of administering mortgages of residential property in England, Wales, Scotland and Northern Ireland;
- (b) such substitute Moorgate Servicer enters into a replacement servicing agreement on substantially the same terms as the relevant provisions of the Moorgate Servicing Agreement or the RMS 25 Servicing Agreement or on fair and reasonable commercial terms taking into account the then current market conditions (and HML shall not be released from its obligations under the relevant provisions of the Moorgate Servicing Agreement until such substitute has entered into such new agreement); and
- (c) the then current ratings of the Notes issued by the Issuer are not adversely affected as a result of such termination and replacement unless otherwise agreed by an Extraordinary Resolution of the relevant Noteholders.

The identity of such a substitute Moorgate Servicer will be as directed by the Certificateholders. The Noteholders will not be required to provide their consent in respect thereof.

All migrations of mortgage portfolios carry certain risks, both in relation to the compatibility of IT systems and the physical moving of loan files. Though any migration plan will look to eliminate certain operational risks, there can be no assurance that there will be no disruption in the collection of amounts from Borrowers.

Any disruption to the servicing of the Moorgate Loans, in particular any delay in collecting payments from Borrowers, whether by way of direct debit or otherwise, would have an adverse effect on the ability of the Issuer to make payments under the Notes and the Certificates.

As at the date of this Prospectus the RMS 25 Loans are serviced by the RMS 25 Servicer pursuant to the RMS 25 Servicing Agreement.

#### ***Breach of obligations of a Servicer***

If default is made by a Servicer in the performance or observance of any of its other covenants and obligations under the relevant Servicing Agreement or any other Transaction Document to which it is a party which is (in the opinion of the Note Trustee) materially prejudicial to the interests of the Noteholders and such default continues unremedied for a period of 15 Business Days after the earlier of the relevant Servicer becoming aware of such default and receipt by the relevant Servicer of written notice from the Issuer (as applicable) or (following delivery of an Enforcement Notice) the Security Trustee, as appropriate, requiring the same to be remedied, a Servicer Termination Event will have occurred and the appointment of the relevant Servicer may be terminated by the Issuer.

Additionally, a Servicer Termination Event may trigger perfection of the legal title in the relevant Loans and their Related Security to the Issuer (or its nominee). The occurrence of a Servicer Termination Event may disrupt the collection of payments due on the Loans and ultimately could adversely affect the ability of the Issuer to make payments on the Notes and the Certificates.

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

The Issuer is also a party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Issuer Account Bank has agreed to provide the Deposit Account to the Issuer pursuant to the Bank Account Agreement, the Moorgate Servicer has agreed to service the Moorgate Loans pursuant to the Moorgate Servicing Agreement, the RMS 25 Servicer has agreed to service the RMS 25 Loans pursuant to the RMS 25 Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

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

### ***The Servicers***

The Moorgate Servicer and the RMS 25 Servicer (each a "**Servicer**") will be appointed by the Issuer and (where relevant) the relevant Legal Title Holder as Servicer to service the Loans and their Related Security. If the relevant Servicer breaches the terms of the Moorgate Servicing Agreement or the RMS 25 Servicing Agreement (each a "**Servicing Agreement**" "(as applicable), then (prior to the delivery of an Enforcement Notice and with the prior written consent of the Security Trustee) the Issuer or (after delivery of an Enforcement Notice) the Security Trustee will be entitled to terminate the appointment of the relevant Servicer in accordance with the terms of the relevant Servicing Agreement and the Issuer and the Seller shall use their reasonable endeavours to appoint a new servicer in its place whose appointment is to be approved by the Security Trustee.

The aggregate liability of the relevant Servicer in respect of any claim arising out of or in connection with the relevant Servicing Agreement (including but not limited to, contractual or delictual liability, tortious liability, including negligence and non-fraudulent misrepresentation, breach of statutory duty, restitution or otherwise) for any loss however so caused arising out of or in connection with the relevant Servicing Agreement or the services carried out by the relevant Servicer pursuant to such Servicing Agreement shall, except in respect of fraud on the part of the relevant Servicer, wilful default by the relevant Servicer, intentional misconduct, theft committed by the relevant Servicer or any liability which may not be excluded or limited as a matter of applicable law, be a capped amount as may be agreed between the relevant Servicer and the Certificateholders which is expected to be not less than the fees payable to the relevant Servicer in the prior calendar year.

In the event that the Issuer suffers a loss in respect of the Portfolio, or becomes liable to a third party, in each case as a result of any claim arising out of or in connection with the performance (or non-performance) of the relevant Servicer's duties and obligations under the relevant Servicing Agreement and the relevant Servicer is liable to the Issuer for such acts or omissions pursuant to the terms of such Servicing Agreement, any loss over and above the liability cap set out in the relevant Servicing Agreement (to the extent enforceable under applicable law and other than as a result of fraud on the part of the relevant Servicer, wilful default by the relevant Servicer, intentional misconduct or theft committed by the relevant Servicer,)

may be irrecoverable by the Issuer. This may result in less proceeds being available to meet the obligations of the Issuer in respect of the Notes.

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

If a Servicer Termination Event occurs, there can be no assurance that a substitute servicer with sufficient experience of servicing the relevant Loans and their Related Security would be found who would be willing and able to service the relevant Loans and their Related Security on the terms, or substantially similar terms, set out in the relevant Servicing Agreement. Further, it may be that the terms on which a substitute servicer may be appointed are substantially different from those as set out in the relevant 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 mortgage loans that constitute Regulated Mortgage Contracts and undertake Regulated Mortgage Activity under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes. Such risk is intended to be mitigated by the provisions of the each Servicing Agreement pursuant to which a substitute servicer is required to be appointed, although no assurance can be given as to such substitute servicer actually being appointed.

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

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

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

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

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

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

### ***Certain material interests and potential for conflicts***

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

### ***Certain conflicts of interest involving or relating to the Arranger and their affiliates***

HSBC and its affiliates (the "**HSBC Parties**") will play various roles in relation to the offering of the Rated Notes, as described below.

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

The HSBC Parties are part of a global investment banking and securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes, without limitation, corporations, financial institutions, governments and high net worth individuals. As such, they actively make markets in and trade financial instruments for their own account and for the accounts of customers in the ordinary course of their business. The HSBC Parties and/or their respective clients may have positions in or may have arranged financing in respect of the Notes or the Loans in the Portfolio and may have provided or may be providing investment banking services and other services to the other transaction parties or the Legal Title Holders of the Loans.

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

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

## ***The Portfolio***

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

Approximately 8.03 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are loans that are the equivalent of one or more monthly instalments in arrears (calculated by arrears balance divided by monthly payment due). Defaults may occur for a variety of reasons. The ability of the Borrowers to pay amounts owed under the Loans may be 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, political developments and government policies. Although interest rates are currently low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies (and analogous arrangements) of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. Certain national and international macroeconomic factors may also contribute to or hinder the economic health of a Borrower and thus the economic performance of the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

In order to enforce a power of sale in respect of a mortgaged property, the relevant mortgagee or (in Scotland) heritable creditor must first obtain possession of the relevant property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will involve the mortgagee or heritable creditor assuming certain risks. The court has a wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. Any possession order given in favour of the mortgagee or creditor may be suspended to allow the Borrower more time to pay. In addition, if possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations to take reasonable care to obtain a proper price. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time. If 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. There can be no assurance that the level of Loans in arrears will remain at their current levels and not increase.

### ***Non-conforming Borrowers***

The Portfolio comprises certain Loans made to Borrowers who as of the Portfolio Reference Date or the date of origination of such Loan may have (or have had) impairments to their credit profile, such as a county court judgment (or a Sheriff Court decree, being the Scottish equivalent of a county court judgment), an individual voluntary arrangement or a bankruptcy order. Loans made to Borrowers with credit impairments may experience higher rates of delinquency, write-offs and enforcement than have historically been experienced by mortgage loans made to borrowers without credit impairments and therefore carry a higher degree of risk.

In addition, whilst the underwriting standards of originators generally 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 and those underwriting standards are used with a view, in part, to mitigating the risks in lending to borrowers, the Seller was not the originator of the Loans and therefore has limited knowledge as to the origination and lending policies used by the Originators in relation to the Loans.



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

Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect borrowers' ability to pay interest or repay principal on their mortgage loans. Borrowers with a Loan subject to a variable rate of interest or with a Loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward (or, in the case of a Loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). This increase in Borrowers' monthly payments, which (in the case of a Loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, may ultimately result in higher delinquency rates and losses in the future.

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

### ***Declining property values***

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

The Issuer cannot guarantee that the value of a property will remain at the same level as on the date of origination of the related Loan or the Closing Date. Downturns in the United Kingdom economy generally may have a negative effect on the housing market. A fall in property prices resulting from a 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 Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

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

There has been some recovery in the UK housing market with prices now above pre-crisis highs in some regions. There is a risk that house price growth will continue to accelerate faster than earnings, stretching affordability and leaving households more vulnerable to shocks, such as increases in interest rates that could ultimately lead to higher retail loan losses. There is potential for activity and prices to decline should the labour market situation deteriorate, or if strains in the financial system re-emerge and impair the flow of credit to the wider economy.

### ***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 in the region that relies most heavily on that industry. The Issuer can predict neither when or where such regional economic declines may occur nor to what extent or for how long such conditions may continue. Any natural disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon the sale of such Properties. These circumstances could affect receipts on the Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Loans in the Provisional Portfolio, see "*Characteristics of the Provisional Portfolio – Region*".

### ***Interest-only Loans***

As of the Portfolio Reference Date, 86.79 per cent. of the Loans in the Provisional Portfolio are interest-only loans. Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis or a part and part basis (see "*The Loans – The Moorgate Loans – Repayment Terms*" – and "*The Loans – The RMS 25 Loans – Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with some or all of 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 ability of such Borrower to repay an Interest-only Loan or a Part and Part 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, Individual Savings Accounts or endowment policies (the "**Policies**"). The Seller does not have and the Issuer shall not have the benefit of any Policies taken out by Borrowers. The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Loan will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the Borrower's age and employment status, the financial condition and payment history of the Borrower, tax laws and prevailing general economic conditions. In recent times, mortgage lenders have maintained stricter conditions to the advancing of interest-only loans (and other loans). The inability of the Borrowers to refinance their respective Loans may ultimately result in a reduction of amounts available to the Issuer and adversely affect its ability to make payments under the Notes. As of the Portfolio Reference Date, there are 35 interest-only loans in the Provisional Portfolio where the relevant Borrower has not repaid the outstanding principal amount in respect to the relevant mortgage loan on the relevant loan maturity date, resulting in an aggregate Outstanding Principal Balance of £4,692,682.05.

Borrowers of interest-only loans may not make payment of the premiums due on any relevant investment or life policy taken out in relation to repayment of the relevant interest only mortgages in full or on time, which policies may therefore lapse, and/or no further benefits may accrue thereunder. In certain cases, the policy may be surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not be applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan or a Part and Part Loan 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 any 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 or a Part and Part Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured from Available Revenue Receipts being applied for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.

As a result of UK government attention, borrowers with interest-only loans which are mortgages have been encouraged to switch to a repayment loan, whereby the principal of the loan is repaid over its term. Should a Borrower elect, subject to the consent of the relevant Legal Title Holder and the relevant Servicer, to amend

the terms of its Loan from an Interest-only Loan to a Repayment Loan or a Part and Part Loan, the relevant Loan would remain with the Issuer as part of the Portfolio, resulting in the Issuer and Noteholders receiving redemption payments on the relevant Loan and the relevant Notes respectively, earlier than would otherwise have been the case. See further "*Risk Factors – Considerations Relating to Yield, Prepayments and Mandatory Redemption*" above.

### ***Self-Certified Loans***

57.20 per cent. of the Loans in the Provisional Portfolio are loans in respect of which income and employment details of the relevant Borrower were not substantiated by supporting documentation (such loans being "**Self-Certified Loans**"). Self-Certified Loans may suffer higher rates of delinquencies, enforcements and losses than loans in respect of which supporting documentation has been provided in respect of the income or employment details of the Borrower, and any such delinquencies, enforcements and losses may lead to a reduction in amounts available to the Issuer and, ultimately, affect its ability to make payments under the Notes. No Self-Certified Loan is included in the Portfolio which was originated after the entry into force of Directive 2014/17/EU.

### ***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.

### ***Buy-To-Let Loans***

33.93 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are residential loans taken out by a Borrower in relation to the purchase or re-mortgage of a property for letting purposes (a "**Buy-To-Let Loan**"). The Borrower's ability to service such Loans is likely to depend on the Borrower's ability to lease the relevant Properties on appropriate terms. There can be no assurance that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the

Borrower with sufficient income to meet the Borrower's interest obligations or capital repayments in respect of the Loan and that any of these factors would not have an adverse effect on the ability of the Issuer to make repayments on the Notes. There can be no assurance that, in the event of a material downturn in the private rental market, the ability to make repayments on the Buy-to-Let Loans would not be adversely affected and as a consequence, the ability of the Issuer to make repayments under the Notes would not be adversely affected. Such a downturn could be precipitated by a range of factors, which may include (but are not limited to) an expansion of owner-occupied lending should credit conditions loosen and/or legislative changes affecting the sector, such as the introduction of rental caps or the regulation of the market or parts thereof.

Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of the Property, in which case the relevant Servicer will only be able to sell the Property as an investment property with one or more sitting tenants. This may affect the amount which the relevant Servicer could realise upon enforcement of the Mortgage and the sale of the Property. In such a situation, amounts received in rent may not be sufficient to cover all amounts due in respect of the Loan. However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgages) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Loan. Under Scots law, a receiver cannot be appointed under a standard security (the Scottish equivalent to a legal mortgage) and the only enforcement which may be carried out under a standard security is a full enforcement of the security (i.e. it cannot be enforced selectively by, for instance, attaching to rental income). Accordingly, in Scotland, any attempt to secure the rental flows will depend upon the enforcement of the standard security.

The UK Government has passed legislation restricting the amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) to the basic rate of tax. Such restriction will be introduced gradually from 6 April 2017. From 1 April 2016, a higher rate of stamp duty land tax ("**SDLT**") applies to the purchase of additional residential properties (such as buy-to-let properties). The current additional rate is three per cent above the current SDLT rates.

The Scottish Government announced similar plans with effect from the same date in respect of land and buildings transaction tax ("**LBTT**") (broadly speaking, the equivalent in Scotland to SDLT). The current additional rate is three per cent above the current SDLT and LBTT rates. The introduction of these measures may adversely affect the private residential rental market in England, Wales, Scotland and Northern Ireland in general, or (in the case of the restriction of income tax relief) the ability of individual Borrowers of Buy-to-Let Loans to meet their obligations under those Loans.

### ***Shortfall Accounts***

As at the date of this Prospectus, there are a certain number of the Loans in the Provisional Portfolio in respect of which enforcement procedures have been completed and in relation to which the proceeds of such enforcement procedures were not sufficient to repay amounts owing by the relevant Borrowers on the relevant Loans ("**Shortfall Accounts**"). The Issuer (or the relevant Servicer acting on its behalf) may not be able to recover any additional amounts in relation to such Loans and there may be ongoing costs incurred by the relevant Servicer in relation to any continuing procedures that are underway, which the Issuer may not recover through such procedures.

### ***Insurance Policies***

The Mortgage Conditions of certain Loans require borrowers to have buildings insurance for the relevant Property. However, it will be difficult in practice for the relevant Servicer and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. However, no assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or contingent insurance contracts or that the amounts received in respect of a successful claim will

be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes.

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

None of the Relevant Parties has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below for a summary of these). 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. 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 acquired its interest in the Loans and their Related Security on the Closing Date under two mortgage sale agreements, one of which was entered into with Moorgate Funding 2014-1 plc and one of which was entered into with Stratton Finance I Limited (each a "**Seller Mortgage Sale Agreement**" and together the "**Seller Mortgage Sale Agreements**").

The Seller does not have direct knowledge as to whether certain Loan Warranties (including the Loan Warranties which relate to the origination process) are correct or not. Accordingly since the Seller does not have direct knowledge as to matters relating to the actual origination of the Loans, it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. Therefore, certain warranties relating to, amongst other things, the origination process are necessarily 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, as there is no ongoing active involvement of the Originators of the Loans to monitor or notify any defect in relation to the circumstances of the Loans. Each of the Moorgate Servicer and the RMS 25 Servicer will have limited obligations to monitor compliance with the Loan Warranties following the Closing Date. To the extent that either the Moorgate Servicer or the RMS 25 Servicer becomes actually aware of any circumstance that may constitute or result in any breach of the Loan Warranties, it shall inform the Issuer and the Security Trustee of such breach, however none of the Moorgate Servicer, the RMS 25 Servicer, the Seller or the Issuer will monitor compliance with the Loan Warranties. 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 or make an indemnity payment in lieu of repurchase in accordance with the provisions in the Mortgage Sale Agreement. However, there can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement as to which see further "*Risk Factors – Limited Resources of the Seller*", below and it should be noted that the Seller is not required to gross-up payments under the Mortgage Sale Agreement and payments it makes will be inclusive of VAT. Further, the Seller shall have no obligation to repurchase any Loans in breach of any Loan Warranty or make any payment in lieu of such repurchase unless the Issuer has given the Seller notice of the event giving rise to the obligation to repurchase before the Optional Redemption Date. In each case, none of the Issuer, the Security Trustee or the Note Trustee, the Arranger, the Noteholders, the Certificateholders or any other secured party will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations.

The Seller did not originate the Loans and therefore no assurance can be given that the Lending Criteria were applied at the time of origination of each Loan in the Portfolio or whether different criteria were applied at the time.

### ***No additional sources of funds after the Optional Redemption Date***

From the Optional Redemption Date, the Step-Up Margin will be payable in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. There will, however, be no

additional receipts or other sources of funds available to the Issuer at such time, nor is it expected that any of the sources of income available to the Issuer prior to the Optional Redemption Date will be increased. In such circumstances the Issuer may not have sufficient funds to pay all amounts of interest and/or principal (as applicable) under the Notes (including any Step-Up Margin on the Class A Notes).

### ***Limited Resources of the Seller***

The Seller will agree, pursuant to the Mortgage Sale Agreement to repurchase Loans and their Related Security or make indemnity payments in lieu of such repurchase in certain circumstances (as more particularly set out in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below). This obligation will be subject to a time limitation and will not extend beyond the Optional Redemption Date. In addition, as a practical matter, the ability of the Seller to make any indemnity payments in relation to such repurchases or in lieu of such repurchases or otherwise discharge its liabilities under the Mortgage Sale Agreement or any other Transaction Document will be limited.

The Seller is a special purpose vehicle with limited assets and funds and as such will, after having satisfied its obligations to pay its secured creditors, have limited resources available to it to repurchase any Loans if required pursuant to the terms of the Mortgage Sale Agreement or to make any indemnity payments under the Mortgage Sale Agreement or any other Transaction Document. The obligations of the Seller are not guaranteed nor will they be the responsibility of any person other than the Seller, and, as such neither the Issuer nor the Security Trustee will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet its repurchase obligations under the Mortgage Sale Agreement during the period between the Closing Date and the Optional Redemption Date or otherwise fails to discharge its obligations to make any indemnity payments under the Mortgage Sale Agreement or any other Transaction Document.

The Issuer has also agreed that it will not take any action to wind up the Seller or initiate similar proceedings. This may affect the ability of the Issuer to exercise effectively certain rights under the Mortgage Sale Agreement. The Retention Holder is under no obligation to put the Seller in funds for the purposes of funding a repurchase, indemnity payment in lieu of repurchase or otherwise. Therefore in the event that any Loan is found to be in breach of the Loan Warranties, the Seller may have limited funds available to it to effect a repurchase of the relevant Loan or make an indemnity payment in lieu of such repurchase, which may have an adverse effect on the Issuer's ability to make payments on the Notes.

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

#### ***Regulated Mortgage Contracts***

In the United Kingdom, regulation of residential mortgage business under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October 2004 (the "**Regulation Effective Date**"). Residential mortgage lending under the FSMA is regulated by the FCA (and prior to 1 April 2013, was regulated by its predecessor the FSA). Entering into a Regulated Mortgage Contract as a lender, arranging Regulated Mortgage Contracts and advising in respect of and administering Regulated Mortgage Contracts (and agreeing to do any of those activities) are (subject to applicable exemptions) each regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

The original definition of a regulated mortgage contract was such that if a mortgage contract was entered into on or after the Regulation Effective Date but before 21 March 2016, it will be a Regulated Mortgage Contract under the RAO if: (i) the lender provided credit to an individual or to trustees; and (ii) the obligation of the borrower to repay is secured by a first legal mortgage on land (or, in Scotland, a first ranking standard security) (other than timeshare accommodation) in the United Kingdom, at least 40% of which was used, or was 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 was a beneficiary of the trust, or by a related person.

A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is broadly the person's spouse or civil partner, near relative or a person with whom the borrower (or in the case of credit provided to trustees, a beneficiary of the trust) has a relationship which is characteristic of a spouse.

There have been incremental changes to the definition of Regulated Mortgage Contract over time, including the removal of the requirement for the security to be first ranking and the extension of the territorial scope to cover property in the EEA rather than just the UK.

The current definition of a Regulated Mortgage Contract is such that if a mortgage contract was entered into on or after 21 March 2016, it will be a regulated mortgage contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions such as the relevant exclusions for buy-to-let loans): (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used, in the case of credit provided to an individual, as or in connection with a dwelling by that individual or related person; or (in the case of credit provided to a trustee who is not an individual), as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person.

On and from the Regulation Effective Date, 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 Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the relevant Originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) 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 relevant Servicer is required to hold and does hold 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 Seller and the Issuer are not, and do not propose to be, authorised persons under the FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such a servicing agreement terminates, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

The Issuer is not, nor proposes to become, an authorised person under the FSMA. The Issuer will only hold beneficial title to the Loans and their Related Security. In the event that legal title is transferred to the Issuer upon the occurrence of a Perfection Event the Issuer must arrange for a servicer having the required authorisation and permission under the FSMA to administer these Loans within a period of not more than

one month and is not expected to enter into any new Regulated Mortgage Contracts as lender under article 61(1) of the RAO. 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.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FCA's rules 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. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA or PRA rules 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 in respect of the Loans may adversely affect the realisable value of the Loans in the Portfolio and accordingly the Issuer's ability to make payments on the Notes.

#### *Regulation of buy-to-let mortgages*

The Mortgage Credit Directive was published in the Official Journal on 28 February 2014 and had to be implemented by Member States by 21 March 2016. The Mortgage Credit Directive requires EU member states to develop a 'national framework' for buy-to-let lending if they choose to exercise discretion afforded by the Mortgage Credit Directive not to apply the Mortgage Credit Directive to their buy-to-let mortgage markets. The UK government announced that it would use the option to have a national framework for buy-to-let lending to consumers called 'Consumer buy-to-let' ("**CBTL**") in order to put in place the minimum requirements to meet the UK's legal obligations, stating that it was not persuaded of the case for full conduct regulation of buy-to-let mortgage lending. The CBTL framework was implemented on 21 March 2016 and is only applicable to consumer borrowers, the majority of buy-to-let lending in the UK being to non-consumers.

The legislative framework is set out in the Mortgage Credit Directive Order 2015. The Mortgage Credit Directive Order 2015 defines a CBTL mortgage contract as: "a buy-to-let mortgage contract which is not entered into by the borrower wholly or predominantly for the purposes of business carried on, or intended to be carried on, by the borrower". It provides that a firm that advises on, arranges, lends or administers CBTL mortgages must be registered to do so. The Moorgate Servicer is authorised to administer regulated mortgage contracts. The RMS 25 Servicer is a consumer buy-to-let mortgage firm registered as an administrator in respect of consumer buy-to-let mortgages. In a HM Treasury consultation published in January 2015, the HM Treasury estimated that CBTL regulation would affect 11% of the buy-to-let mortgage market.

The Mortgage Credit Directive Order 2015 sets out a number of conduct standards for firms carrying on CBTL business which cover, *inter alia*, requirements for pre-contractual illustrations, adequate explanations and arrears and repossessions. The FCA has amended the FCA Handbook to provide it with supervisory and enforcement powers in respect of such conduct standards. The exercise of supervisory and enforcement powers by the FCA may adversely affect the Issuer's ability to make payment in full on the Notes when due, particularly if the FCA orders remedial action in respect of past conduct.

Certain buy-to-let mortgages are regulated by the CCA because buy-to-let loans only became exempt from CCA regulation on 31 October 2008. Buy-to-let loans originated prior to 31 October 2008, will be regulated by the CCA if the amount of credit was less than the relevant financial limit in place at the time and no other relevant CCA exemption applied. The financial limit for CCA regulation was abolished on 6 April 2008 in



respect of all loans except buy-to-let loans. The financial limit of £25,000 in place at the time for CCA regulated loans was not removed for buy-to-let loans until 31 October 2008. As described above, those buy-to-let mortgages are not caught by the definition of a "consumer credit back book mortgage contract" and so any buy-to-let loans that were regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the Mortgage Credit Directive Order. Non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance, which may adversely affect the ability of the Issuer to make payment in full on the Notes when due.

If a buy-to-let mortgage is secured on a property occupied by a related person to the borrower (broadly the borrower's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse) then it will be a Regulated Mortgage Contract. Otherwise, as described above, buy-to-let mortgages will either be regulated by the CBTL regime or the CCA or will be unregulated.

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

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

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

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013 and: (i) in June 2015 published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and (ii) began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. In December 2016, it launched a market study focusing on consumers' ability to make effective choices in the first charge residential mortgage market, on which it produced an interim report in May 2018 and a final report in March 2019 (see "*Mortgage Prisoners*" below). This is in addition to regulatory reforms being made as a result of the implementation of the Mortgage Credit Directive from 21 March 2016 (see "Mortgage Credit Directive"). It is possible that further changes may be made to the FCA's MCOB rules as a result of these reviews and other related future regulatory reforms. To the extent that the new rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may reduce the amounts available to meet the payments due in respect of the Notes.

In December 2012, the Financial Services Act 2012 received royal assent. This Act contains provisions which (among other things) on 1 April 2013 replaced the FSA with the PRA, which is responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA, which is responsible for conduct of business. This Act also contains provisions enabling the transfer of regulatory authority (including consumer credit regulation) from the Office of Fair Trading (the "OFT")

to the FCA. The relevant secondary legislation was enacted in 2013 and 2014 and the transfer was effected on 1 April 2014.

Under the Financial Services Act 2012: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) the FCA has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. This Act also provides for formalised cooperation to exist between the FCA and the Ombudsman (as described below), particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

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

### *Unfair relationships*

Under the CCA, the "extortionate credit" regime was 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 2000 and also applies to (as described above) "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between the lender and a borrower is unfair, then it may make an order, among other things, requiring the originator, or any assignee (such as the Issuer) to repay amounts received from such borrower. In applying the unfair relationship test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct (or anyone acting on behalf of the creditor) before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA, as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and the CRA (each 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 2000, and guidance published by the FSA and subsequently, the FCA, on that principle and by the OFT on the unfair relationship test may also be relevant. Under the CCA, once the debtor alleges that an unfair relationship exists, the burden of proof is on the creditor to prove the contrary.

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

*Plevin v Paragon* [2014] UKSC 61, a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules. Where add-on products such as insurance are sold and are subject to significant commission payments, it is possible that the non-disclosure of commission by the lender is a factor that could form part of a finding of an unfair relationship.

In March 2017, the FCA published final rules and guidance with respect to payment protection insurance complaints in light of *Plevin*. The rules will not apply to borrowers with Regulated Mortgage Contracts. The FCA rules came into force on 29 August 2017 and required that firms that sold payment protection

insurance ("**PPI**") must write to previously rejected mis-selling complainants who are eligible to complain again in light of Plevin in order to explain this to them by 29 November 2017. The FCA rules state that if the anticipated profit share and commission or the likely range of profit share and commission on a PPI Contract was not disclosed to the borrower before the PPI Contract was entered into, the firm should consider whether it can satisfy itself on reasonable grounds that an unfair relationship did not arise. A firm should make a rebuttable presumption that failure to disclose commission gave rise to an unfair relationship if the anticipated profit share plus the commission known or reasonably foreseeable at the time of sale was in relation to a single premium payment protection contract, more than 50% of the total amount paid in relation to the PPI Contract or in the case of a regular premium PPI Contract, at any time in the relevant period or period more than 50% of the total amount paid in relation to the PPI Contract in respect of the relevant period or periods. The FCA cites, amongst others, an example of such presumption being rebutted by the lender not having known and not being reasonably expected to have known or foreseen the level of commission and anticipated profit share. Where the firm concludes that the non-disclosure of commission on a PPI Contract has given rise to an unfair relationship, the firm should remedy the unfairness by paying the complainant a sum equal to the total commission paid by the complainant for PPI plus an amount representing any profit share payment, minus 50% of the total amount paid by the complainant for the PPI ("**Compensation Sum**"). The firm should also repay interest received by it in relation to the Compensation Sum (which is the interest the complainant paid as a result of the Compensation Sum being included in the loan) where relevant and also pay simple interest on the whole amount.

An alternative dispute resolution scheme for consumer credit matters is run by the FOS and was established on 6 April 2007. The scheme is mandatory for all authorised businesses. The FCA has a wide range of disciplinary, criminal and civil powers under FSMA to take actions against authorised firms who fail to comply with regulatory requirements, including power to withdraw authorisations, ban firms from financial services, suspend firms or individuals for 12 months and issue unlimited fines.

If a court determined that there was an unfair relationship between the Lender and the borrowers in respect of the Loans and ordered that financial redress was made in respect of such Loans, or if redress was due in accordance with the FCA guidance on PPI complaints, such redress may adversely affect the ultimate amount received by the Issuer in respect of the relevant Loans, and the realisable value of the Portfolio.

### ***Inquiries into payment protection insurance***

Financial institutions, including mortgage lenders, continue to see a volume of claims for redress made by claimants who claim they were mis-sold PPI. The Financial Ombudsman Service (FOS) has provided guidance to the credit industry as to the correct approach to redress, which is published on its website ([http://www.financialombudsman.org.uk/publications/technical\\_notes/ppi/redress.html](http://www.financialombudsman.org.uk/publications/technical_notes/ppi/redress.html)). This is that the consumer should be put back into the position they would have been in but for the failure on the part of the lender or broker. Redress should be assessed on the basis that the claimant would not have purchased the policy, if the lender or broker had given a fair recommendation and/or had given appropriate information during the sale and that the claimant should be compensated if he has been out-of-pocket in the meantime.

The relevant regulators expect the credit industry to follow the FOS-mandated approach. Depending on the precise circumstances of each case, redress will normally involve calculating what the current balance of the loan would have been if the consumer had made the same monthly payments but without PPI. This is calculated by deducting the PPI premiums and the interest and charges that resulted from those premiums (including those arising because the ongoing balance on the loan was higher than it would have been, if the consumer had made the same payments to an account without PPI). If the reconstruction produces a credit balance for any period, the payment of interest (normally at the rate of 8% simple per year) should be added to the credit balances for the period that the account was in credit. This highly complex calculation methodology can result in high redress, particularly where the loan has been significantly utilised over a long period, as PPI is typically charged by reference to the loan balance. Where appropriate (for example, where the lender or broker rejected a complaint that it knew (or should have known) that the FOS would uphold), damages for distress/inconvenience may also need to be considered.

PPI redress is generally paid by cheque to each individual claimant as a matter of course, except where the loan is delinquent, in which case the Borrower will be advised that redress is to be set-off against the balance unless the Borrower opts to have it paid by cheque. Generally, it is within claimants' rights to request that their PPI redress is set-off against their balance, giving rise to a risk that the Issuer does not receive the full amount otherwise owed by the Borrower under the relevant Loan.

The FCA have made a new rule which sets a deadline by which consumers will need to make their PPI complaints or lose their right to have them assessed by firms or the FOS (although consumers will still be able to bring claims in court after the deadline). This rule came into force on 29 August 2017 with the deadline for complaints falling on 29 August 2019.

Set-off by Borrowers in respect of PPI claim amounts against the amount due by the Borrower under the relevant Loans may adversely affect the ultimate amount received by the Issuer in respect of the relevant Loans and the realisable value of the Portfolio.

### ***Mortgage Prisoners***

In March 2019, the FCA issued the Mortgages Market Study Final Report (the MMS Final Report) and published a consultation paper (the Consultation) setting out detailed proposals to remove regulatory barriers to changing mortgages for “mortgage prisoners”. The Consultation closes in June 2019. The term “mortgage prisoners” has been defined by the FCA to mean mortgage customers who would benefit from changing their mortgage product (either with their existing lender or with a new lender) (Switching) but are unable to do so despite being up to date with their current mortgage payments. The FCA has confirmed that the findings from the MMS Final Report are aimed at the first charge residential mortgage market in particular and that it did not focus on second charge, buy-to-let, commercial mortgages or home reversion plans. The FCA have however stated that insights gained from the MMS Final Report are likely to be relevant to other markets within the FCA’s regulatory scope.

The FCA previously recognised that the affordability rules applicable to new lenders (being whether the consumer can afford to service the mortgage, accounting for income and expenditure and includes consideration of future changes, taking account of likely future interest rates and the extent to which the customer is borrowing in to retirement) was an obstacle to new lenders being able to facilitate Switching. The Consultation sets out proposals as to how to modify these rules so that a borrower Switching who is up to date with their mortgage payments and is not taking on additional borrowing (other than to fund any product or arrangement fee) can pass the affordability test if the new product is cheaper than the existing product. The FCA is also consulting pursuant to the Consultation on imposing on mortgage administrators and servicers who act for unregulated lenders (such as the Issuer) an obligation to notify all relevant borrowers of that unregulated lender serviced by that administrator or servicer of the fact that the borrower may be able to switch to a cheaper product following the change in rules. These notices would only apply to residential borrowers (excluding lifetime mortgages) who were on a reversion rate and who were up to date with payments for the previous 12 months. The proposed modification of the rules should make it easier for a borrower who is a mortgage prisoner with an unregulated lender to switch to a new lender and this, together with the proposed notification obligations, could increase redemption rates where there are a significant number of mortgage prisoners held by an unregulated lender.

### ***Non-disclosure of Broker Commissions***

Certain of the Loans may also have been originated through intermediaries, including mortgage brokers and mortgage advisers. In line with market practice, the Originators paid commission to such intermediaries in consideration for such activities in the form of a procurement fee. The standard loan offer documents for a number of such Loans specified the fact and amount of commission, however the standard loan offer documents of a number of such other Loans were either silent as to broker commissions or contained a statement that an introductory fee based on a percentage of the gross loan will be paid to the intermediary following completion.

Where only the existence but not the amount of the commission was disclosed to a Borrower then, depending on the circumstances of the case, that Borrower may have a claim against the relevant Legal Title Holder of the affected Loan. If such claim was successful, it is likely that a court would order payment to such Borrower of the amount of commission paid in respect of the affected Loan together with interest on that amount (although the court does have discretion as to the remedy that it would award the Borrower in the circumstances), whereas the award is likely to be greater where there was a failure to disclose the existence of the commission to a Borrower.

### ***Automatic capitalisation***

On 24 April 2017, the FCA issued a finalised guidance relating to issues arising from automatic capitalisation, in particular cases where lenders both add arrears to an account balance (and as a result readjust the amount of regular payments due under the loan) and keep a separate record of the borrower's arrears and seek separate (and additional) payment of those. In the finalised guidance, the FCA state that they expect FCA authorised firms to ensure this practice ceases and to carry out remediation. The review period for remediation begins from 25 June 2010 and the FCA expects all remediation programmes to be concluded by 30 June 2018.

The FCA have proposed a framework for remediation and in broad terms the FCA expect borrowers to be compensated for any incorrectly charged fees and interest and where fees have been paid by the customer, simple interest of 8% p.a. and simple interest of 8% on any "overpayments", i.e. any actual payments of monthly payments in excess of those which would have been required to pay off the arrears had there been no automatic capitalisation. Firms using the remediation framework will only reconstitute mortgage accounts where at least one automatic capitalisation resulted in an additional payment greater than £10 per month. Use of the framework is not mandatory, but the FCA expects firms to determine a remediation approach to achieve fair outcomes for the affected customers.

If any remediation is required or Borrowers bring claims in connection with their Loans in respect of an automatic capitalisation, such remediation and claims and any set-off by Borrowers in respect of such claims against the amount due by the Borrowers under the relevant Loans, may adversely affect the ultimate amount received by the Issuer in respect of the relevant Loans, and the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes.

### ***Distance Marketing***

In the United Kingdom, the Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by a "consumer" within the meaning of the regulations means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). The regulations (and MCOB in respect of activities related to Regulated Mortgage Contracts) require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions, and whether or not there is a right of cancellation.

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.

Compliance with the regulations may be secured by way of injunction (interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine. Failure to comply with MCOB rules could result in, *inter alia*, disciplinary action by the FCA and possible claims under Section 138D of the FSMA for breach of FCA rules.

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 provided in relation to the contract is treated as never having had effect.

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 and Consumer Rights Act 2015***

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to business-to-consumer agreements made on or after 1 July 1995 and before 1 October 2015 where the terms have not been individually negotiated (and the "consumer" for these purposes falls within the definition provided in the UTCCR). The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015.

The UTCCR and the CRA provide that a consumer (which would include a borrower under all or almost all of the Loans) may challenge a term in an agreement on the basis that it is "unfair" within the UTCCR or the CRA as applicable 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 provide that a regulator may take action to stop the use of terms which are considered to be unfair.

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 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 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. Any such non-recovery, claim or set-off in relation to a Loan in the Portfolio may adversely affect the Issuer's ability to make payments on the Notes.

On 12 January 2016, the FCA and the Competition and Markets Authority (the "**CMA**") entered into a memorandum of understanding in relation to consumer protection (the "**MoU**") which stated that the CMA

may consider fairness, but will not usually expect to do so, where the firm concerned is an authorised firm or an authorised representative under FSMA. Further, the MoU stated that the FCA will consider fairness within the meaning of the CRA and the UTCCR, or standard terms, and the CRA of negotiated terms, in financial services contracts issued by authorised firms or appointed representatives, when such firms or representatives are undertaking any regulated activity (as specified in Part II of the RAO), in the UK. In this MoU 'authorised' includes having an interim permission and a 'relevant permission' includes an interim permission. This will include contracts for:

- mortgages and the selling of mortgages;
- insurance and the selling of insurance;
- bank, building society and credit union accounts;
- life assurance;
- pensions;
- investments;
- consumer credit;
- consumer hire; and
- other credit-related regulated activities.

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 (such statement has since been withdrawn – see below).

In July 2012, the Law Commission launched a consultation in order to review and update the recommendations set out in their 2005 Report on Unfair Terms in Contracts. In March 2013, the Law Commission published its advice, in a paper entitled "Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills". This advice paper repeated the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to notices and some additions to the "grey list" of terms which are indicatively unfair. The Law Commission also recommended that the relevant legislation should expressly provide that, in proceedings brought by individual consumers, the court is required to consider the fairness of the 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 CRA, which came into force in October 2015.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.

The extremely broad and general wording of the UTCCR and CRA 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 and the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into between 1 July 1999 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Notes.

On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG18/7), outlining factors the FCA consider firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU. The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

The Unfair Contract Terms and Consumer Notices Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the **CMA Guidance**). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs".

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

### ***Financial Ombudsman Service***

Under the FSMA, the Financial Ombudsman Service (the "**Ombudsman**"), an independent adjudicator, is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance, rather than making determinations strictly on the basis of compliance with law.

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



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

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

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

The Unfair Practices Directive is implemented into UK law by the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTR**"), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. The possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR did not originally provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. However, the Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) was laid before Parliament on 1 April 2014 and came into force on 1 October 2014. In certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

In addition, the Unfair Practices Directive is taken into account in reviewing rules under the FSMA. For example, MCOB rules for regulated mortgage contracts from 25 June 2010 prevent the lender from: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of the term, or a change in product type, and (b) automatically capitalising a payment shortfall. The CPUTR do not provide consumers with a private act of redress. Instead consumers must rely on existing private law remedies based on the law of misrepresentation and duress. Consumer Protection (Amendment) Regulations 2014 was laid before Parliament on 1 April 2014 and came into force on 1 October 2014. In certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

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***

In June 2010, the FSA made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under these rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (among other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA indicated that it did not expect each forbearance option referred to in these rules to be explored at every stage of interaction with the borrower, it is clear that these rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions which the relevant loan may be subject to as a result, inter

alia, of such loan being contained within a securitisation transaction. As a result, the rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions (which may not have been contemplated as at the date of this Prospectus or the Transaction Documents) in respect of one or more Loans and their Related Security. No assurance can be made that any such actions will not impact on the Issuer's ability to make payments in full when due on the Notes, although the impact of this will depend on the number of Loans that involve a Borrower who experiences payment difficulties.

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

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

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 (the "**2010 Act**") came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the 2010 Act, the heritable creditor, which may be a Legal Title Holder or, in the event of it taking legal title of 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, as well as imposing further procedural requirements.

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

### ***Land Registration Reform in Scotland***

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

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

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016 (the "**Commencement Date**"). As of this date, the General Register of Sasines is now closed to the recording of securities. Despite the provisions of the 2012 Act mentioned above, for the time being, other deeds such as assignments of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely; although the Registers of Scotland have reserved the right to consult further on this issue in the future.

In addition, the 2012 Act introduced provision for the keeper of the Land Register of Scotland to transfer a property title currently registered in the General Register of Sasines to the Land Register of Scotland without an application from the borrower ("**Keeper Induced Registrations**"). Registers of Scotland have now introduced Keeper Induced Registrations in certain counties for both publicly and privately owned properties and have published a list of affected postcodes on its website.

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

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

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

Given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (Registers of Scotland estimated that in March 2017 around 62% of property titles in Scotland were registered in the Land Register of Scotland), it is likely that, in relation to the current Portfolio where 5.59 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Scottish Loans, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

### ***The Renting Homes (Wales) Act 2016***

The Renting Homes (Wales) Act 2016 (the Renting Homes Act) received royal assent on 18 January 2016 but has not yet been brought fully into force. This Act will convert the majority of residential tenancies in Wales into a 'standard contract' with retrospective effect when it has been brought fully into force, however

some tenancies will not be converted with retrospective effect (including those which have Rent Act protection and tenancies for more than 21 years).

The Renting Homes Act (which only has effect in Wales) does not contain an equivalent mandatory ground for possession that a lender had under the Housing Act 1988 where a property was subject to a mortgage granted before the beginning of the tenancy and the lender required possession in order to dispose of the property with vacant possession.

The Renting Homes Act may result in lower recoveries in relation to buy-to-let mortgage loans over Properties in Wales and may affect the ability of the Issuer to make payments under the Notes.

### **Private Housing (Tenancies) (Scotland) Act 2016**

The Private Housing (Tenancies) (Scotland) Act 2016 came into force on 1 December 2017. Existing assured tenancies and short assured tenancies in place before 1 December 2017 will continue until brought to an end or converted. Each qualifying tenancy agreement from 1 December 2017 will be a "private residential tenancy" which will (except in a limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

Accordingly, a lender or security holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the mandatory grounds on which an eviction order can be sought is that a lender or security holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession. The effect of this legislative change will primarily be restricted to any buy-to-let loans secured over a property in Scotland.

### ***Energy Efficiency Regulations 2015***

From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the "**Energy Efficiency Regulations 2015**") as the prohibition on letting substandard property. Where a landlord wishes to continue letting property which is currently substandard, they will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of Band E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. They may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to them that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties.

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

In the United Kingdom and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the United Kingdom, regulators such as the CMA, the PRA and the FCA (and their predecessors for example the OFT) have recently carried out, or are currently conducting, several enquiries. In recent years there have been several issues in the UK financial services industry in which these local bodies have intervened directly, including the sale of card and identity protection policies,

interest rate hedging products, payment protection insurance, personal pensions and mortgage-related endowments.

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

### ***UK Government Schemes and Help to Buy Scheme not applicable***

The Notes are not guaranteed by or obligations of the UK Government. Also, any investment in the Notes does not have the status of a protected claim under the UK Financial Services Compensation Scheme and accordingly, the Notes will not confer any entitlement to compensation under that scheme.

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

### ***Insolvency legislation in the United Kingdom***

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

### ***Company voluntary arrangement and small companies moratorium***

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

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

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced or administrator appointed to that company, no administrative receiver of that company may be appointed, no security created by that company over its property may be enforced (except with the leave of the court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court). In addition, if the holder of security (the "**chargee**") created by that company consents or if the court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee

will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is that other than a floating charge, it shall be a condition of the chargee's consent or the leave of the court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security. Further, during the period for which a moratorium is in force in respect of a company it may not make any payments with respect to debts or liabilities existing prior to the date of filing for a moratorium unless (i) there are reasonable grounds for believing the payment will benefit the company, and (ii) the payment is approved by a committee of creditors of the company if established or, if not, by the nominee of the proposed company voluntary arrangement.

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

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

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

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

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

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

to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

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

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

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

### ***Liquidation expenses***

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

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

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

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

The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

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

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

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

Lastly, as a result of Directive 2014/59/EU providing for the establishment of an EEA-wide framework for the recovery and resolution of credit institutions and investment firms and any relevant national implementing measures, it is possible that an institution with its head office in an EEA state other than the UK and/or certain group companies could be subject to certain resolution actions in that other state. Once again, any such action may affect the ability of any relevant entity to satisfy its obligations under the



Transaction Documents and there can be no assurance that Noteholders will not be adversely affected as a result.

### *Legal considerations may restrict certain investments*

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

### *UK Taxation treatment 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) (as amended) (the "**Securitisation Tax Regulations**")), and as such should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Tax Regulations), for so long as it satisfies the conditions of the Securitisation Tax Regulations. However, if the Issuer does not satisfy the conditions of the Securitisation Tax Regulations (or subsequently ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in this Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

### *EU financial transaction tax*

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's Proposal**"), for a financial transaction tax ("**FTT**") to be adopted in certain participating member states of the European Union ("**Member States**") (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia), although Estonia has since stated that it will not participate. If the Commission's Proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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

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

However, the Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional

Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### ***Withholding tax under the Notes***

In the event that any withholding or deduction for or on account of any tax is imposed on payments in respect of the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate the Noteholders for such withholding or deduction. However, if it would prevent such withholding or deduction and in accordance with Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), the Issuer will in certain circumstances, appoint a Paying Agent in another jurisdiction or use reasonable endeavours to arrange for 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 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), as at the date of this Prospectus no withholding or deduction for account of United Kingdom income tax will be required on payments of interest of the Notes. However, there can be no assurance that the law will not change during the life of the Notes

The applicability of any withholding or deduction for or on account of United Kingdom tax on payments of interest on the Notes is discussed further under "*United Kingdom Taxation*" below.

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

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

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

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

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

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

Except as noted in the previous paragraphs, payments of principal and interest on, and other amounts due in respect of, the Global Note will be made by the Principal Paying Agent to a nominee of the Common Safekeeper. Upon receipt of any payment from the Principal Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payments in amounts

proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect participants to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

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

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

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

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

### ***General market volatility and post-UK referendum uncertainty***

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) have recently intensified and remain significant throughout the Eurozone despite easing in some Member States recently. In particular, concerns have been raised with respect to current economic, monetary and political conditions in the region comprised of the Member States of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended (the "**Eurozone**"). If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit Rating Agency action, any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any exit(s) by any member state(s) from the European Union 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 UK housing market, the Issuer, one or more of the other parties to the Transaction Documents (including the Seller, the Retention Holder, the Legal Title Holder, the Servicer, the Issuer Account Bank and/or the Cash Manager) and/or any Borrower in respect of its Loan. Given the current uncertainty and the range of possible outcomes, 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.

In particular, prospective investors should note that, pursuant to a referendum held in June 2016, the UK has voted to leave the European Union and on 29 March 2017 the UK Government invoked article 50 of the Lisbon Treaty and officially notified the European Union of its decision to withdraw from the European Union. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the **article 50 withdrawal agreement**). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of European Union law, and provide for continuing access to the European Union single market, until the end of 2020.

The article 50 withdrawal agreement has not yet been ratified by the UK or the European Union. The parties have agreed to an extended time line which allows for ratification to take place any time prior to 31 October 2019. To the extent ratification does take place ahead of 31 October 2019, the UK would leave on the first date of the month following ratification. However, it remains uncertain whether the article 50 withdrawal agreement, or any alternative agreement, will be finalised and ratified by the UK and EU ahead of the deadline. If that deadline of 31 October 2019 is not met, unless the negotiation period is further extended or the Article 50 notification revoked, the Treaty on the European Union and the Treaty on the Functioning of the EU will cease to apply to the UK and the UK will lose access to the EU single market. Whilst continuing to discuss the article 50 withdrawal agreement and political declaration, the UK Government has commenced preparations for a “hard” Brexit (or “no-deal” Brexit) to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book after any exit without a transitional period.

Due to the on-going political uncertainty as regards the terms of the UK's withdrawal from the European Union and the structure of the future relationship, it is not possible to determine the precise impact on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the precise impact that these matters will have on the business of the Issuer (including the performance of the underlying Loans), any other party to the Transaction Documents and/or any Borrower in respect of the underlying Loans, or on the regulatory position of any such entity or of the transactions contemplated by the Transaction Documents under EU regulation or more generally.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or liquidity of the Notes in the secondary market.

#### ***Wider UK constitutional implications***

The referendum has also caused increased constitutional tension within the UK. Majorities of voters in Scotland voted to remain in the European Union. Leading figures have suggested that they have a mandate from their voters to remain in the EU and might seek to leave the United Kingdom in order to achieve that outcome. On 28 March 2017, the Scottish parliament voted to begin the process of holding a second referendum on Scottish independence, however the UK Government indicated at the time that it would not allow this process to proceed until the Brexit process was complete. On 27 June 2017, the Scottish Government confirmed that its plans to introduce prospective referendum legislation would be temporarily put on hold until Brexit negotiations have been concluded. The Issuer cannot predict the outcome of this continuing constitutional tension or how the future departure of Scotland from the UK would affect its ability to make timely payments of interest and principal under the Notes.

## ***Scotland Act 2016***

On 23 March 2016, the Scotland Act 2016 received Royal Assent and passed into UK law. Amongst other things, the Scotland Act 2016 passes control of income tax to the Scottish Parliament by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents. Whilst the majority of the provisions are not expected to have an adverse impact on the Scottish economy or on mortgage origination in Scotland, the Scottish Parliament has confirmed that the rates and thresholds for income tax that will apply to the non-savings and non-dividend income of Scottish taxpayers from 6 April 2018 will, for the first time, differ from those applied throughout the rest of the UK. The higher and additional rates of tax have both been increased. In addition, the basic rate of tax has now also been split into three tiers (a starter rate, a basic rate and an intermediate rate). The changes mean that certain taxpayers in Scotland will now pay a higher level of tax than borrowers in the same income bracket in England and Wales. This may affect some borrowers' ability to pay amounts when due on the mortgage loans originated in Scotland which, in turn, may adversely affect the ability of the Issuer to make payments on 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 Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

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

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

In particular, investors should note that the Basel Committee on Banking Supervision ("**BCBS**") has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as "**Basel III**"), including revisions to the securitisation framework which may result in increased regulatory capital requirements in respect of certain positions. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities, may be subject to some level of national variation. It should also be

noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe.

In addition, investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings, UCITS funds and institutions for occupational retirement provisions. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. An institutional investor (other than the originator, sponsor or original lender) holding a securitisation position shall at least establish appropriate written procedures that are proportionate to the risk profile of the securitisation position and where relevant, to the institutional investor's trading and non-trading book, in order to monitor, on an ongoing basis, compliance with its due diligence requirements and the performance of the securitisation position and of the underlying exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear. Investors who are uncertain as to the requirement that will need to be complied with in order to avoid the consequences of non-compliance should see guidance from their regulator and/or professional adviser.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. With respect to the commitment of the Retention Holder to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Servicer or the Cash Manager on the Issuer's behalf), please see the statements set out in the section of this Prospectus headed "*Regulatory Requirements*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Issuer, the Servicer, the Retention Holder, the Seller nor the Arranger or any other party makes any representation that the information described above is sufficient in all circumstances for such purposes.

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

### ***U.S. Risk Retention Requirements***

Section 941 of the Dodd-Frank Act amended the Exchange Act to generally require the "securitizer" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for the purposes of that statute, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules came into effect on 24 December 2016 with respect to all classes of asset-backed securitizations. The U.S. Risk Retention Rules provide that the securitizer of an asset backed securitization is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Retention Holder, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the securitized assets for purposes of compliance with the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the "ABS interests" (as defined in Section 2 of the U.S. Risk Retention Rules) are issued) of all classes of ABS interests issued in the securitization transaction are sold or transferred to, or for the account or benefit of, U.S. persons (as defined in the U.S. Risk Retention Rules, "**Risk Retention U.S. Persons**"); (3) neither the sponsor nor the issuer of the securitization transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

Prior to any Notes or Residual Certificates which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person, the purchaser of such Notes or Residual Certificates must first disclose to the Seller that it is a Risk Retention U.S. Person and obtain the written consent of the Seller in the form of a U.S. Risk Retention Consent. Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S, and that persons who are not "U.S. persons" under Regulation S may be U.S. persons under the U.S. Risk Retention Rules. The definition of U.S. person in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to clauses (b) and (h)(i), which are different than comparable provisions from Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "U.S. person" (and "Risk Retention U.S. Person" as used in this Prospectus) means any of the following:

- (a) any natural person resident in the United States;
- (b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States<sup>1</sup>;
- (c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);
- (d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership, corporation, limited liability company, or other organisation or entity if:
  - (i) organised or incorporated under the laws of any foreign jurisdiction; and
  - (ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act<sup>2</sup>;

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<sup>1</sup> The comparable provision from Regulation S is "(ii) any partnership or corporation organised or incorporated under the laws of the United States.

Each holder of a Note or a beneficial interest therein acquired on the Closing Date, by its acquisition of a Note or a beneficial interest in a Note, will be deemed, and, in certain circumstances, will be required to represent to the Issuer and the Seller that it (1) either (i) is not a Risk Retention U.S. Person or (ii) it has obtained a U.S. Risk Retention Consent, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules described herein).

There can be no assurance that the requirement to request the Seller to give its prior written consent to any Notes or Residual Certificates which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person will be complied with or will be made by such Risk Retention U.S. Persons.

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. No assurance can be given as to whether a failure by the Seller to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) may give rise to regulatory action which may adversely affect the Notes, the Residual Certificates or the market value of the Notes and Residual Certificates. Furthermore, the impact of the U.S. Risk Retention Rules on the securitization market generally is uncertain, and a failure by the Seller to comply with the U.S. Risk Retention Rules could therefore negatively affect the market value and secondary market liquidity of the Notes and the Residual Certificates.

Neither the Seller nor the Issuer makes any representation to any prospective investor or purchaser of the Notes as to whether the transactions described in this Prospectus comply as a matter of fact with the U.S. Risk Retention Rules on the Closing Date or at any time in the future. Investors should consult their own advisors as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### ***CRA Regulation***

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances 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).

The CRA Regulation requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other. Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by DBRS and S&P, each of which, as at the date of this Prospectus, is a credit rating agency established in the European Community and registered under the CRA Regulation.

### ***Securitisation Regulation***

The Securitisation Regulation applies to the Notes, as does Regulation (EU) 2017/2401, which amends certain provisions of Regulation (EU) No 575/2013 as it relates to securitisation (the "**CRR Amendment**

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<sup>2</sup> The comparable provision from Regulation S "(vii)(B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in 17 CFR 230.501(a)) who are not natural persons, estates or trusts.



**Regulation**"). Amongst other things, the Securitisation Regulation and the CRR Amendment Regulation together include provisions intended to implement the revised securitisation framework developed by BCBS (with adjustments) and provisions intended to harmonise and replace the risk retention and transparency requirements (now imposed variously on the issuer, originator, sponsor and/or original lender of a securitisation) and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. It also introduced a ban on the securitisation of residential mortgage loans made after 20 March 2014 which had been marketed and underwritten on the premise that the loan applicant or, where applicable, intermediaries, were made aware that the information provided by the loan applicant might not be verified by the lender. The Seller has represented that the Loans in the Portfolio were originated prior to 20 March 2014. In general, the requirements imposed under the Securitisation Regulations are more onerous and have a wider scope than those imposed under the previous legislation.

In relation to due diligence requirements, the Securitisation Regulation requires that, prior to holding a securitisation position, EU institutional investors are required to verify the matters required by Article 5(1) of the Securitisation Regulation and to conduct a due diligence assessment in accordance with Article 5(3). In relation to risk retention, the Securitisation Regulation amends the manner in which the retention requirements apply by imposing a direct obligation of compliance with the risk retention requirements on EU originators, sponsors or original lenders.

However, while the Securitisation Regulation came into force on 1 January 2019, not all of the proposed technical guidance in relation to certain provisions of the Securitisation Regulation have yet been finalised. Notably, technical guidance in relation to the manner in which reporting should be carried out in relation to a securitisation is yet to be finalised. The timing for finalisation of these pieces of guidance by the relevant authorities remains unclear. As such, there is a degree of uncertainty around the manner in which compliance with certain elements of the new regulations will be achieved.

With regards to the transparency requirements set out in Article 7 of the Securitisation Regulation, the relevant regulatory and implementing technical standard, including the standardised templates to be developed by ESMA which set out the form in which the relevant reporting entity is required to comply with certain of the periodic reporting requirements (the "**ESMA Disclosure Templates**") have not as yet been adopted. As a result, the Securitisation Regulation transitional provisions will apply. These provisions require, amongst other things, that any disclosure under Article 7 of the Securitisation Regulation should be made available in the form prescribed under the regulatory technical standard published pursuant to Article 8b of the CRA Regulation (the "**CRA3 Templates**") until the regulatory and implementing technical standards under the Securitisation Regulations have come into operation and the ESMA Disclosure Templates begin to apply.

Furthermore in a statement issued on 30 November 2018, the Joint Committee of the European Supervisory Authorities notes the operational difficulties of compliance with the Securitisation Regulation disclosure obligation during the transitional period under the **CRA3** for some entities and indicated that national competent authorities should generally apply their supervisory powers in their day-to-day supervision and enforcement of applicable legislation on a proportionate and risk-based manner.

In relation to the due diligence requirements for institutional investors that are set out in Article 5 of the Securitisation Regulation, any prospective investor to which these requirements apply should make themselves aware of such requirements and should ensure that the requirements which need to be satisfied prior to holding a securitisation position have been complied with prior to an investment in the Notes by such investor. In addition any such investor should ensure that it will be able to comply with the ongoing requirements of Article 5 in relation to an investment in the Notes. None of the Issuer, the Seller or the Arranger provides any assurance that the information provided in this Prospectus, or any other information that will be provided to investors in relation to the Notes (including without limitation any investor report or loan level data that is published in relation to the Notes) is sufficient for the satisfaction by any investor of the requirements in Article 5 of the Securitisation Regulation as they apply to that investor. Investors should

note that the requirements of Article 5 apply in addition to any other applicable regulatory requirements applying to such investor in relation to an investment in the Notes.

Until the regulatory technical standard to be adopted by the European Commission pursuant to Article 7(3) of the Securitisation Regulation (the "**Disclosure RTS**") apply, for the purposes of its obligations set out in points (a) and (e) of the first subparagraph of Article 7(1) of the Securitisation Regulation. The Issuer (as designated entity) will be required to make the information referred to in Annexes I to VIII of Delegated Regulation (EU) 2015/3 available in accordance with Article 7(2) of the Securitisation Regulations. The Issuer will delegate its reporting obligations to EuroABS, but will retain responsibility for these obligations. There can be no assurance that the information to be provided by the Issuer (or EuroABS on its behalf) will be adequate for any potential investors to comply with their obligations pursuant to Article 5 of the Securitisation Regulation. As at the date of this Prospectus, the Disclosure RTS are in draft form and there can be no certainty as to the final Disclosure RTS to be adopted by the European Commission. Prospective investors should consult their own advisors as to the regulatory obligations imposed on them pursuant to the Securitisation Regulation in respect of the Notes and/or Certificates and as the consequences for and effect on them of and changes to the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any prospective investor or otherwise.

In addition in the event that EuroABS fails provide information necessary for the Issuer to comply with its obligations under Article 6 of the Securitisation Regulation, the Issuer may be subject to regulatory action by the relevant competent authorities. Any such action could include fines levied on the Issuer. Any fines imposed on the Issuer will rank ahead of amounts payable to Noteholders and may therefore adversely affect the ability of the Issuer to make payments under the Notes and/or the Certificates.

Pursuant to Article 9 of the Securitisation Regulation, an originator who has acquired a portfolio of assets originated prior to 20 March 2014, must obtain all necessary information to assess whether the criteria applied in the credit granting for the securitised assets are as sound and well defined as the criteria applied to non-securitised assets. The Seller and the Retention Holder were not the originator of the Loans but the Seller has provided a representation to the Issuer that it and the Retention Holder has obtained all necessary information to assess whether criteria applied in the credit granting of the Loans are as sound and well defined as the criteria applied to non-securitised assets of the relevant Originators. Details of the Lending Criteria of the Moorgate Loans and the RMS 25 Loans (other than the lending criteria applicable to those Loans originated by Close Brothers Limited which comprise only 3.76 per cent of the Portfolio by Outstanding Principal Balance) are set out in the section entitled "*The Loans*" below.

### ***Simple, Transparent and Standardised Securitisations***

The Securitisation Regulation makes provision for a securitisation transaction to be designated a simple, transparent and standardised transaction (a "**STS Securitisation**") and provides that such securitisations should be subject to more favourable regulatory treatment, including reduced risk weightings for credit institution and investment firm investors, and separately, that certain aspects of previous legislation have been repealed and replaced with a single EU-wide securitisation regulation. Notably, the risk weights attached to securitisation exposures for credit institutions and investment firms will in general increase substantially under the new securitisation framework implemented under the Securitisation Regulations and these new risk weights will apply from 1 January 2019 or 1 January 2020 depending on the features of the particular securitisation exposure. In order to obtain this designation, a transaction is required to comply with the requirements set out in Articles 20, 21 and 22 of the Securitisation Regulation (the "**STS Criteria**") and one of the originator or sponsor in relation to such transaction is required to file a STS Notification to ESMA confirming the compliance of the relevant transaction with the STS Criteria. The Notes are not intended to be designated as a STS Securitisation.

Investors should consider (and where appropriate, take independent advice on) the consequence from a regulatory perspective of the Notes not being considered a STS Securitisation, including (but not limited to) that the lack of such designation may negatively affect the regulatory position of, and the capital charges on,

the Notes and, in addition, have a negative effect on the price and liquidity of the Notes in the secondary market. Prospective investors are themselves responsible for monitoring and assessing changes to the EU risk retention rules and their regulatory capital requirements.

### ***Projections, Forecasts and Estimates***

Any projections, forecasts and estimates provided to prospective purchasers of the Notes are forward-looking statements. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialise or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates, market financial or legal uncertainties mismatches between the timing of accrual and receipt of interest and principal from the Loans, among others.

None of the Relevant Parties or any of their respective affiliates has any obligation to update or otherwise revise any projections, including an revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

### ***Effects of the Volcker Rule on the Issuer***

The Issuer is relying on an exclusion or exemption under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7). The Issuer is structured so as not to constitute a "covered fund" for purposes of the regulations adopted to implement Section 619 of the Dodd-Frank Act (such statutory provision together with such implementing regulations, the "**Volcker Rule**"). The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 1 April 2014, but was subject to a conformance period for certain funds which concluded on 21 July 2015. Under the Volcker Rule, unless otherwise jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the Investment Company Act. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes or Residual Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

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

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

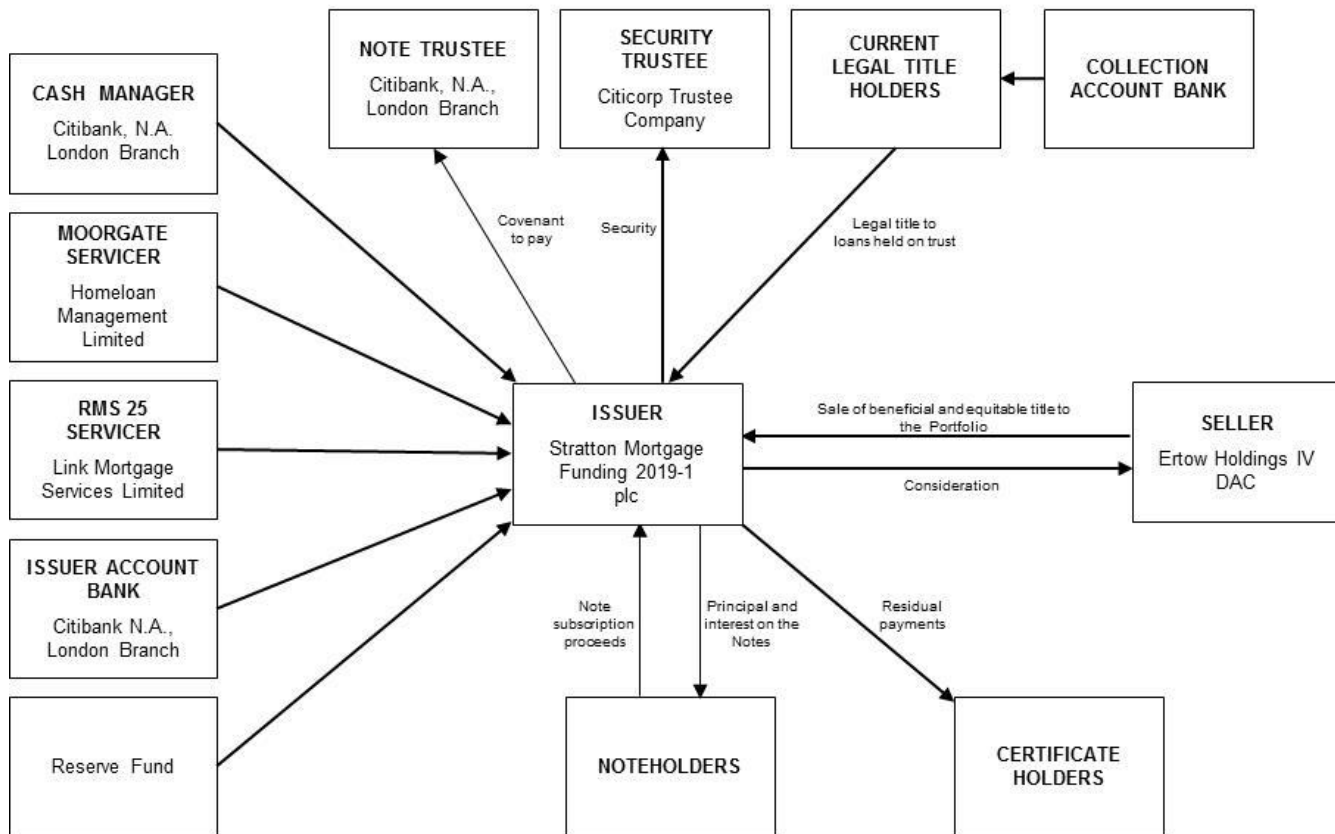
**The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Borrowers to pay interest, principal or other amounts on the Loans and consequently the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuers does not represent that the statements above regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in the Prospectus lessen some of the risks for the**

**Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to the Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.**

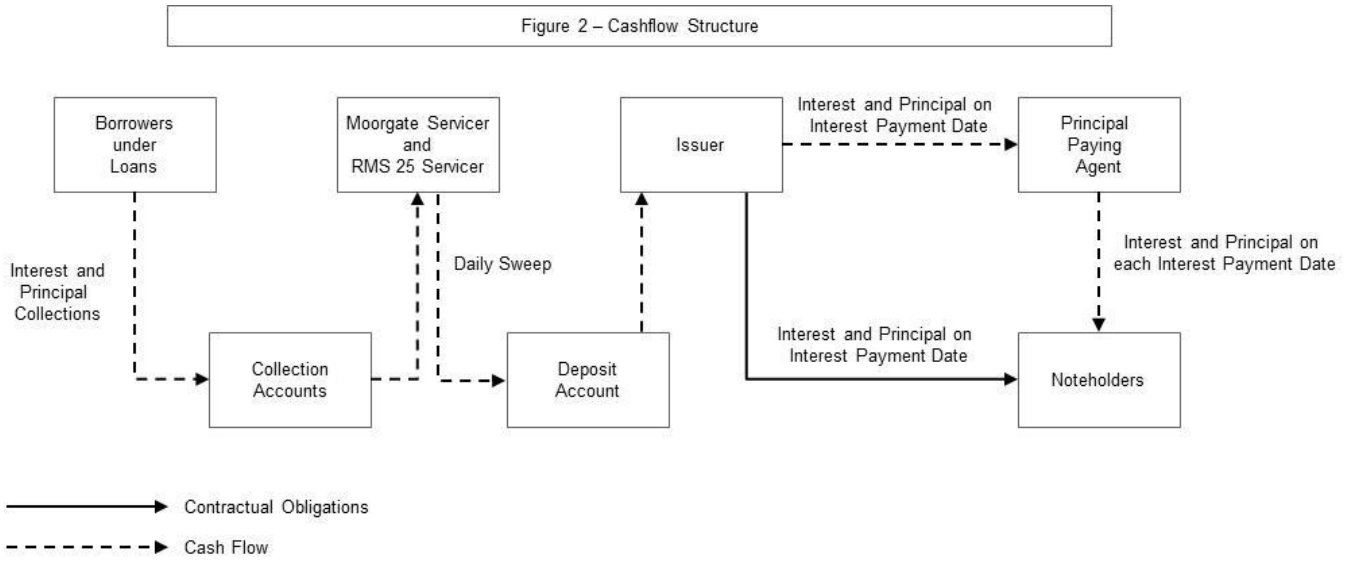
## STRUCTURE DIAGRAMS

### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

Figure 1 – Transaction Structure



## DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS



The Issuer will purchase the Portfolio on the Closing Date.

Collection Accounts are held with certain of the Moorgate Legal Title Holders or the RMS 25 Legal Title Holder, as applicable.

## OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

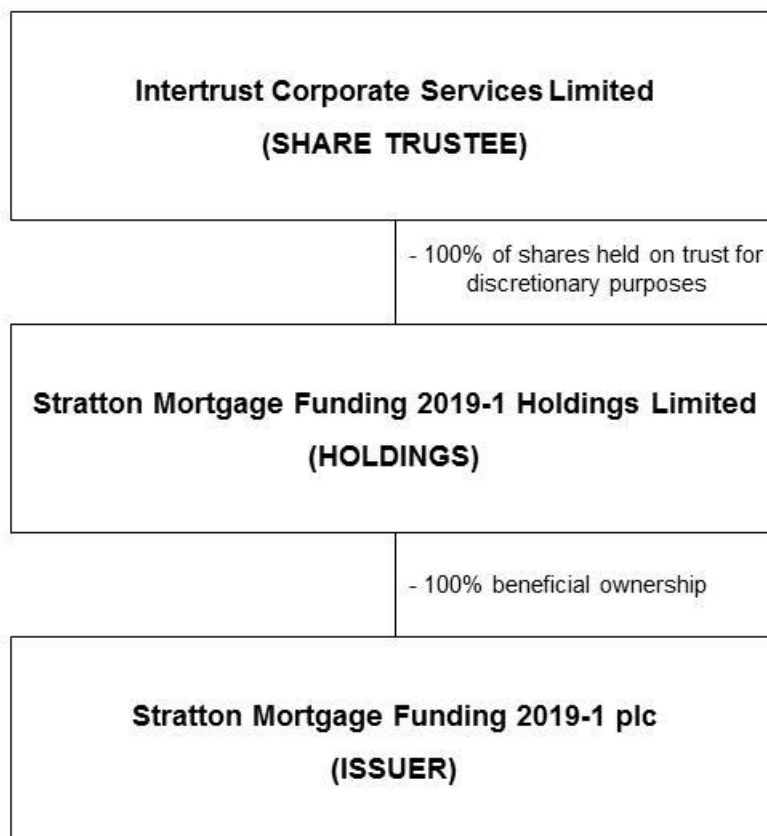


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

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

## TRANSACTION OVERVIEW – TRANSACTION PARTIES

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

**You should read the entire Prospectus carefully, especially the risks of investing in the 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.

Details of the Originators have (for ease of reference) been set out in this Section. However, the Originators are not Transaction Parties.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
"Issuer"	Stratton Mortgage Funding 2019-1 plc	35 Great St. Helen's, London, EC3A 6AP	See the section entitled "The Issuer" for further information.
"Holdings"	Stratton Mortgage Funding 2019-1 Holdings Limited	35 Great St. Helen's, London, EC3A 6AP	See the section entitled "Holdings" for further information.
"Seller"	Ertow Designated Company Holdings IV Activity	5th Floor, The Exchange, George's Dock, IFSC, Dublin 1, D01 W3P9, Ireland	See the sections entitled "Summary of the Key Transaction Documents – Mortgage Sale Agreement" and "The Seller" for further information.
"Retention Holder"	Burlington Loan Management Designated Activity Company	5th Floor, The Exchange, George's Dock, IFSC, Dublin 1, D01 W3P9, Ireland	See the section entitled "Retention Holder" for more information.
"Moorgate Servicer"	Homeloan Management Limited	The Pavilions, Bridgwater Road, Bristol, Avon, BS13 8AE	Moorgate Servicing Agreement between, amongst others, the Issuer, the r, the Security Trustee and Moorgate Legal Title Holders. See the section entitled "Summary of the Key Transaction Documents – Moorgate Servicing Agreement" and "Moorgate Servicer" for further information.



<b>"RMS 25 Servicer"</b>	Link Mortgage Services Limited	6th Floor, 65 Gresham Street, London, EC2V 7NQ	RMS 25 Servicing Agreement between, amongst others, the Issuer, the Security Trustee, the RMS 25 Legal Title Holder and the RMS 25 Servicer. See the section entitled <i>"Summary of the Key Transaction Documents – RMS 25 Servicing Agreement"</i>
<b>"Moorgate Legal Title Holders"</b>	Mortgages 1 Limited	2 King Edward Street, London EC1A 1HQ	The Deed of Assignment of Legal Title. See the section entitled <i>"Summary of the Key Transaction Documents – Deed of Assignment of Legal Title"</i> and <i>"The Moorgate Legal Title Holders"</i> for further information.
	Mortgages 2 Limited	2 King Edward Street, London EC1A 1HQ	
	Mortgages 3 Limited	2 King Edward Street, London EC1A 1HQ	
	Mortgages 4 Limited	2 King Edward Street, London EC1A 1HQ	
	Mortgages 5 Limited	2 King Edward Street, London EC1A 1HQ	
	Wave Lending Limited	2 King Edward Street, London EC1A 1HQ	
<b>"RMS 25 Legal Title Holder"</b>	Rooftop Mortgages Limited	6th Floor 65 Gresham Street, London, United Kingdom EC2V 7NQ	The RMS 25 Servicing Agreement. See the section entitled <i>"Summary of the Key Transaction Documents – The RMS 25 Servicing Agreement"</i> and <i>"The RMS 25 Legal Title Holder"</i> for further information.
<b>"Cash Manager"</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.	Cash Management Agreement between, <i>inter alios</i> , the Issuer. See the sections entitled <i>"Summary of the Key Transaction Documents – Cash Management Agreement"</i> and <i>"The</i>

			<i>Cash Manager</i> " for further information.
<b>"Issuer Account Bank"</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.	The Bank Account Agreement between, amongst others, the Issuer, the Issuer Account Bank and the Security Trustee. See the sections entitled " <i>Summary of the Key Transaction Documents – The Bank Account Agreement</i> " and " <i>Issuer Account Bank</i> " for further information.
<b>"Moorgate Collection Account Bank"</b>	Barclays Bank PLC	One Churchill Place, London E14 5HP	The Moorgate Collection Account Agreement. See the section titled " <i>The Moorgate Collection Account Bank and the RMS 25 Collection Account Bank</i> " for further information.
<b>"RMS 25 Collection Account Bank"</b> <sup>3</sup>	Barclays Bank PLC	One Churchill Place, London E14 5HP	The RMS 25 Collection Account Agreement. See the section titled " <i>The Moorgate Collection Account Bank and the RMS 25 Collection Account Bank</i> " for further information.
<b>"Security Trustee"</b>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.	Deed of Charge. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
<b>"Note Trustee"</b>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.	Trust Deed. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.

<sup>3</sup> In this Prospectus, "Collection Account Bank" refers to either or both of the Moorgate Collection Account Bank and the RMS 25 Collection Account Bank, as the context requires.

<b>"Principal Agent" and Bank"</b>	<b>Paying Agent</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.	Agency Agreement between, amongst others, the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<b>"Registrar"</b>		Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.	In respect of the Notes and Residual Certificates, the Agency Agreement, by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<b>"Corporate Provider"</b>	<b>Services</b>	Intertrust Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings. See the section entitled " <i>The Corporate Services Provider</i> " for further information.
<b>"Share Trustee"</b>		Intertrust Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed by the Share Trustee.
<b>"Arranger"</b>		HSBC Bank plc	8 Canada Square, London E14 5HQ	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.

## TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

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

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

The Loans and their Related Security are governed by English Law, Scots Law or Northern Irish Law (as applicable)

The Loans have been originated by the Originators and the equitable and beneficial and/or contractual title and interest to the Loans and their Related Security has (prior to the sale thereof to the Issuer pursuant to the terms of the Mortgage Sale Agreement), been acquired by the Seller from Moorgate Funding 2014-1 plc and Stratton Finance I Limited under the Seller Mortgage Sale Agreements. The Loans in the Portfolio have previously been securitised – the Moorgate Loans were securitised by Moorgate Funding 2014-1 plc and the RMS 25 Loans were securitised by Residential Mortgage Securities 25 plc.

On the Closing Date, the RMS 25 Legal Title Holder will hold legal title to the RMS 25 Loans on trust for the Issuer and the Moorgate Legal Title Holders will hold legal title to the Moorgate Loans on trust for the Issuer (including in each case pursuant to each Scottish Declaration of Trust).

The sale of the beneficial interest in each Scottish Loan and its Related Security in the Portfolio by the Seller to the Issuer will be given effect by the Scottish Declarations of Trust granted by the Legal Title Holders in favour of the Issuer at the direction and request of the Seller on the Closing Date following the release of such Scottish Loans and their Related Security from any existing Scottish trusts, which release is given effect under the terms of and pursuant to separate deeds of cancellation, release and termination entered into by, among others, Moorgate Funding 2014-1 Plc and Stratton Finance I Limited.

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

Prior to the occurrence of a Perfection Event as set out below, notice of the sale to the Issuer of the Loans and their Related Security comprising the Portfolio will not be given to the Borrowers by or on behalf of the Issuer and the Issuer will not apply

to the Land Registry of England, Land Registers of Northern Ireland or the Registers of Scotland to register or record its equitable or beneficial interest in the English Mortgages and the Northern Irish Mortgages or take any steps to complete or perfect its title to the Scottish Mortgages. Prior to the occurrence of a Perfection Event, the legal title to each Loan and its Related Security in the Portfolio will be held by the Moorgate Legal Title Holders or the RMS 25 Legal Title Holder (as applicable) (the "**Legal Title Holders**") on bare trust for the Issuer (including, in respect of a Scottish Loan and related Scottish Mortgage, under and pursuant to a Scottish Declaration of Trust). Following a Perfection Event and notice of the transfer of the Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Loans and their Related Security (subject to appropriate registration or recording at the Land Registry of England, Land Registers of Northern Ireland or the Registers of Scotland (as appropriate)) will pass to the Issuer.

**Features of the Loans:** Except as otherwise indicated, the following is a summary of certain features of the Loans comprising the Provisional Portfolio determined by reference to the features of each loan in the Provisional Portfolio as at the Portfolio Reference Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in the sections of this Prospectus entitled "*The Loans*" and "*Characteristics of the Provisional Portfolio*". The Loans comprise loans to 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 Northern Ireland or Scotland.

Type of Borrower	Non-conforming
Type of mortgage	Repayment, interest-only, part and part
Self-Certified Loans	57.20 per cent. by aggregate Outstanding Principal Balance
Buy-To-Let	33.93 per cent. by aggregate Outstanding Principal Balance
Number of loans in the Provisional Portfolio	3,406 (not including Shortfall Accounts)
	Average
Outstanding Principal Balance	£119,570
	Weighted Average
Current LTV	77.34%
Seasoning (years)	11.83
Remaining Term (years)	10.66
Indexed Current LTV	66.81%

- Consideration:** The consideration from the Issuer to the Seller in respect of the sale of the Portfolio shall be: (a) the initial consideration in an amount equal to £408,691,985.69, which is due and payable on the Closing Date (the "**Initial Consideration**") and (b) deferred consideration consisting of the Residual Payments in respect of the Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to the Seller on the Closing Date.
- Certificateholders:** Any Residual Payment will be paid to the Certificateholder in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.
- Representations and Warranties:** The Seller will make certain Loan Warranties regarding the Loans and Related Security to the Issuer in relation to the Loans and their Related Security comprised in the Portfolio, on the Closing Date, which include, amongst others, the following:
- (a) each Loan and its related Mortgage is valid, binding and enforceable in accordance with its terms, and is non-cancellable, in each case save by virtue of the UTCCR or the bankruptcy or insolvency of the Borrower, and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the person entitled to the benefit of the relevant Mortgage (other than in relation to any prepayment charges);
  - (b) subject to completion of any registration or recording which may be pending at any of the Land Registries, each Mortgage constitutes a first ranking legal mortgage in England or Wales or a first ranking mortgage in Northern Ireland or a first ranking standard security in Scotland over the relevant Property, save that in the event of there subsequently being registered any order charging land in favour of the Department of the Environment for Northern Ireland against any of the Northern Irish Properties and founded on a judgment for rates payable in respect of the land which is the subject of the charge, that order charging land shall take priority over all other charges and encumbrances whatever affecting that land pursuant to Article 51 of the Judgments Enforcement (NI) Order 1981 (and other than as described in paragraph (c) below);
  - (c) immediately prior to the sale of each Loan, (a) the relevant Legal Title Holder is the legal owner (or will be the legal owner upon completion of any pending applications for registration or recording of that Legal Title Holder as legal title holder at the Land Registry or the Land Registers of Northern Ireland or heritable creditor at the Registers of Scotland (as applicable)) of, and (b) the Seller is the absolute beneficial owner of, the Loans and their Related Security free from all security interests (but subject to the relevant Borrower's equity of redemption) and the Seller has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, released, disposed of or dealt with the benefit of any Loans or their Related Security;
  - (d) so far as the Seller is aware, each Borrower is a natural legal person and was aged 18 or older at the time of origination of the relevant Loan;
  - (e) in respect of the Loans, the Seller and the Retention Holder obtained all necessary information to assess whether criteria applied in the credit granting of the Loans are as sound and well defined as the criteria applied to non-

securitised assets of the relevant Originator (and for the purposes of this paragraph the terms "credit-granting", "sound" and "well-defined" shall have the same meaning as under Regulation (EU) 2017/2402);

- (f) so far as the Seller is aware and except in any case where the relevant Property is covered by a title insurance policy, prior to making a Loan to a Borrower, the Originators instructed, or required to be instructed on its behalf, solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries in relation to the Property which a Reasonable, Prudent Residential Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property in England, Northern Ireland, Scotland or Wales, as applicable, and received from lawyers a report on title relating to the relevant Property, the results of which confirmed that the relevant Borrower had or would acquire good and marketable title or valid and marketable title (as may be applicable) to the relevant Property and that there were no matters of concern affecting the Property;
- (g) so far as the Seller is aware, prior to the relevant Originator making a Loan, the relevant Property was valued by (i) a Royal Institute of Chartered Surveyors qualified surveyor from the panel of surveyors from time to time appointed by the Originators or (ii) applying Hometrack Data System Limited's automated valuation model;
- (h) as far as the Seller is aware, each Loan and its related Mortgage was made on the terms of the Originator's standard mortgage documentation (so far as applicable);
- (i) each property is a residential property located in England, Wales, Northern Ireland or Scotland;
- (j) the amount of each Loan has been fully advanced to the Borrower and the Mortgage Conditions contain no obligation on the part of any Legal Title Holder to make any Further Advance;
- (k) each Loan was originated in, is denominated in, and all amounts in respect of such Loan are payable in, sterling;
- (l) all Loans in respect of Properties located in (i) England and Wales are governed by English law, (ii) Scotland are governed Scots law and (iii) Northern Ireland are governed by Northern Irish law;
- (m) as far as the Seller is aware, no lien of right of set-off or counterclaim has been created or arisen between the Borrower and the Seller which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan;
- (n) as far as the Seller is aware, in relation to each Mortgage over a Property in England, Wales and Northern Ireland, the Borrower has a good and marketable title to the relevant Property, and in relation to each Scottish Mortgage, the Borrower has a valid and marketable title to the relevant Property;
- (o) all Loans and Related Security are freely assignable and no formal approvals, consents or other steps are necessary to permit a legal or an

equitable or beneficial transfer of the Loans and Related Security;

- (p) as far as the Seller is aware, no agreement for any Loan is or includes a regulated consumer credit agreement (as defined in Section 8 of the CCA) or constitutes an unfair relationship under Section 140A of the CCA;
- (q) each Property was at completion of the relevant Mortgage (or, where appropriate, in the case of self build properties, at the date of completion of the relevant property) covered by (i) the Block Buildings Policy; or (ii) a block buildings policy providing equivalent cover; or (iii) the terms of the Originator's standard mortgage documentation required a buildings insurance policy to be taken out by the Borrower;
- (r) no Loan has a final maturity beyond the date falling three years prior to the Final Maturity Date;
- (s) all Loans were originated by the Originators;
- (t) all Loans are Variable Rate Mortgage Loans, Variable Rate RMS 25 Loans, Discount Loans or Fixed Rate Loans;
- (u) the Borrower under each Loan has made at least one full payment;
- (v) so far as the Seller is aware, no Loan, Related Security or any Ancillary Rights in respect of a Loan is "stock" or a "marketable security" (within the meaning of section 125 of the Finance Act 2003), "chargeable securities" (as such terms are defined for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of the Finance Act 2003) and section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013);
- (w) in relation to each Right to Buy Loan: (i) the relevant Originator was an approved lending institution under the relevant legislations; (ii) the original advance was made to the person exercising the right to buy; (iii) the relevant advance was made for the purpose of enabling the recipient to purchase the relevant Property and certain home improvements; and (iv) the Property does not comprise a flat or a maisonette (except cottage flats in Scotland); and
- (x) in relation to each Buy to Let Loan: (i) (in relation to English Property) the relevant tenancy is pursuant to the terms and conditions of the relevant Loan required to be either an assured shorthold tenancy or (in relation to Scottish Property) a short assured tenancy (where entered into prior to 1 December 2017) or a private residential tenancy (where entered into on or after 1 December 2017); or (ii) (in relation to English Property, Scottish Property or Northern Irish Property) the tenancy agreement as at the time of origination of the relevant Buy to Let Loan is on terms which would be acceptable to a Reasonable, Prudent Residential Mortgage Lender.

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

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

The Seller is liable for the repurchase of the relevant Loans and their Related Security upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period) or make an indemnity payment in lieu of such repurchase in accordance with the terms of the Mortgage Sale Agreement. The Seller shall have no liability for a material breach of a Loan Warranty other than the



obligation to repurchase (or make an indemnity payment in lieu of repurchase) in accordance with the terms of the Mortgage Sale Agreement and, assuming the Issuer was entitled to claim for damages as a direct consequence of a breach of the Loan Warranty, no claim by the Issuer for breach of a Loan Warranty under the Mortgage Sale Agreement may be made unless:

- (i) in relation to each Loan the amount of such loss suffered by the Issuer would be more than £5,000; and
- (ii) (in relation to the first claim) the loss suffered by the Issuer for all breaches of warranty in relation to all the Loans in the Portfolio would exceed £500,000 in aggregate PROVIDED that once such aggregate threshold has been reached, a claim for breach of a Loan Warranty may be made in relation to each Loan where the loss exceeds the threshold referred to in paragraph (i) above, and in which case the Seller shall be liable for the total loss (being, for the avoidance of doubt, £500,000 plus any amount in excess thereof).

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

- (a) any term which relates to the recovery of interest under the Standard Documentation applicable to a Loan and its Related Security is unfair;
- (b) the Standard Variable Rate or any other discretionary interest rate or margin payable under any Loan (subject to any applicable caps, discounts and fixed rates) may not be set by the relevant Legal Title Holder, any successors or assigns of the relevant Legal Title Holder, any person holding legal title as bare trustee for the Issuer or those deriving title from the Issuer or such holder of legal title; or
- (c) there has been any breach of or non-observance or non-compliance with any obligation, undertaking, covenant or condition on the part of the Seller, the Originators or the relevant Legal Title Holder relating to the interest payable by or applicable to a Borrower under any Loan,

and such determination results in the relevant Loan (or any terms thereof relating to the obligations of the relevant Borrower to make payment of principal or interest in respect of the relevant Loan or the security granted in respect of the relevant Loan) being unenforceable, non-binding upon the relevant Borrower or has a material adverse effect on the enforceability of such Loan or its Related Security, then, as soon as reasonably practicable after the receipt by the Issuer of a notification that a determination has been made under paragraph (a) or (b) or (c) above, the Issuer will serve upon the Seller notice requiring the Seller to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

The Seller shall have no obligation to repurchase any Loans in breach of any Loan Warranty or in respect of which legal proceedings have been determined in accordance with the immediately preceding paragraph, or make any payment in lieu of such repurchase unless the Issuer has given the Seller notice of the event giving rise to the obligation to repurchase before the Optional Redemption Date.

**Consideration for repurchase:** Where the Seller is required to repurchase an affected Loan and its Related Security, the consideration payable by the Seller shall be equal to the Outstanding Principal Balance of such Loan on the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related

Security to the Seller. See the section entitled "*Summary of the Key Transaction Documents – Repurchase by the Seller – Repurchase price*" for further information.

**Payment in lieu of repurchase:** The Seller may in lieu of the repurchase, at the option of the Seller, elect to make an indemnity payment to the Issuer in respect of the affected Loan. If the Seller makes such an election, instead of effecting a repurchase of the relevant Loan, it shall indemnify on an after-tax basis and keep indemnified the Issuer against all Liabilities relating to the breach of Loan Warranty, provided that any Liabilities of the Issuer in relation to any Loan shall not exceed the amount that would have been payable by the Seller if it had repurchased the Loan and its Related Security.

**Perfection Events and transfer of legal title to the Issuer:** Prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer (which will only take place on the occurrence of certain Perfection Events), legal title of the Loans and their Related Security will remain with the relevant Legal Title Holders and the Issuer will hold only the equitable title or, in relation to any Scottish Loans and their Related Security, the beneficial interest in those Loans and their Related Security pursuant to a Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "*Legal Title Holder to retain legal title to the Loans and risks relating to set-off*" in the section entitled "*Risk Factors*".

Pursuant to the RMS 25 Servicing Agreement and the Deed of Assignment of Legal Title, prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer, the relevant Legal Title Holders will hold the legal title to the Loans and their Related Security in the Portfolio (but excluding any Loan and its Related Security which has been repurchased by the Seller) on bare trust for the Issuer (including, in respect of the Scottish Loans, pursuant to a Scottish Declaration of Trust).

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

**Servicing of the Portfolio:** Each of the RMS 25 Servicer and the Moorgate Servicer will, pursuant to the relevant Servicing Agreement, service the Loans to be sold to the Issuer and their Related Security on behalf of the Issuer and, where applicable, the relevant Legal Title Holders. Following the service of an Enforcement Notice, the relevant Servicer shall act at the direction of the Security Trustee. The appointment of the relevant Servicer may be terminated by the Issuer and/or the Security Trustee if any relevant Servicer Termination Event occurs and is continuing (see "*Moorgate Servicer Termination Events*" and "*RMS 25 Servicer Termination Events*" in the "*Transaction Overview – Triggers Tables – Non-Rating Triggers Table*").

**Option Holder may exercise the Call Option:** Pursuant to the Call Option, the Option Holder may, pursuant to and subject to the terms of the Deed Poll, require the Issuer to:

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

on any Business Day falling on or after (i) the Collection Period End Date immediately preceding the Optional Redemption Date, (ii) any Collection Period End Date on which the aggregate Outstanding Principal Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Outstanding Principal Balance of the Loans comprising the Portfolio on the Cut-Off Date or (iii) a change in tax law that results in the Issuer being required to make a deduction or withholding for or on account of tax or the occurrence of certain illegality events.

If the Call Option has not been exercised on or prior to the Optional Redemption Date, the Corporate Services Provider shall, on behalf of the Issuer and the Legal Title Holders (in their capacity as trustee under each Scottish Declaration of Trust), use all reasonable endeavours to appoint a Liquidation Agent who will assist the Issuer in the sale of (i) the beneficial title and (ii) the right to require the Legal Title Holders to transfer the legal title, to all (but not some) of the Loans and their Related Security comprising the Portfolio to the Winning Bidder or its nominee. The Issuer shall redeem all of the Notes on the Interest Payment Date falling on or immediately following the date on which the sale of the Loans and their Related Security comprising the Portfolio to the Winning Bidder occurs.

See the section entitled "*Early Redemption of the Notes, – Call Option*" below.

**Purchase of Portfolio pursuant to Risk Retention Regulatory Change Option**

Pursuant to the Risk Retention Letter, on any Business Day following the occurrence of a Risk Retention Regulatory Change Event (and subject to two directors of the Retention Holder certifying in writing to the Security Trustee that a Risk Retention Regulatory Change Event has occurred, upon which certificate the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing), the Retention Holder has the benefit of the Risk Retention Regulatory Change Option to require the Issuer to:

- (a) sell and transfer to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) the beneficial title to the Loans and their Related Security comprising the Portfolio;
- (b) transfer to the Retention Holder the right to have legal title to the Loans and their Related Security comprising the Portfolio and their Related Security; and
- (c) direct that the relevant Legal Title Holder transfers legal title to the Loans and their Related Security comprising the Portfolio to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) in accordance with and subject to the terms of the relevant Servicing Agreement on the Risk Retention Regulatory Change Option Date,

in each case subject to the terms of the Risk Retention Letter.

See the section entitled "*Early Redemption of Notes – Risk Retention Regulatory Change Option*" for further details.

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

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

### FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes	Class X Notes	Class Z1 Notes	Class Z2 Notes	Residual Certificates
<b>Principal Amount:</b>	£320,823,000	£12,260,000	£15,325,000	£15,325,000	£16,347,000	£16,347,000	£2,500,000	£12,265,000	£8,174,000	N/A
<b>Credit enhancement features:</b>	Overcollateralisation funded by the Notes (other than the Class A Notes, the Class X Notes and the Class Z2 Notes), Available Revenue Receipts remaining after payment of interest on Class A Notes and all other amounts ranking in priority thereto, amounts standing to the credit of the Reserve Fund	Overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class B Notes and all other amounts ranking in priority thereto, and when the Class B Notes are the Most Senior Class of Notes, following the service of an Enforcement Notice or on the Final Redemption Date, amounts standing to the credit of the Reserve Fund	Overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes, the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class C Notes and all other amounts ranking in priority thereto, when the Class B Notes are the Most Senior Class of Notes the excess of the Reserve Fund over and above the Reserve Fund Required Liquidity Amount, and following the Senior Note Redemption Date, service of	Overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class D Notes and all other amounts ranking in priority thereto, when the Class B Notes are the Most Senior Class of Notes the excess of the Reserve Fund over and above the Reserve Fund Required Liquidity Amount, and following the Senior Note Redemption Date, service of	Overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class E Notes and all other amounts ranking in priority thereto, when the Class B Notes are the Most Senior Class of Notes the excess of the Reserve Fund over and above the Reserve Fund Required Liquidity Amount, and following the Senior Note Redemption	Overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class F Notes and all other amounts ranking in priority thereto, when the Class B Notes are the Most Senior Class of Notes the excess of the Reserve Fund over and above the Reserve Fund Required Liquidity Amount, and following the Senior Note Redemption	Overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class F Notes and all other amounts ranking in priority thereto, when the Class B Notes are the Most Senior Class of Notes the excess of the Reserve Fund over and above the Reserve Fund Required Liquidity Amount, and following the Senior Note	The cumulative excess (if any) accumulating from the Closing Date until the Final Discharge Date of Available Revenue Receipts after providing for items (a) to (u) of the Pre-Enforcement Revenue Priority of Payments and following the service of an Enforcement Notice, all amounts standing to the credit of the Reserve Fund	Available Revenue Receipts remaining after crediting the Reserve Fund up to the Reserve Fund Required Amount and all other amounts ranking in priority thereto and, following the delivery of an Enforcement Notice, amounts standing to the credit of the Reserve Fund	NA

			an Enforcement Notice or on the Final Redemption Date all amounts standing to the credit of the Reserve Fund	Notice or on the Final Redemption Date all amounts standing to the credit of the Reserve Fund	Date, service of an Enforcement Notice or on the Final Redemption Date all amounts standing to the credit of the Reserve Fund	Redemption Date, service of an Enforcement Notice or on the Final Redemption Date all amounts standing to the credit of the Reserve Fund				
<b>Liquidity support features</b>	Subordination in payment of interest of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to conditionally provide for any Revenue Deficits and the availability of amounts credited to the Reserve Fund	Subordination in payment of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to conditionally provide for any Revenue Deficits when the Class B Notes are the Most Senior Class of Notes and the conditional availability of amounts credited to the Reserve Fund	Subordination in payment of the Class D Notes, the Class E Notes, the Class F Notes, the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to conditionally provide for any Revenue Deficits when the Class C Notes are the Most Senior Class of Notes and the conditional availability of amounts credited to the Reserve Fund	Subordination in payment of the Class E Notes and Class F Notes, the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Revenue Deficits when the Class D Notes are the Most Senior Class of Notes and the conditional availability of amounts credited to the Reserve Fund	Subordination in payment of the Class F Notes, the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to conditionally provide for any Revenue Deficits when the Class E Notes are the Most Senior Class of Notes and the conditional availability of amounts credited to the Reserve Fund	Subordination in payment of the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to conditionally provide for any Revenue Deficits when the Class F Notes are the Most Senior Class of Notes and the conditional availability of amounts credited to the Reserve Fund	Subordination in payment of the Residual Certificates and following the delivery of an Enforcement Notice, the amounts credited to the Reserve Fund	Subordination in payment of the Residual Certificates and following the delivery of an Enforcement Notice, the amounts credited to the Reserve Fund	Subordination in payment of the Residual Certificates and following the delivery of an Enforcement Notice, the amounts credited to the Reserve Fund	NA
<b>Issue Price:</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	N/A
<b>Reference Rate:*</b>	SONIA	SONIA (capped at 8%)	SONIA(capped at 8%)	SONIA(capped at 8%)	SONIA(capped at 8%)	N/A	SONIA(capped at 8%)*	N/A	N/A	N/A
<b>Margin:</b>	1.20% per annum	1.80% per annum	2.10% per annum	2.50% per annum	3.50% per annum	N/A	2.00% per annum	N/A	N/A	N/A
<b>Step-Up Margin (from the Optional</b>	1.80% per annum	2.70% per annum	3.10% per annum	3.50% per annum	4.50% per annum	N/A	N/A	N/A	N/A	N/A

<b>Redemption Date:</b>										
<b>Interest Accrual Method:</b>	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	N/A	N/A	N/A	N/A	N/A
<b>Interest Payment Dates:</b>	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year	25th day of February, May, August and November in each year
<b>First Interest Payment Date:</b>	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019	The Interest Payment Date falling in November 2019
<b>Final Maturity Date:</b>	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051	The Interest Payment Date falling in May 2051
<b>Optional Redemption Date:</b>	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022	The Interest Payment Date falling in August 2022
<b>Application for Exchange Listing:</b>	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	N/A
<b>ISIN:</b>	XS2003517112	XS2003519670	XS2003520413	XS2003521064	XS2004857939	XS2004858820	XS2003523433	XS2003532269	XS2003532343	XS2005349647
<b>Common Code:</b>	200351711	200351967	200352041	200352106	200485793	200485882	200352343	200353226	200353234	200534964
<b>CFI:</b>	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR
<b>FISN:</b>	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/VAR ASST BKD 2200123	STRATTON MORTGA/ZERO CPNASST BKD 20
<b>Ratings (S&amp;P/DBR S):</b>	AAA (sf) / AAA (sf)	AA+ (sf) / AA (sf)	AA (sf) / A (low) (sf)	AA- (sf) / BBB (low) (sf)	BBB+ (sf) / B (sf)	Not rated	Not rated	Not rated	Not rated	Not rated
<b>Minimum Denomination:</b>	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	N/A
<b>Governing law:</b>	English	English	English	English	English	English	English	English	English	English

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

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

**Ranking and Form of the Notes:** On the Closing Date, the Issuer will issue the following classes of Notes under the Trust Deed:

- Class A Mortgage Backed Floating Rate Notes due May 2051 (the "**Class A Notes**");
- Class B Mortgage Backed Capped Rate Notes due May 2051 (the "**Class B Notes**");
- Class C Mortgage Backed Capped Rate Notes due May 2051 (the "**Class C Notes**");
- Class D Mortgage Backed Capped Rate Notes due May 2051 (the "**Class D Notes**");
- Class E Mortgage Backed Capped Rate Notes due May 2051 (the "**Class E Notes**");
- Class F Mortgage Backed Notes due May 2051 (the "**Class F Notes**");
- Class X Mortgage Backed Capped Rate Notes due May 2051 (the "**Class X Notes**");
- Class Z1 Mortgage Backed Notes due May 2051 (the "**Class Z1 Notes**"); and
- Class Z2 Mortgage Backed Notes due May 2051 (the "**Class Z2 Notes**")

and together, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are the "**Rated Notes**". The Class Z1 Notes together with the Class Z2 Notes are the "**Class Z Notes**". The Rated Notes together with the Class F Notes and the Class Z1 Notes are the "**Collateralised Notes**". The Collateralised Notes together with the Class X Notes and the Class Z2 Notes are the "**Notes**" and the holders thereof, the "**Noteholders**".

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

**Residual Certificates:** On the Closing Date, the Issuer will also issue to the Seller residual certificates under the Trust Deed (the "**Residual Certificates**" and the holders thereof, the "**Certificateholders**") representing the right to receive the Residual Payments by way of further consideration in connection with the Issuer's purchase of the Portfolio on the Closing Date.

**Sequential Order:** The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times. The Class A Notes will rank senior to all other Classes of Notes and the Residual Certificates in respect of payments of interest and principal (as provided in the

Conditions and the Transaction Documents).

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

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

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

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

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

The Class X Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to (prior to enforcement) all payment of interest due in respect of the Rated Notes and (following enforcement) all payments due in respect of the Rated Notes and the Class F Notes (as provided in the Conditions and the Transaction Documents).

The Class X Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payment of interest due in respect of the Rated Notes and (following enforcement) all payments due in respect of the Rated Notes and the Class F Notes and payment of interest on the Class X Notes, as provided in these Conditions and the Transaction Documents.

The Class Z1 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payments due in respect of the Rated Notes and the Class F Notes, and (following enforcement) all payments due in respect of the Rated Notes, the Class F Notes and the Class X Notes, as provided in the Conditions and the Transaction Documents.

The Class Z2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payments due in respect of the Rated Notes, the Class F Notes, and the Class Z1 Notes and (following enforcement) all payments due in respect of the Rated Notes, the Class F Notes, the Class X Notes and the Class Z1 Notes, as provided in the Conditions and the Transaction Documents.



The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to Residual Payments at all times, and are subordinate to all payments due in respect of the Notes.

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

**Security:**

Pursuant to a deed of charge made between, among others, the Issuer and the Security Trustee (the "**Deed of Charge**"), the Notes and Residual Certificates will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security.

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

- (a) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Trust Deed, the Deed of Charge, any Scottish Trust Security and any Scottish Declaration of Trust) and any sums derived therefrom;
- (b) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's interest in the English Loans, the Northern Irish Loans and their respective Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;
- (c) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignation in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trusts declared by the Legal Title Holders over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to any Scottish Declaration of Trust) (the "**Scottish Trust Security**");
- (e) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Deposit Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (f) an assignment by way of first fixed security (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under each Collection Account trust (created pursuant to the Collection Account Declarations of Trust);

and

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

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

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

**Deferral:** Interest due and payable on the Most Senior Class of Notes may not be deferred. Interest due and payable on the Rated Notes and the Class X Notes (other than interest due in respect of the Most Senior Class of Notes) may be deferred in accordance with Condition 18 (*Subordination by Deferral*) on any Interest Payment Date (other than the Final Maturity Date or any earlier date on which the Notes are to be redeemed in full). For the avoidance of doubt, such deferral shall not result in the occurrence of a Default.

**Gross-up:** None of the Issuer, any Paying Agent nor any other person will be obliged to pay additional amounts to Noteholders if there is any withholding or deduction required by law in respect of the Notes on account of taxes.

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

- mandatory redemption in whole on the Interest Payment Date falling in May 2051 (the "**Final Maturity Date**"), as fully set out in Condition 8.1 (*Redemption at Maturity*);
- mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of an Enforcement Notice subject to availability of Available Redemption Receipts (to the extent not applied to cover any Revenue Deficit) 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;
  - (f) sixth, on a *pari passu* and *pro rata* basis to repay the Class F

Notes until they are repaid in full;

(g) seventh, on a *pari passu* and *pro rata* basis to repay the Class Z1 Notes until they are repaid in full; and

(h) eighth, on a *pari passu* and *pro rata* basis to repay the Class Z2 Notes until they are repaid in full.

- Mandatory redemption in part of the Class X Notes on any Interest Payment Date prior to the Optional Redemption Date in an amount up to their Principal Amount Outstanding then outstanding, equal to the Available Revenue Receipts available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.

**Expected Average Lives of the Notes:**

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

**Event of Default:**

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

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

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

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give an Enforcement Notice to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the events described more fully in Residual Certificates Condition 10 (*Events of Default*).

**Limited Recourse and Non-Petition:**

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

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

**Governing Law:**

English law (provided that any terms of the Transaction Documents which are particular to Scots law and Northern Irish law will be construed in accordance with Scots law and Northern Irish Law respectively, and any Scottish Declaration of Trust and any Scottish Trust Security will be governed by Scots law).

**TRANSACTION OVERVIEW – RIGHTS OF NOTEHOLDERS AND CERTIFICATEHOLDERS  
AND RELATIONSHIP WITH OTHER SECURED CREDITORS**

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

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

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

**Following an Event of Default:** Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (or if no Notes remain outstanding, of the number of Residual Certificates then in issue), or if an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding (or if no Notes remain outstanding, of the number of Residual Certificates then in issue) is passed, direct the Note Trustee to give an Enforcement Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding together with accrued (but unpaid) interest. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

**Noteholders and  
Certificateholders Meeting  
provisions:**

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

of the Residual Certificates then in issue, 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 Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 50 per cent. of the Residual Certificates then in issue, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons eligible to attend and vote at such meeting holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of each Class of Notes then outstanding and holding or representing not less than 75 per cent. of the Residual Certificates then in issue, as applicable.

than 10 per cent. of the Residual Certificates then in issue, 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 25 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25 per cent. of the Residual Certificates then in issue, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons eligible to attend and vote at such meeting holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of each Class of Notes then outstanding and holding or representing not less than 75 per cent. of the Residual Certificates then in issue, as applicable.

Required majority for Ordinary Resolution: A clear majority of persons eligible to attend and vote at such meeting and voting at that

meeting upon a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll (an "**Ordinary Resolution**").

Required majority for Extraordinary Resolution: Majority consisting of not less than 75 per cent. 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 75 per cent. of the votes cast on such poll (an "**Extraordinary Resolution**").

Required majority for a written resolution: Not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding or not less than 75 per cent. of the amount of Residual Certificates then in issue. A written resolution has the same effect as an Extraordinary Resolution.

**Matters requiring Extraordinary Resolution:**

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

- to sanction or to approve a Basic Terms Modification;
- to sanction any compromise or arrangement proposed to be made between, among others, the Issuer or any other party to any Transaction Document;
- to sanction any abrogation, modification, compromise or arrangement in respect of the rights of, among others, the Note Trustee or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- to approve the substitution of any person for the Issuer as principal debtor under the Notes other than in accordance with Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*) or Condition 13.21 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or Certificateholder, other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;
- to direct the Note Trustee to serve an Enforcement Notice;
- to approve removal of the Note Trustee and/or Security Trustee

or approve the appointment of a new Note Trustee and/or Security Trustee;

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

See Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

**Right of modification subject to negative consent of Noteholders**

Pursuant to and in accordance with the detailed provisions of Condition 13.6, the Note Trustee shall be obliged, and shall direct the Security Trustee, without any consent or sanction of the Noteholders or the other Secured Creditors, but subject to the receipt of written consent from any of the Secured Creditors party to the Transaction Document being modified (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document that the Issuer considers necessary for the purposes set out therein.

The Issuer must provide at least 30 days' notice to Noteholders of each Class of the proposed modification in accordance with Condition 16



*(Notice to Noteholders)* and by publication on Bloomberg on the "Company News" screen relating to the Issuer. If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in writing that such Noteholders do not consent to the modification then such modification will not be made unless passed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (i) exposing the Note Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.

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

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

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

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

Subject to the provisions governing a Basic Terms Modification and the foregoing paragraphs, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or

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

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

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

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

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

So long as any Notes or Residual Certificates are outstanding the Security Trustee shall act on the instructions of the Note Trustee and shall not have regard to the interests of any other Secured Creditor.

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

**Seller, Retention Holder or related entity as Noteholder or Certificateholder:**

Prospective investors should note that the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may purchase some or all of any of the Notes (other than, with respect to the Seller, the Class Z Notes) and/or the Residual Certificates, and in doing so, will not be prevented from being entitled to attend meetings of the Noteholders and/or the Certificateholders or vote at Noteholder and/or Certificateholder meetings or by way of written resolution (as applicable).

Prospective investors should be aware that the interests of the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may conflict generally with that of the other Noteholders and/or Certificateholders, and the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder are not required to vote in any particular manner.

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

The Cash Manager on behalf of the Issuer will publish the monthly investor report (the "**Investor Report**"). The Investor Report will be published on the website at <http://sf.citidirect.com>. It is also intended that Investor Reports and information on the Loans in the Portfolio will be published on the website at [www.euroabs.com](http://www.euroabs.com) provided that neither the Issuer nor any other Relevant Party assumes any liability for any

failure to publish any such information thereon.

**Communication with  
Noteholders and  
Certificateholders:**

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

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

The Note Trustee shall be at liberty to sanction some other method

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

## TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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

### **Available Funds of the Issuer:**

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

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

- (a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts (in each case, excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date) received by the Issuer during the immediately preceding Collection Period;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period;
- (c) only following the Class A Note Redemption Date, the amount (if any) standing to the credit of the Reserve Fund as at the last day of the immediately preceding Collection Period, subject to the Liquidity Availability Conditions (where relevant);
- (d) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with the Cash Management Agreement;
- (e) amounts determined to be credited to the Deposit Account on the immediately preceding Interest Payment Date in accordance with item (s) of the Pre-Enforcement Revenue Priority of Payments;
- (f) amounts determined to be applied as Available Revenue Receipts in accordance with item (k) of the Pre-Enforcement Redemption Priority of Payments;
- (g) other net income of the Issuer corresponding to the immediately preceding Collection Period, excluding any Redemption Receipts;

*less:*

- (h) any Third Party Amounts.

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

- (a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption Receipts (in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available

Revenue Receipts on that Interest Payment Date) received by the Issuer during the immediately preceding Collection Period;

- (b) any amounts of Available Revenue Receipts retained pursuant to items (f), (i), (k), (m), (o), (q) and (r) of the Pre-Enforcement Revenue Priority of Payments and deemed to be Available Redemption Receipts, or any amounts of the Reserve Fund used to cure Revenue Deficits corresponding to items (f) or (i) of the Pre-Enforcement Revenue Priority of Payments and deemed to constitute Available Redemption Receipts (each a "**PDL Cure Amount**" and together, the "**PDL Cure Amounts**");
- (c) in respect of the first Interest Payment Date only, the amount paid into the Deposit Account on the Closing Date from the excess of the proceeds of the Notes over the Initial Consideration;
- (d) on the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund Ledger (after first, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Liquidity Availability Conditions)) and following the application of the Pre-Enforcement Revenue Priority of Payments; and
- (e) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with the Cash Management Agreement.

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

<u>Pre-Enforcement Revenue Priority of Payments:</u>	<u>Pre-Enforcement Redemption Priority of Payments:</u>	<u>Post-Enforcement Priority of Payments:</u>
<p>(a) <i>Pro rata and pari passu</i> to amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses together with (if payable) VAT thereon</p> <p>(b) <i>Pro rata and pari passu</i> to amounts due to the Agent Bank, the Registrar, the Principal Paying Agent, the Cash Manager, the Moorgate Servicer, the RMS 25 Servicer, the Legal Title Holders, the Corporate Services Provider, the Issuer Account Bank and the</p>	<p>(a) Principal Addition Amounts (subject to the application of the Liquidity Availability Conditions) to be applied towards the reduction of any Revenue Deficit</p> <p>(b) prior to the Senior Note Redemption Date, to credit the Reserve Fund up to the Reserve Fund Required Liquidity Amount <b>provided that</b> (i) should the Class A Notes be the Most Senior Class of Notes no amount shall be applied pursuant to this provision should there be a debit entry on the Class A Principal Deficiency</p>	<p>(a) <i>Pro rata and pari passu</i> to amounts due and payable in respect of the Note Trustee and the Security Trustee, Receiver and any Appointee thereof including charges, liabilities, fees, costs and expenses together with (if payable) VAT thereon</p> <p>(b) <i>Pro rata and pari passu</i> to amounts due and payable in respect of the fees, costs, liabilities and expenses of the Agent Bank, the Registrar, the Principal Paying Agent, the Cash Manager, the Moorgate Servicer, the RMS 25 Servicer, the</p>

	Collection Account Bank, in each case including all fees, costs, liabilities and expenses together with (if payable) VAT thereon		Ledger at such time; (ii) should the Class B Notes be the Most Senior Class of Notes no amount shall be applied pursuant to this provision should there be a debit entry on the Class B Principal Deficiency Sub-Ledger at such time; and (iii) no amount shall be applied pursuant to this provision on the Final Redemption Date		Legal Title Holders, the Corporate Services Provider, the Issuer Account Bank and the Collection Account Bank, in each case including all fees, costs, liabilities and expenses together with (if payable) VAT thereon
(c)	<i>Pro rata</i> and <i>pari passu</i> to pay Third Party Expenses and Transfer Costs (if any)			(c)	To pay Transfer Costs (if any)
(d)	Issuer Profit Amount			(d)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due on the Class A Notes
(e)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes	(c)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero	(e)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of principal due and payable on the Class A Notes
(f)	Amounts to be credited to the Class A Principal Deficiency Sub-Ledger			(f)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due and payable on the Class B Notes
(g)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class B Notes	(d)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class B Notes until Principal Amount Outstanding on the Class B Notes has been reduced to zero	(g)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class B Notes
(h)	On or prior to the Senior Note Redemption Date, to credit the Reserve Fund up to the Reserve Fund Required Liquidity Amount			(h)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due and payable on the Class C Notes
(i)	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 outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero	(i)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class C Notes
(j)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class C Notes			(j)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due and payable on the Class D Notes
(k)	Amounts to be credited to the Class C Principal Deficiency Sub-Ledger	(f)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero	(k)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class D Notes
(l)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class D Notes			(l)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of interest
(m)	Amounts to be credited to the Class D Principal Deficiency Sub-Ledger	(g)	<i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class E Notes until the Principal Amount Outstanding on		
(n)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the				

	Class E Notes		the Class E Notes has been reduced to zero		due and payable on the Class E Notes
(o)	Amounts to be credited to the Class E Principal Deficiency Sub-Ledger	(h)	<i>Pro rata and pari passu</i> to the principal amounts outstanding on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero	(m)	<i>Pro rata and pari passu</i> to the principal amounts due and payable on the Class E Notes
(p)	to credit the Reserve Fund up to the Reserve Fund Required Amount			(n)	<i>Pro rata and pari passu</i> to the principal amounts due and payable on the Class F Notes
(q)	Amounts to be credited to the Class F Principal Deficiency Sub-Ledger	(i)	<i>Pro rata and pari passu</i> to the principal amounts outstanding on the Class Z1 Notes until the Principal Amount Outstanding on the Class Z1 Notes has been reduced to zero	(o)	<i>Pro rata and pari passu</i> to the amounts of unpaid interest due and payable on the Class X Notes
(r)	Amounts to be credited to the Junior Principal Deficiency Sub-Ledger			(p)	<i>Pro rata and pari passu</i> , principal due and payable on the Class X Notes until the Principal Amount Outstanding on the Class X Notes has been reduced to zero
(s)	On any Interest Payment Date falling within a Determination Period, all remaining amounts to be retained in the Deposit Account to be applied on the next Interest Payment Date as Available Revenue Receipts	(j)	<i>Pro rata and pari passu</i> to the principal amounts outstanding on the Class Z2 Notes until the Principal Amount Outstanding on the Class Z2 Notes has been reduced to zero	(q)	in or towards repayment, <i>pro rata and pari passu</i> , principal due and payable on the Class Z1 Notes until the Principal Amount Outstanding on the Class Z1 Notes has been reduced to zero
(t)	<i>Pro rata and pari passu</i> , interest due and payable on the Class X Notes	(k)	Any excess amounts to be applied as Available Revenue Receipts		
(u)	<i>Pro rata and pari passu</i> to the principal amounts due on the Class X Notes until the Principal Amount Outstanding on the Class X Notes has been reduced to zero			(r)	in or towards repayment, <i>pro rata and pari passu</i> , principal due and payable on the Class Z2 Notes until the Principal Amount Outstanding on the Class Z2 Notes has been reduced to zero
(v)	Payments on a <i>pari passu</i> basis due on the Residual Certificates			(s)	Any Third Party Expenses (if any) and any amounts in excess of amounts already credited to the Issuer Profit Ledger prior to such Interest Payment Date and required to discharge any liability of the Issuer for corporation tax of the Issuer



- (t) Issuer Profit Amount
- (u) Payments on a *pari passu* basis due on the Residual Certificates

**General Credit Structure:**

The credit structure of the transaction includes the following elements:

- The availability of the Reserve Fund will be funded on the Closing Date by part of the proceeds of the issuance of the Class Z2 Notes up to the Reserve Fund Required Amount. Thereafter, on each Interest Payment Date prior to the service of an Enforcement Notice the Reserve Fund will be replenished (A) up to the Reserve Fund Required Liquidity Amount on or prior to the Senior Note Redemption Date at item (h) of the Pre-Enforcement Revenue Priority of Payments and (B) up to the Reserve Fund Required Amount at item (p) of the Pre-Enforcement Revenue Priority of Payments, in each case to the extent that funds are available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments and provided that prior to the Senior Note Redemption Date if, on any Interest Payment Date, the balance of the Reserve Fund is not at least equal to the Reserve Fund Required Liquidity Amount following the application of Available Revenue Receipts in the manner described above, Available Redemption Receipts shall be applied at item (b) of the Pre-Enforcement Redemption Priority of Payments to replenish the Reserve Fund up to the Reserve Fund Required Liquidity Amount (**provided that** (i) if Class A Notes are the Most Senior Class of Notes no Available Redemption Receipts shall be applied should there be a debit entry on the Class A Principal Deficiency Sub-Ledger at such time; and (ii) if the Class B Notes are the Most Senior Class of Notes no Available Redemption Receipts shall be applied should there be a debit entry on the Class B Principal Deficiency Sub-Ledger at such time; and (iii) no Available Redemption Receipts shall be so applied on the Final Redemption Date) to the extent funds are available for such purpose in accordance with the Pre-Enforcement Redemption Priority of Payments.
- On each Interest Payment Date on or prior to the Class A Note Redemption Date, the Reserve Fund shall not be applied as Available Revenue Receipts but, subject to the Liquidity Availability Conditions, shall be available for the purpose of Reserve Fund Drawings (as described below).
- Following the Class A Note Redemption Date, the balance standing to the Reserve Fund shall be applied as Available Revenue Receipts on each Interest Payment Date.
- On each Interest Payment Date falling on or prior to the Senior Note Redemption Date, and subject to the Liquidity Availability Conditions, to the extent that there would be one or more Revenue Deficit on such Interest Payment Date, an amount equal to the lower of (a) the amount

required to cover such Revenue Deficit or Revenue Deficits and (b) the amount standing to the credit of the Reserve Fund on such Interest Payment Date (such amounts being "**Reserve Fund Drawings**") shall be debited from the Reserve Fund immediately following the application of Available Revenue Receipts and will be applied to meet such Revenue Deficit or Revenue Deficits, provided that if there is more than one Revenue Deficit such amounts shall be applied in the order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments.

On the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund (after first, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Liquidity Availability Conditions)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

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

- A Principal Deficiency Ledger will be established to record as a debit (i) any Losses on the Portfolio; (ii) Principal Addition Amounts (determined in accordance with the Liquidity Availability Conditions); and (iii) amounts credited to the Reserve Fund in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments. The Principal Deficiency Ledger shall record as a credit any PDL Cure Amounts.

The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes), 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), the Class F Principal Deficiency Sub-Ledger (relating to the Class F Notes) and, the Junior Principal Deficiency Sub-Ledger (relating to the Class Z1 Notes).

- Any Losses on the Portfolio, any Principal Addition Amounts and/or any amounts credited to the Reserve Fund in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments will be recorded as a debit (on the Calculation Date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts or amounts available pursuant to item (b) of the Pre-Enforcement Redemption Priority of Payment are determined by the Cash Manager (as applicable)): (a) *first*, to the Junior Principal Deficiency Sub-Ledger (up to a maximum amount equal to the Junior PDL Notional Capacity); (b) *second*, to the Class F Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class F Notes; (c) *third*, to the Class E Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class E Notes; (d) *fourth*, to the Class D Principal Deficiency Sub-Ledger up to a

maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (e) *fifth*, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (f) *sixth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; (g) *seventh*, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. Realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan firstly to pay all outstanding fees and interest amounts due and payable in respect of the relevant Loan. See the section "*Credit Structure – Principal Deficiency Ledger*" below.

- Pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, to the extent that after application of the Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (on or prior to the Senior Note Redemption Date) the use of any Reserve Fund Drawings to meet any Revenue Deficits against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, any Revenue Deficits persist, the Issuer shall (subject to the relevant Liquidity Availability Conditions) apply Principal Addition Amounts to cover such remaining Revenue Deficits in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments, subject to the application of the Liquidity Availability Conditions. Any Available Redemption Receipts applied as Principal Addition Amounts will be recorded as a debit to the Principal Deficiency Ledger. See the section "*Credit Structure – Liquidity Support for the Notes provided by Available Revenue Receipts*" below.

**Bank Accounts:**

On the Closing Date the Issuer will enter into the Bank Account Agreement with the Issuer Account Bank in respect of the opening and maintenance of a deposit account (the "**Deposit Account**"). The Issuer may from time to time open additional or replacement accounts (such accounts, together with the Deposit Account, the "**Issuer Accounts**") pursuant to the Bank Account Agreement and the Transaction Documents.

**Cash Management:**

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

## TRANSACTION OVERVIEW – TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
<b>Issuer Account Bank:</b>	(a) in respect of S&P: (i) a short-term unsecured, unsubordinated and unguaranteed debt rating of at least A-1 by S&P (if a short-term rating is assigned by S&P) and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by S&P, or (ii) should the Issuer Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-1 from S&P, a long term unsecured, unsubordinated and unguaranteed debt rating of at least A+ by S&P; and (b) in respect of DBRS, a short-term deposit rating of at least R-1(low) by DBRS and a senior unsecured rating of at least A by DBRS, 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 (each, the " <b>Account Bank Rating</b> " and together, the " <b>Account Bank Ratings</b> ").	<p>If the Issuer Account Bank fails to maintain any of the Account Bank Ratings, then the Issuer shall use all reasonable endeavours to, within 30 calendar days of such downgrade:</p> <ul style="list-style-type: none"> <li>(a) close the Issuer Accounts with such Issuer Account Bank and use all reasonable endeavours to open replacement accounts with a financial institution (i) having ratings of at least the Account Bank Ratings, (ii) approved in writing by the Cash Manager, (iii) which is a bank as defined in section 991 of the Income Tax Act 2007 and (iv) being an authorised institution under FSMA 2000, and procure that the amounts standing to the credit of the Issuer Accounts and all Ledgers on the Issuer Accounts are transferred forthwith to the replacement Issuer Accounts;</li> <li>(b) obtain a guarantee of the obligations of such Issuer Account Bank under the Bank Account Agreement from a financial institution having ratings of at least the Account Bank Ratings; or</li> <li>(c) take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes,</li> </ul> <p>in each case as prescribed in the Bank Account Agreement.</p>
<b>Collection Account Bank</b>	(a) in respect of S&P: (i) a short-term, unsecured, unsubordinated and unguaranteed debt rating of A-2 by S&P (if a short- term rating is assigned by	If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings the Issuer and the Servicers shall use all reasonable endeavours to (at

S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of BBB; or (ii) should the Collection Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-2 by S&P, a long-term unsecured, unsubordinated and unguaranteed debt rating of at least BBB+ by S&P; and (b) in respect of DBRS, a short-term deposit rating of at least R-1(low) by DBRS or a senior unsecured rating of at least BBB, 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 (each, the "**Collection Account Bank Rating**" and together, the "**Collection Account Bank Ratings**").

the sole cost and expense of the Issuer):

- (i) appoint a replacement financial institution with the Collection Account Bank Rating to act as replacement Collection Account Bank which is a bank for the purposes of section 878 ITA 2007 and which will pay interest in relation to the Collection Account in the ordinary course of its business;
- (ii) procure that such financial institution enters into a replacement collection account agreement;
- (iii) procure a trust is declared with respect to any replacement collection account in favour of, *inter alia*, the Issuer;
- (iv) procure that a new collection account is opened and established at the replacement institution and further procure that all amounts held on trust for the Issuer standing to the credit of the Collection Account are transferred to the replacement account at such replacement institution as soon as practicable or, where the Collection Account Bank ceases to have the Collection Account Bank Rating, in each case, within 35 calendar days of such downgrade or such longer period as is commensurate with the then current ratings of the Notes; and
- (v) procure the transfer of Borrowers' direct debit mandates to the replacement collection account and that all monthly payments made by Borrowers by any other payment arrangement are made to the replacement collection account.

## Non-Rating Triggers Table

### Perfection Events:

Prior to the completion of the transfer of legal title of the Loans to the Issuer, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Legal Title Holders to retain legal title to the Loans and risks relating to set-off*" and "*Set-off may adversely affect the value of the Portfolio or any part thereof*" in the section entitled "*Risk Factors*". Completion of transfer of the legal title of the Loans by the relevant Legal Title Holder to the Issuer will be completed as soon as reasonably practicable after the earliest to occur of the following:

- (a) the relevant Legal Title Holder is required to perfect the Issuer's legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Legal Title Holder or by any organisation of which the Legal Title Holder is a member;
- (b) it becomes necessary by law or regulation to do any or all of the acts referred to in paragraph (a) above;
- (c) the occurrence of a Servicer Termination Event in respect of the relevant Servicer in circumstances where all applicable grace periods have expired and no replacement servicer has been appointed;
- (d) the security created under or pursuant to the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in danger of being seized or sold under any form of distress, diligence, attachment, execution or other legal process or otherwise in jeopardy;  
or
- (e) there is an Insolvency Event in relation to the relevant Legal Title Holder or any other entity in which legal title to any Loan is vested.

### RMS Servicer Termination Events:

Pursuant to the RMS 25 Servicing Agreement, if any of the following events (each a "**RMS 25 Servicer Termination Event**") shall occur:

- (a) default is made by the RMS 25 Servicer in the payments on the due date of any payments due and payable by it under the RMS 25 Servicing Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of five Business Days after the earlier of the RMS 25 Servicer becoming aware of such default and receipt by the RMS 25 Servicer of written notice from the Issuer or (following service of an Enforcement Notice) the Security Trustee (acting on the instructions of the Instructing Party) requiring the default to be remedied;
- (b) default is made by the RMS 25 Servicer in the performance or observance of any of its other covenants and obligations under the RMS 25 Servicing Agreement or any other Transaction Document to which it is a party, which default in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the opinion

of the Security Trustee (after the delivery of an Enforcement Notice), acting on the advice of a financial adviser, such advice to be relied upon by the Security Trustee absolutely and without further enquiry or any liability, is materially prejudicial to the interests of the Noteholders and which, in the case of a default or breach that is capable of remedy, continues unremedied for a period of 20 Business Days after the earlier of the RMS 25 Servicer becoming aware of such default and of receipt by the RMS 25 Servicer of written notice from the Issuer or (after delivery of an Enforcement Notice) the Security Trustee (acting on the instructions of the Instructing Party) requiring the same to be remedied, provided however that where the relevant default and receipt of notice of such default occurs as a result of a default by a person to whom the RMS 25 Servicer has sub-contracted or delegated part of its obligations under the RMS 25 Servicing Agreement, such default shall not constitute a RMS 25 Servicer Termination Event if, within such period of 20 Business Days of receipt of such notice from the Issuer and/or, as the case may be, the Security Trustee (acting on the instructions of the Instructing Party), the RMS 25 Servicer terminates the relevant sub-contracting or delegation arrangements and remedies such default or takes such steps as the Issuer may in its discretion or (following the delivery of an Enforcement Notice) the Security Trustee may in its discretion specify to indemnify the Issuer and/or the Security Trustee against the consequences of such default;

- (c) the RMS 25 Servicer ceasing to be an authorised person under FSMA or the failure by the RMS 25 Servicer to obtain or maintain, or the revocation of, applicable licences, registrations or regulatory approvals or permissions enabling it to continue servicing the Loans and to perform the Services;
- (d) the occurrence of an Insolvency Event in respect of the RMS 25 Servicer or the RMS 25 Servicer becomes subject to Insolvency Proceedings; or
- (e) the RMS 25 Servicer ceases to carry on the whole of its business or ceases to carry on the whole or substantially the whole of its residential mortgage servicing business,

then the Issuer (prior to the delivery of an Enforcement Notice) or (after delivery of an Enforcement Notice) the Security Trustee (in the case of (a) and (b) or (d)) shall deliver written notice to the RMS 25 Servicer on becoming aware of the RMS 25 Servicer Termination Event to terminate the RMS 25 Servicer's appointment with effect from the date of receipt of such notice (and in the case of (c) such notice shall be deemed to have been given to terminate the RMS 25 Servicer's appointment as RMS 25 Servicer under the RMS 25 Servicing Agreement with immediate effect), provided that the RMS 25 Servicer's appointment shall not be terminated until a successor servicer (the "**Successor Servicer**") has been appointed. Upon and following the termination of the appointment of RMS 25 Servicer as servicer under the RMS 25 Servicing Agreement, the Issuer shall each use its reasonable endeavours to appoint a Successor Servicer which satisfies certain conditions set out in the RMS 25 Servicing Agreement within 30 days following the delivery of the written notice to terminate RMS 25 Servicer's appointment.

**Moorgate Servicer Termination Events:**

If any of the following events (each a "**Mortgage Servicer Termination Event**", and together with the RMS 25 Servicer Termination Events, the "**Servicer Termination Events**") shall occur:

- (a) default is made by the Moorgate Servicer in the performance or observance of any of its covenants and obligations under the Moorgate Servicing Agreement which, in the opinion of the Security Trustee, is materially prejudicial to the interests of the Noteholders and which, in the case of a default that is remediable, continues unremedied for a period of 15 days after written notice by the Security Trustee requiring the same to be remedied;
- (b) an order is made or an effective resolution passed for winding up the Moorgate Servicer;
- (c) the Moorgate Servicer ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of any amounts due to its creditors generally or is deemed unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent;
- (d) a petition is presented, or a resolution is duly passed or other steps taken or any order is made by any competent court for or towards the winding up or dissolution of the Moorgate Servicer (other than any petition which is frivolous or vexatious and is not withdrawn within five Business Days and other than in the case of a reorganisation the terms of which have been approved by the Security Trustee and where the Moorgate Servicer demonstrates to the satisfaction of the Security Trustee that it is solvent) or a petition is presented, an order is made or documents are filed with the court for the appointment of, or there is appointed, an administrative or other receiver, liquidator, trustee, manager, administrator (or there is service of a notice of intention to appoint an administrator or such appointment takes effect) or other similar official in relation to the Moorgate Servicer or in relation to the whole or any substantial part of the undertaking or assets of the Moorgate Servicer or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Moorgate Servicer, or a distress, execution or diligence or other process is levied or enforced upon or sued against the whole or any substantial part of the undertaking or assets of the Moorgate Servicer and in any of the foregoing cases it shall not be discharged within 15 days;
- (e) a moratorium in respect of all or any of the debts of the Moorgate Servicer or any other similar proceedings or arrangements by which the assets of the Moorgate Servicer are submitted to the control of its creditors is applied for, ordered or declared or if the Moorgate Servicer 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 its creditors generally or takes steps with a view to obtaining a



moratorium in respect of any indebtedness; or

- (f) an Enforcement Notice is given and the Security Trustee is of the opinion that the continuation of the appointment of the Moorgate Servicer is materially prejudicial to the interests of the Noteholders,

then the Issuer (with the consent of the Security Trustee) or the Security Trustee may by notice in writing to the Moorgate Servicer terminate the appointment of the Moorgate Servicer under the Moorgate Servicing Agreement but without prejudice to any then existing rights and liabilities of the parties thereto.

## 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
Moorgate Servicing fees.	In relation to the Moorgate Loans 0.1296% per annum on the aggregate Current Balance of all Moorgate Loans administered by the Moorgate Servicer under the Moorgate Servicing Agreement (calculated for each of the Moorgate Loans by reference to the Current Balance of the Moorgate Loans at the end of the month immediately preceding the Interest Payment Date on which such fees are due). The Moorgate Servicer shall be entitled to a fee for servicing any Loan that has a Shortfall, which is an amount equal to 30% (thirty per cent) (plus VAT) of any and all funds received by way of repayment of the relevant Shortfall. For the purposes of this paragraph only, a Loan with a " <b>Shortfall</b> " means a Loan where the Related Security for that Loan has been sold for less than the balance of that Loan outstanding at the date of the sale, and an amount remains outstanding and payable in respect of that Loan following the sale.	Ahead of all Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date.
RMS 25 Servicing Fees	In relation to the RMS 25 Loans (a) the greater of (i) the aggregate of the Primary Servicing Fee, the Special Servicing Fee, and the RMS25 Primary Servicing Fee and (ii) the Minimum Monthly Fee of £3,000.00 per calendar month; plus (b) the Additional Servicing Costs; plus (c) the Redemption Fees, each exclusive of VAT.	Ahead of all Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date.
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at £55,000 each year (exclusive of VAT, where so provided in the relevant Transaction Document or otherwise payable by the Issuer).	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	Estimated at €11,241.20 (exclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.

<b>Type of Fee</b>	<b>Amount of Fee</b>	<b>Priority in Cashflow</b>	<b>Frequency</b>
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Notes.

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

## REGULATORY REQUIREMENTS

The Retention Holder, as an originator for the purposes of the Securitisation Regulation, will retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) as required by Article 6(1) of the Securitisation Regulation (as such article is interpreted and applied on the date hereof and not taking into account any relevant national measures). As at the Closing Date, such interest will be comprised of the Retention Holder holding through its interest and exposure in the profit participating loan entered into with the Seller an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, represented in this case by the retention by the Seller of the Class Z Notes, in accordance with the text of 6(3)(d) of the Securitisation Regulation. The aggregate Principal Amount Outstanding of the Class Z Notes as at the Closing Date is equal to at least 5 per cent of the nominal value of the securitised exposures. Any change to the manner in which such interest is held will be notified to Noteholders and Certificateholders.

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

The Retention Holder has provided a corresponding undertaking with respect to: (i) the provision of such investor information and compliance with the requirements of Article 7(e)(iii) of the Securitisation Regulation by confirming the risk retention of the Retention Holder as contemplated by Article 6(1) of the Securitisation Regulation as specified in the paragraph above; and (ii) the interest to be retained by the Retention Holder as specified in the introductory paragraph above in the Risk Retention Letter.

The Issuer has been appointed as the designated entity under Article 7(2) of the Securitisation Regulation and has accepted such appointment. The Issuer has appointed the EuroABS Limited ("**EuroABS**") to perform all of the Issuer's obligations under Article 7 of the Securitisation Regulation. For further information please refer to the section entitled "*General Information*".

Loans have not been selected to be sold to the Issuer with the aim of rendering losses on the Loans sold to the Issuer, measured over a period of 4 years, higher than the losses over the same period on comparable assets held on the balance sheet of the Risk Retention Holder.

The Retention Holder will undertake in the Risk Retention Letter:

- (a) to retain on an on-going basis a material net economic interest of not less than 5 per cent. of the nominal value of the securitised exposures for the purposes of Article 6(1) of the Securitisation Regulation (the "**Minimum Required Interest**");
- (b) to provide notice to the Issuer, the Security Trustee (on behalf of the Noteholders) and the Cash Manager on or prior to the end of a Determination Period in the event that it ceases to hold exposure to the Minimum Required Interest;
- (c) to retain the Minimum Required Interest by holding an indirect exposure in the first loss tranche in the securitisation in accordance with Article 6(1)(d) of the Securitisation Regulation, represented by the Class Z Notes through its exposure to the Seller under the PPL and the corresponding holding by the Seller of the Class Z Notes
- (d) not to change the manner or form in which it retains the Minimum Required Interest, except as permitted under the Securitisation Regulation;

- (e) not to dispose of, assign or transfer its rights, benefits or obligations under the PPL except as permitted under the Securitisation Regulation;
- (f) not to take any action which would reduce its exposure to the economic risk of the Class Z Notes in such a way that it ceases to hold the Minimum Required Interest except as permitted under the Securitisation Regulation; and
- (g) that it shall immediately notify the Issuer, the Arranger, the Security Trustee and the Cash Manager in writing if for any reason (i) it fails to comply with the undertakings set out in (a) to (f) in any way or (ii) it becomes aware that the Seller has failed to comply with any of its undertakings set out in the paragraph below.

The Seller will undertake in the Risk Retention Letter, at any time whilst any of the Rated Notes, the Class F Notes and the Class X Notes are still outstanding:

- (a) that it will continue to hold, on an on-going basis, all of the Class Z Notes unless instructed otherwise by the Retention Holder in accordance with the Securitisation Regulation;
- (b) not to carry on any other trade or business or any activities or hold shares in any company or hold any other assets other than the Notes and Residual Certificates save to the extent permitted by or provided for in the Transaction Documents or paragraph (c) below or as permitted under the terms of the PPL, such other related documents that are referred to in the PPL or which relate to the entry into and performance by the Seller of its obligations under the PPL and activities ancillary thereto;
- (c) not to incur any indebtedness or give any guarantee in respect of any indebtedness or of any other obligation of any person other than the PPL save to the extent that the same would not result in any breach of the Securitisation Regulation;
- (d) not to take any action which would reduce the Retention Holder's exposure to the economic risk of the Class Z Notes in such a way that the Retention Holder ceases to hold the Minimum Required Interest;
- (e) not to issue any further shares in addition to those that are in issue as at the Closing Date; and
- (f) that it shall immediately notify the Issuer, the Arranger, the Security Trustee and the Cash Manager in writing if for any reason (i) it fails to comply with the undertakings set out in paragraphs (a) to (e) above in any way or (ii) it becomes aware that the Retention Holder has failed to comply with any of its undertakings set out in the paragraph above.

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 5 of the Securitisation Regulation and any relevant national measures which may be relevant and none of the Relevant Parties (i) makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes.

In addition to the above, the Issuer shall confirm that it will procure the provision to Noteholders of any reasonable and relevant additional data and information referred to in Article 7 of the Securitisation Regulation (subject to all applicable laws), provided that the Issuer will not be in breach of the requirements of this paragraph if due to events, actions or circumstances beyond its control, it is not able to comply with such undertakings.

For further information please refer to the Risk Factors entitled "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*" and "*Securitisation Regulation*".

## WEIGHTED AVERAGE LIVES OF THE NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of principal redemption thereon. The weighted average lives of the Notes will be influenced by, among other things, the actual rate of redemption of the Loans and the quantum of Losses relating thereto and the amount of Available Revenue Receipts available to be applied in accordance with the Pre-Enforcement Revenue Priority of Payments.

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

The figures contained in the following tables were prepared based on, *inter alia*, the characteristics of the loans included in the Provisional Portfolio, the provisions of the Conditions and Residual Certificates Conditions (as applicable), and certain additional assumptions (the "**Modelling Assumptions**"), including:

- (a) that as of the Cut-Off Date, the aggregate Outstanding Principal Balance of the Loans comprising the Portfolio is £412,358,885.04 and that the amortisation schedule of the Portfolio mirrors that calculated for the Provisional Portfolio as of the Portfolio Reference Date by reference to the period commencing on the Cut-Off Date (and assuming, *inter alia*, the relevant assumptions documented below);
- (b) that the Closing Date is 10 June 2019;
- (c) that no Loans are in arrears or subject to enforcement actions and continue to perform until their redemption in full;
- (d) that no Loan is sold by the Issuer (other than, where applicable, on the Optional Redemption Date), either as a result of a repurchase by the Seller pursuant to the terms of the Mortgage Sale Agreement or otherwise;
- (e) that no Further Advances are made in respect of the Portfolio;
- (f) in the case of the table entitled "*Assuming exercise of Call Option on Optional Redemption Date*", the Notes are redeemed at their Principal Amounts Outstanding on the Optional Redemption Date;
- (g) in the case of the table entitled "*Assuming no exercise of Call Option on or after Optional Redemption Date*", the Notes are not redeemed as a result of the sale of the Portfolio, the issuance of Refinancing Notes or in any manner other than in accordance with Condition 8.3 (Mandatory Redemption of the Notes in full);
- (h) that 3m GBP LIBOR is equal to, and remains equal to, 0.80 per cent.;
- (i) that the Bank Base Rate is equal to, and remains equal to, 0.75 per cent.;
- (j) that the Standard Variable Rate is equal to, and remains equal to, 2.90 per cent.;
- (k) that no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (l) subject to paragraph (q) below, that the amortisation of any Repayment Loan is calculated as an annuity loan;
- (m) that all Loans that are not Repayment Loans are Interest-only Loans;

- (n) that the principal collections of the Portfolio are calculated based on the individual amortisation schedule of each Loan, which takes into account an assumption as to the Loan's repayment type (as set out in paragraphs (o) and (p) below), interest rate as of the Portfolio Reference Date and remaining term (calculated using the Portfolio Reference Date and the maturity of each Loan);
- (o) that Principal Addition Amounts are zero at all times;
- (p) that all collections in respect of the Portfolio from the Cut-Off Date will be available in the Deposit Account for application on each relevant Interest Payment Date thereafter;
- (q) that (other than as provided in paragraph (r) below) all amounts payable, including but not limited to interest on the Rated Notes and Class F Notes are calculated based on the actual number of days in the period and a year of 365 days provided that in the case of amortisation of the Loans calculated pursuant to paragraph (a) above such amounts are calculated based on a month of 30 days and a year of 360 days;
- (r) that each Interest Payment Date falls on 25th of February, May, August or November, with the first Interest Payment Date falling on 25th November 2019;
- (s) that, as of the Closing Date, the Principal Amount Outstanding of (i) the Class A Notes represents exactly 78.50%, (ii) the Class B Notes represents exactly 3.00%, (iii) the Class C Notes represents exactly 3.75%, (iv) the Class D Notes represents exactly 3.75% and (vi) the Class E Notes represents exactly 4.00%, in each case, of the aggregate estimated Outstanding Principal Balance of the Portfolio as of the Cut-Off Date calculated in the manner outlined in paragraph (a) above;
- (t) that remaining term is 1 month from the Cut-Off Date for the Loans where the relevant Borrower have not repaid the outstanding principal amount in respect to the relevant mortgage loan on the relevant loan maturity date;
- (u) that there are no recoveries from the Shortfall Accounts;
- (v) that the Portfolio Reference Date is 11 April 2019;
- (w) that the Cut-Off Date is 31 May 2019;
- (x) that the Optional Redemption Date is 25 August 2022; and
- (y) that the Final Maturity Date is 25 May 2051 (no Loan has a final maturity beyond the date falling three years prior to the Final Maturity Date).

The actual characteristics and performance of the Loans are likely to differ, perhaps materially, from the assumptions outlined herein (including the Modelling Assumptions), and the Modelling Assumptions outlined in this section do not profess to be an exhaustive list of assumptions employed.

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

"CPR" refers to an assumed annualised constant prepayment rate in respect of the loans and is periodicised in relation to a given Collection Period as follows:

$$1 - ((1 - R)^{(ACT/365)})$$

where "R" refers to the assumed CPR and "ACT" refers to the actual numbers of days in the relevant Collection Period (taking into account Modelling Assumption (r) above).

CPR	(Assuming exercise of Call Option on Optional Redemption Date)					
	WAL (in years) of:					
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
0%	3.04	3.21	3.21	3.21	3.21	3.21
5%	2.78	3.21	3.21	3.21	3.21	3.21
7%	2.67	3.21	3.21	3.21	3.21	3.21
10%	2.52	3.21	3.21	3.21	3.21	3.21
15%	2.28	3.21	3.21	3.21	3.21	3.21
20%	2.05	3.21	3.21	3.21	3.21	3.21
25%	1.84	3.21	3.21	3.21	3.21	3.21

CPR	(Assuming no exercise of Call Option on or after Optional Redemption Date)					
	WAL (in years) of:					
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
0%	8.47	13.47	13.47	13.52	13.76	16.77
5%	5.71	12.84	13.18	13.38	13.47	13.76
7%	4.92	11.66	12.58	13.14	13.42	13.56
10%	4.06	9.35	10.55	11.98	13.03	13.44
15%	3.06	7.91	8.38	9.02	10.66	12.71
20%	2.41	6.27	6.97	7.82	8.61	10.55
25%	1.98	5.07	5.64	6.42	7.48	8.79

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



## **EARLY REDEMPTION OF THE NOTES PURSUANT TO THE CALL OPTION, THE RISK RETENTION REGULATORY CHANGE OPTION, THE REFINANCING CALL OPTION OR MARKET SALE**

The Portfolio may be sold by the Issuer pursuant to (a) the Call Option, (b) on the occurrence of a Risk Retention Regulatory Change Event, the Risk Retention Regulatory Change Option or (c) a sale to the Winning Bidder as facilitated by the Liquidation Agent. The Issuer will undertake not to dispose of the Portfolio in any other circumstances (other than in relation to an enforcement of the Security or the repurchase of a Loan and its Related Security by the Seller pursuant to the Mortgage Sale Agreement). Further, the Issuer may, in consultation with the Option Holder and the Retention Holder, issue Refinancing Notes on or after the Optional Redemption Date. The proceeds of the Refinancing Notes will be used wholly or in part to effect a redemption in full of the Notes of each Class on the Interest Payment Date falling on or immediately following the Optional Refinancing Date.

### **CALL OPTION**

Pursuant to and subject to the terms of the Deed Poll, the Issuer will grant to the Option Holder the following rights (collectively, the "**Call Option**"):

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

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

If the Option Holder does not acquire the Portfolio pursuant to the Call Option on or before the Optional Redemption Date, the Call Option may, subject to the immediately following paragraph, be exercised at any time by the Option Holder by serving an Exercise Notice on the Issuer, with a copy to the Security Trustee, the Note Trustee, the Legal Title Holders, the Cash Manager and each of the Rating Agencies. If the sale of the Portfolio has not been completed within 30 days of the service of such Exercise Notice, that Exercise Notice shall be deemed to have been cancelled and the Option Holder's right to exercise the Call Option shall be suspended for a period of 90 days from the service of such Exercise Notice.

If a Market Sounding Notice has been served, an Exercise Notice may be served by an Option Holder from the date of such Market Sounding Notice to (and including) five days after the date of such Market Sounding Notice, after which no Exercise Notice may be served by an Option Holder prior to the later of:

- (a) the date falling 90 days after the date of a Market Sounding Notice; and
- (b) the earlier of:
  - (i) if a Market Bid Notice has been served, the date falling 30 days after the date thereof;
  - (ii) the date on which a Market Bid Failure Notice has been served; and
  - (iii) the date on which the Liquidation Agent otherwise notifies the Option Holders that the sale to the Winning Bidder has failed to complete.

On the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date, the Notes will be redeemed in full as more fully described in the section entitled "Redemption of the Notes and the cancellation of the Residual Certificates" below.

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

- (a) either:
  - (i) the Beneficial Title Transferee and (if applicable) the Legal Title Transferee is resident for tax purposes in the United Kingdom; or
  - (ii) the Issuer, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs) ("**Tax Advice**"), is satisfied that sale of the Whole Beneficial Title and (if applicable) transfer of the Whole Legal Title will not create or increase any liabilities of the Issuer to United Kingdom tax or any tax imposed by the jurisdiction of the Beneficial Title Transferee and (if applicable) the Legal Title Transferee. The costs relating to such Tax Advice shall be borne by the Option Holder;
- (b) either:
  - (i) the Legal Title Transferee has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans and their Related Security comprising the Portfolio (the "**Relevant Authorisations**"); or
  - (ii) the Beneficial Title Transferee has appointed a servicer who has the Relevant Authorisations and that the Legal Title Holders have confirmed in writing that they will hold legal title to the Loans and their Related Security comprising the Portfolio on trust for the Beneficial Title Transferee; and
- (c) the Beneficial Title Transferee shall not be permitted to transfer the beneficial interest in any of the Loans and their Related Security comprising the Portfolio to a further purchaser until the transfer of the Whole Legal Title is perfected unless such transfer of beneficial interest is made to an entity which is within the charge to UK corporation tax.

## **Optional Purchase Price**

The purchase price for the Loans and their Related Security comprising the Portfolio pursuant to the Call Option (the "**Optional Purchase Price**") shall be an amount equal to (without double counting):

- (a) the amount required by the Issuer to pay in full all amounts payable or that will become payable prior to such Interest Payment Date under items (a) to (t) (inclusive) of the Post-Enforcement Priority of Payments on the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date; plus
- (b) the Issuer's costs and expenses associated with transferring its interests in any Loan and its Related Security to the Option Holder or its nominee (if any) and an amount agreed between the Issuer and the Option Holder in respect of costs anticipated to be incurred by the Issuer after the Optional Purchase Completion Date; less
- (c) the balance standing to the credit of the Reserve Fund; less
- (d) any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date (without double-counting the amounts in (c) above).

In connection with the exercise of the Call Option, the Beneficial Title Transferee will agree with the Issuer to (i) deposit an amount equal to the Optional Purchase Price in either an escrow account in the name of the Beneficial Title Transferee or in any other account as may be agreed between the Issuer and the Beneficial Title Transferee; or (ii) provide irrevocable payment instructions for an amount equal to the Optional Purchase Price for value on the Optional Purchase Completion Date to the Deposit Account or such other account as may be agreed between the Issuer and Beneficial Title Transferee, provided that such deposit shall be made or irrevocable payment instructions shall be given no later than (x) two Business Days prior to the Optional Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Beneficial Title Transferee may agree, provided further that the Optional Purchase Price or irrevocable payment instructions (as applicable) must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Conditions 8.3 (*Mandatory Redemption of the Notes in full*) or 8.5 (*Mandatory Redemption for Taxation or Other Reasons*) (as applicable); and/or (iii) take any other action as may be agreed by the Beneficial Title Transferee, the Issuer and the Security Trustee in relation to the payment of the Optional Purchase Price.

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

## **Redemption of the Notes and the cancellation of the Residual Certificates**

On the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date, the Optional Purchase Price, together with all amounts standing to the credit of the Reserve Fund and any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date, will be applied in accordance with the Post-Enforcement Priority of Payments and will result in the Notes being redeemed in full. Following the redemption in full of the Notes the Residual Certificates will be cancelled.

Any Revenue Receipts, Redemption Receipts or interest on the Issuer Accounts received by the Issuer from and including the Collection Period End Date immediately prior to the Optional Purchase Completion Date

(such amounts being "**Optional Purchase Collections**") will be payable, to or for the account of the Beneficial Title Transferee and the Issuer shall transfer all such amounts to or for the account of the Beneficial Title Transferee as soon as reasonably practicable following the Optional Purchase Completion Date.

In this Prospectus:

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

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

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

- (a) the Collection Period End Date immediately preceding the Optional Redemption Date; or
- (b) any Collection Period End Date on which the aggregate Outstanding Principal Balance of the Loans (excluding any Enforced Loans) is equal to or less than 10 per cent. of the aggregate Outstanding Principal Balance of the Loans comprising the Portfolio on the Cut-Off Date; or
- (c) any Business Day following the occurrence of a Redemption Event.

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

## **RISK RETENTION REGULATORY CHANGE OPTION**

Pursuant to the Risk Retention Letter, on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event (and subject to two directors of the Retention Holder certifying in writing to the Security Trustee that a Risk Retention Regulatory Change Event has occurred, upon which certificate the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing), the Retention Holder has the benefit of the Risk Retention Regulatory Change Option to require the Issuer to:

- (a) sell and transfer to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) the beneficial title to all Loans and Related Security in the Portfolio;
- (b) transfer to the Retention Holder the right to have legal title to the Loans and their Related Security; and
- (c) direct that the Legal Title Holders transfer legal title to the Loans to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) in accordance with and subject to the terms of the Servicing Agreement on the Risk Retention Regulatory Change Option Date,

in each case subject to the terms of the Risk Retention Letter (the "**Risk Retention Regulatory Change Option**").

On the Interest Payment Date falling on or immediately following the Risk Retention Regulatory Change Option Date, the Notes will be redeemed in full as more fully described in the section entitled "Redemption of the Notes and the cancellation of the Residual Certificates" below.

Where the sale to the Retention Holder does not contemplate a transfer of the legal title to the Loans, the exercise of the Risk Retention Regulatory Change Option shall be conditional on the consent of the Legal Title Holders to hold legal title on behalf of the Retention Holder or its nominee.

It will be a condition of the exercise of the Risk Retention Regulatory Change Option that (a) either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Loans confirms in writing that it is resident for tax purposes in the United Kingdom, or (ii) the Issuer, having received Tax Advice, is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer 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 and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or on the Issuer's ability to repay the Notes in full.

The costs relating to such Tax Advice shall be borne by the Retention Holder.

The Risk Retention Regulatory Change Option may be exercised by the Retention Holder delivering a Risk Retention Regulatory Change Option Exercise Notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer(s), the Legal Title Holder(s), the Cash Manager and each of the Rating Agencies at any time for effect on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event. Such notice shall be given not more than 15 nor less than 5 Business Days prior to the proposed Risk Retention Regulatory Change Option Date.

The Retention Holder or its nominee will be required to deposit the full amount of the Risk Retention Regulatory Change Option Purchase Price in the Deposit Account or such other account agreed with the Issuer and the Security Trustee on or prior to the day falling two Business Days immediately preceding the proposed Risk Retention Regulatory Change Option Date or take such other action agreed with the Issuer and the Security Trustee.

#### **Risk Retention Regulatory Change Option Purchase Price**

The purchase price for the Portfolio under the Risk Retention Regulatory Change Option shall be an amount (the "**Risk Retention Regulatory Change Option Purchase Price**") equal to (without double counting):

- (a) the amount required by the Issuer to pay in full all amounts payable under items (a) to (t) (inclusive) of the Post-Enforcement Priority of Payments on the Interest Payment Date falling on or immediately following the Risk Retention Regulatory Change Option Date; plus
- (b) the Issuer's costs and expenses associated with transferring its interests in any Loan and its Related Security to the Retention Holder or its nominee (if any) and an amount agreed between the Issuer and the Retention Holder in respect of costs anticipated to be incurred by the Issuer after the Risk Retention Regulatory Change Option Date; less
- (c) the balance standing to the credit of the Reserve Fund; less

- (d) any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Risk Retention Regulatory Change Option Date (without double counting the amounts in (c) above).

**"Risk Retention Regulatory Change Option Exercise Notice"** means a written notice to be delivered by the Retention Holder to the Issuer with a copy to the Note Trustee, the Security Trustee, the Seller, the Servicer(s), the Legal Title Holder(s) and the Rating Agencies to exercise the Risk Retention Regulatory Change Option specifying (a) the proposed Risk Retention Regulatory Change Option Date, (b) specifying whether the Retention Holder itself or a nominee will be acquiring the beneficial title to the Loans and their Related Security and (c) specifying whether the transfer of legal title from the Legal Title Holder to the Loans and their Related Security is contemplated.

**"Risk Retention Regulatory Change Option Date"** means the date on which all conditions to completion of the Risk Retention Regulatory Change Option have been satisfied.

**"Risk Retention Regulatory Change Event"** means any change in or the adoption of any new law, rule, direction, guidance or regulation which requires the manner in which the Minimum Required Interest is held by the Retention Holder and the Seller to be restructured after the Closing Date or which would otherwise result in the manner in which the Minimum Required Interest is held by the Retention Holder to become non-compliant in relation to a Noteholder.

#### **Redemption of the Notes and the cancellation of the Residual Certificates**

On the Interest Payment Date falling on or immediately following the Risk Retention Regulatory Change Option Date, the full amount of the Risk Retention Regulatory Change Option Purchase Price, together with all amounts standing to the credit of the Reserve Fund and all Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Risk Retention Regulatory Change Option Date, will be applied in accordance with the Post-Enforcement Priority of Payments and will result in the Notes being redeemed in full. Following the redemption in full of the Notes the Residual Certificates will be cancelled.

Any Revenue Receipts, Redemption Receipts or interest on the Issuer Accounts received by the Issuer from but excluding the Collection Period End Date immediately prior to the Risk Retention Regulatory Change Option Date to and including Risk Retention Regulatory Change Option Date (such amounts being **"Risk Retention Regulatory Change Option Collections"**) will be payable, to or for the account of the Beneficial Title Transferee as soon as reasonably practicable following the Risk Retention Regulatory Change Option Date.

#### **REFINANCING CALL OPTION**

The Issuer may, in consultation with the Option Holder and the Retention Holder, issue Refinancing Notes on or after the Optional Redemption Date in accordance with Condition 8.6 (*Refinancing Call Option*). The proceeds of the Refinancing Notes will be used, *inter alia*, to effect a redemption in full of the Notes of each Class. The net proceeds from the issuance of the Refinancing Notes expressed to be available for the purposes of redeeming the Notes and other amounts available to the Issuer for application will be applied by the Issuer in accordance with the Post-Enforcement Priority of Payments on the Interest Payment Date falling on or immediately following the Optional Refinancing Date and must be of an amount equal to or greater than the Refinancing Notes Minimum Issuance Amount.

**"Refinancing Notes Minimum Issuance Amount"** means an amount equal to (without double counting):

- (a) the amount required by the Issuer to pay in full all amounts payable under items (a) to (t) (inclusive) of the Post-Enforcement Priority of Payments on the Interest Payment Date falling on or immediately following the issuance of the Refinancing Notes; less

- (b) the balance standing to the credit of the Reserve Fund; less
- (c) any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the issuance of the Refinancing Notes (without double counting the amounts in (b) above).

## MARKET SALE

### Appointment of a Liquidation Agent

If the Call Option has not been exercised on or prior to the Optional Redemption Date, the Corporate Services Provider shall, on behalf of the Issuer and the Legal Title Holders (in its capacity as trustee under each Scottish Declaration of Trust), use all reasonable endeavours to appoint a Liquidation Agent substantially on the terms set out below within 30 days of the Optional Redemption Date to act as agent in the name of the Issuer and the Legal Title Holders to assist the Issuer in the sale of (i) the beneficial title and (ii) the right to require the Legal Title Holders to transfer the legal title, to all (but not some) of the Loans and their Related Security comprising the Portfolio to the Winning Bidder or its nominee. The Issuer and the Legal Title Holders each confirms that any such appointment shall confer on such Liquidation Agent all powers, authority and discretion which are necessary for, or incidental to, the Liquidation Agent's appointment and the Issuer shall notify the Noteholders and the Certificateholders of such appointment in accordance with Condition 16 (*Notice to Noteholders*) and Residual Certificates Condition 15 (*Notice to Certificateholders*).

Any Liquidation Agent shall act upon the direction of the Security Trustee upon the service of an Enforcement Notice on the Issuer.

### Initial Sounding

The appointment of the Liquidation Agent shall provide, *inter alia*, that:

- (a) the fees and expenses of the Liquidation Agent shall be payable by the Issuer upon completion of the sale to a Winning Bidder (as defined below), and shall be paid out of the proceeds of such sale;
- (b) as soon as reasonably practicable (and in any event within 60 days of the Optional Redemption Date), the Liquidation Agent shall, for so long as the Portfolio has not been sold pursuant to the terms of the Call Option use all reasonable endeavours to obtain initial indications of the sale price for the Portfolio from at least three participants in the wholesale mortgage market of reasonable standing and shall consider any initial indications of the sale price provided by any other market participants (the "**Initial Market Participants**"), provided that:
  - (i) the 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 processes of seeking initial indications of sale prices, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Securitisation Tax Regulations. 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;
  - (ii) if an Exercise Notice has been served by an Option Holder, the Liquidation Agent shall not seek to obtain such initial indications until the expiry of 30 days following the date of such Exercise Notice;
  - (iii) the Liquidation Agent shall notify the Issuer, who in turn shall notify the Noteholders and the Certificateholders in accordance with Condition 16 (*Notice to Noteholders*) and Residual

Certificates Condition 15 (*Notice to Certificateholders*) (a "**Market Sounding Notice**") at least 5 days' prior to the Liquidation Agent seeking such initial indications from Initial Market Participants; and

- (c) if one or more Initial Market Participants provide a bid of at least the Minimum Portfolio Liquidation Price, the Liquidation Agent shall notify such indicative purchase price(s) to the Issuer and the Security Trustee, and the Issuer shall promptly notify the Noteholders and the Certificateholders in accordance with Condition 16 (*Notice to Noteholders*) and Residual Certificates Condition 15 (*Notice to Certificateholders*) that the Liquidation Agent has received a bid of at least the Minimum Portfolio Liquidation Price (provided that the indicative purchase price(s) shall not be disclosed in such notices to the Noteholders and the Certificateholders) (a "**Market Bid Notice**");
- (d) if the Liquidation Agent does not receive a bid from the Initial Market Participants of at least the Minimum Portfolio Liquidation Price, the Liquidation Agent shall notify the Issuer and the Security Trustee of the same, and the Issuer shall promptly notify the Noteholders and the Certificateholders in accordance with Condition 16 (*Notice to Noteholders*) and Residual Certificates Condition 15 (*Notice to Certificateholders*) of the same (a "**Market Bid Failure Notice**") and the Liquidation Agent shall repeat the above procedure set out in paragraphs (b) and (c) every six months following the later of the Optional Redemption Date and the date on which a Market Bid Failure Notice is served.

The Cash Manager shall calculate the Minimum Portfolio Liquidation Price.

### **The sale**

If a Market Bid Notice is received, the Issuer and the Legal Title Holders shall instruct the Liquidation Agent to proceed with the sale of the Portfolio to the Initial Market Participant that had submitted the highest bid (or its nominee, collectively the "**Winning Bidder**"), and shall take such action as is required to effect such sale.

Any sale by the Issuer shall be subject to the following conditions:

- (a) either:
  - (i) the Winning Bidder is resident for tax purposes in the United Kingdom; or
  - (ii) the Issuer, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs) ("**Tax Advice**"), is satisfied that sale will not create or increase any liabilities of the Issuer and the Legal Title Holder to United Kingdom tax or any tax imposed by the jurisdiction of the Winning Bidder;
- (b) either:
  - (i) the entity to which legal title shall be transferred has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans and their Related Security comprising the Portfolio (the "**Relevant Authorisations**"); or
  - (ii) the Winning Bidder has appointed a servicer who has the Relevant Authorisations and if the legal title will not be transferred to the Winning Bidder (or to its order), that the Legal Title



Holders have confirmed in writing that it will hold legal title to the Loans and their Related Security comprising the Portfolio on trust for the Winning Bidder (including, in respect of the Scottish Loans and their Related Security, under a Scottish declaration of trust in favour of the Winning Bidder); and

- (c) the Beneficial Title Transferee shall not be permitted to transfer the beneficial interest in any of the Loans and their Related Security comprising the Portfolio to a further purchaser until the transfer of the legal title is perfected unless such transfer of beneficial interest is made to an entity which is within the charge to UK corporation tax.

The costs relating to the Tax Advice referred to in paragraph (a)(ii) above shall be borne by the Winning Bidder.

If the Market Sale Date has not occurred by the later of (i) the date falling 90 days after the date of a Market Sounding Notice and (ii) the date falling 30 days after the date of the Market Bid Notice, the Option Holder may exercise the Call Option by delivering an Exercise Notice pursuant to Clause 3 (Exercise of Call Option) of the Deed Poll, on any Business Day prior to delivery of a further Market Bid Notice.

### **Application of proceeds**

On the Interest Payment Date falling on or immediately following the Market Sale Date, a portion of the proceeds of the sale shall be paid directly by the Winning Bidder (on behalf of the Issuer) to the Liquidation Agent for its fees, and expenses) and the remaining proceeds of the sale, together with all amounts standing to the credit of the Reserve Fund Ledger and any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on such Interest Payment Date, will be applied in accordance with the Post-Enforcement Priority of Payments.

Any Revenue Receipts, Redemption Receipts or interest on the Issuer Accounts received by the Issuer from but excluding the Collection Period End Date immediately prior to the Market Sale Date to and including the Market Sale Date (such amounts being "**Market Sale Collections**") will be payable, together with any minimum required amount that has been retained in the Collection Accounts, to or for the account of the Winning Bidder as soon as reasonably practicable following the market Sale Date.

"**Liquidation Agent**" means a person having the requisite skills and experience to sell the Loans and their Related Security comprising the Portfolio.

"**Market Sale Date**" means the date on which the sale of the Loans and their Related Security comprising the Portfolio to the Winning Bidder completes.

"**Minimum Portfolio Liquidation Price**" means a net amount equal to (without double counting):

- (a) the amount required by the Issuer to pay in full all amounts payable or that will become payable prior to such Interest Payment Date under items (a) to (t) (inclusive) of the Post-Enforcement Priority of Payments on the Interest Payment Date falling on or immediately following the Market Sale Date; *plus*
- (b) the Issuer's costs and expenses associated with transferring its interests in any Loan and its Related Security to the Winning Bidder (including the fees, costs and expenses of the Liquidation Agent) and an amount agreed between the Issuer and the Liquidation Agent in respect of costs anticipated to be incurred by the Issuer after the Market Sale Date; *less*
- (c) the balance standing to the credit of the Reserve Fund; *less*

- (d) any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Market Sale Date (without double counting the amounts in (c) above).

## USE OF PROCEEDS

The Issuer will use the net proceeds of the issuance of the Notes to:

- (a) pay for the Portfolio to be acquired from the Seller on the Closing Date;
- (b) establish the Reserve Fund through the retention of the Reserve Fund Required Amount; and
- (c) retain certain amounts and pay certain fees and expenses of the Issuer incurred in connection with the issue of the Notes and the Residual Certificates on the Closing Date.

On the Interest Payment Date falling on or immediately following the Optional Refinancing Date, the Issuer will apply the proceeds of the issuance of any Refinancing Notes, *inter alia*, to effect a redemption in full of the Notes of each Class.

## RATINGS

The Rated Notes, on issue, (with respect to payments of interest and principal) are expected to be assigned the following ratings by S&P and DBRS. The Class Z1 Notes and the Class Z2 Notes will not be rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency if, in its judgement, circumstances so warrant.

<b>Class of Notes</b>	<b>S&amp;P</b>	<b>DBRS</b>
Class A Notes	AAA (sf)	AAA (sf)
Class B Notes	AA+ (sf)	AA (sf)
Class C Notes	AA (sf)	A (low) (sf)
Class D Notes	AA- (sf)	BBB (low) (sf)
Class E Notes	BBB+ (sf)	B (sf)
Class F Notes	Not rated	Not rated
Class X Notes	Not rated	Not rated
Class Z1 Notes	Not rated	Not rated
Class Z2 Notes	Not rated	Not rated

The ratings assigned to the Rated Notes by S&P address, *inter alia*:

- the likelihood of full and timely payments due to the holders of the Class A Notes and the Class B Notes of interest on each Interest Payment Date;
- the likelihood of full and ultimate payment of interest to the holders of the Class C Notes, the Class D Notes and the Class E Notes (where the Class C Notes, the Class D Notes and the Class E Notes are not the Most Senior Class of Notes then outstanding), respectively, by a date that is not later than the Final Maturity Date;
- the likelihood of full and timely payment of interest due to the holders of the Class C Notes (where the Class C Notes are the Most Senior Class of Notes then outstanding), the Class D Notes (where the Class D Notes are the Most Senior Class of Notes then outstanding) and the Class E Notes (where the Class E Notes are the Most Senior Class of Notes then outstanding) respectively, on each Interest Payment Date; and
- the likelihood of ultimate payment to the holders of the Rated Notes of principal in relation to the Rated Notes on or prior to the Final Maturity Date.

The ratings assigned to the Class A Notes by DBRS addresses the timely payment of interest and ultimate payment of principal on or before the Final Maturity Date in accordance with the terms under which the Class A Notes have been issued. The ratings assigned to the other Classes of Notes by DBRS address the ultimate payment of principal and interest on or before the Final Maturity Date in accordance with the terms under which such Notes have been issued.

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

## THE ISSUER

### Introduction

The Issuer was incorporated under the laws of England and Wales on 1 April 2019 (registered number 11917142) 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 of which one share is fully-paid up and 49,999 shares are quarter-paid and all shares are held by Holdings (see "*Holdings*" below).

The Issuer has no subsidiaries and does not control, directly or indirectly, any other company. The Seller and the Retention Holder do not own directly or indirectly any of the share capital of Holdings or the Issuer.

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

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

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

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public limited company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and Residual Certificates and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, has made a notification under the Data Protection Act 1998. As at the date of this Prospectus, statutory accounts have not yet been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2019.

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

### Directors

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

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their principal activities are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Michelle O'Flaherty	35 Great St. Helen's, London EC3A 6AP	Director
Clive Short	35 Great St. Helen's, London EC3A 6AP	Director
Andrea Williams	35 Great St. Helen's, London EC3A 6AP	Director

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 under the laws of England and Wales on 29 March 2019 (registered number 11914650) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises one ordinary share of £1. Intertrust Corporate Services Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share capital under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

Neither the Seller, the Retention Holder nor any company connected with the Seller or the Retention Holder can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer. Holdings does not have any control, direct or indirect, of any company other than the Issuer.

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

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

### Directors

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

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their respective occupations are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Michelle O'Flaherty	35 Great St. Helen's, London EC3A 6AP	Director
Clive Short	35 Great St. Helen's, London EC3A 6AP	Director

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Andrea Williams	35 Great St. Helen's, London EC3A 6AP	Director

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2019.

Holdings has no employees.



## THE SELLER

Ertow Holdings IV Designated Activity Company (the "**Seller**") is a designated activity company limited by shares incorporated in Ireland on 21 December 2017 (registration number 617819 and registered address at 5th Floor, The Exchange, George's Dock, IFSC, Dublin 1, D01 W3P9 Ireland) in order to acquire the beneficial title to certain mortgage loans from each of Moorgate Funding 2014-1 plc and Stratton Finance I Limited pursuant to the Seller Mortgage Sale Agreements on 10 June 2019.

The Seller entered into a profit participating loan agreement with the Retention Holder on 13 December 2018 (as amended and restated from time to time) (the "**PPL**"), pursuant to which the Retention Holder agreed to make a loan available to the Seller which the Seller is permitted to use to invest in certain financial assets, subject to the terms of such PPL. Pursuant to the terms of the PPL, all available amounts received by the Seller in relation to the Loans (including the proceeds of any sale of the Loans) are, following the payment of various taxes and expenses of the Seller in accordance with the terms of the PPL, passed by the Seller to the Retention Holder.

The Seller has covenanted to limit its activities to holding certain classes of the Notes and Residual Certificates and entering into the PPL and activities ancillary thereto. It has also agreed not to issue any further shares or incur any further indebtedness other than under the PPL.

The Seller has also given certain undertakings in relation to the holding of the Minimum Required Interest by the Retention Holder, which are set out in the section headed "*Regulatory Requirements*".

## **THE RMS 25 SERVICER**

Link Mortgage Services Limited (Link) is a private company with limited liability incorporated under the laws of England and Wales with registered number 00912411 and with its registered address at 6th Floor 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

Link is regulated by the Financial Conduct Authority (FCA Number 306235) with permissions to service commercial and residential mortgage loans in the United Kingdom on behalf of third parties.

The information in the preceding two paragraphs has been provided solely by Link for use in this Prospectus. Except for the foregoing two paragraphs, Link and its affiliates do not accept any responsibility for this Prospectus.

## **THE MOORGATE SERVICER**

Homeloan Management Limited ("**HML**") is a private company with limited liability incorporated under the laws of England and Wales with registered number 02214839 and with its registered address at The Pavilions, Bridgwater Road, Bristol, BS13 8AE.

HML is a subsidiary of Computershare Limited, an Australian global financial administration company, and is regulated by the Financial Conduct Authority (FCA Number 304476) with permissions to, amongst other things, administer regulated mortgage contracts.

The information in the preceding two paragraphs has been provided solely by HML for use in this Prospectus. Except for the foregoing two paragraphs, HML and its affiliates do not accept any responsibility for this Prospectus.

## THE RETENTION HOLDER

Burlington Loan Management Designated Activity Company (the "**Retention Holder**") is a designated activity company limited by shares and incorporated in Ireland on 24 April 2009 (registration number 470093 and registered address at 5th Floor, The Exchange, George's Dock, IFSC, Dublin 1, D01 W3P9, Ireland.

The Retention Holder is funded by profit participating notes under a \$10,000,000,000 Notes programme due 1 November 2060. The notes are unsecured and are admitted to the Official List of Euronext Dublin and to trading on its Global Exchange Market.

The Retention Holder is exposed to the Seller by virtue of the PPL, pursuant to which the Retention Holder has agreed to make a loan available to the Seller which the Seller is permitted to use to invest in certain financial assets, subject to the terms of such PPL. Pursuant to the terms of the PPL, all available amounts received by the Seller in relation to the Loans (including the proceeds of any sale of the Loans) are, and all available amounts received by the Seller in respect of the Class Z Notes and any other Notes or under the Residual Certificates will be, following the payment of various taxes and expenses of the Seller in accordance with the terms of the PPL, passed by the Seller to the Retention Holder.

The Retention Holder holds a number of different assets and investments. As at the date of its last audited financial accounts on 31 December 2017, the total assets of the Retention Holder were USD 6,784,978,352.

## **THE CASH MANAGER, ISSUER ACCOUNT BANK, PAYING AGENT AND AGENT BANK**

Citibank, N.A. is a national association formed through its Articles of Association; it obtained its charter, 1461, 17 July 1865, and is governed by the laws of the United States, having its principal office situated at 388 Greenwich Street, New York, NY10013, USA, and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

The London Branch is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. It is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

## THE COLLECTION ACCOUNT BANK

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

The Group is a transatlantic consumer and wholesale bank with global reach offering products and services across personal, corporate and investment banking, credit cards and wealth management anchored in the Group's two home markets of the UK and the US. The Group is organised into two clearly defined business divisions – Barclays UK division and Barclays International division. These are housed in two banking subsidiaries – Barclays UK sits within Barclays Bank UK PLC and Barclays International sits within the Bank – which operate alongside Barclays Services Limited but, in accordance with the requirements of ring-fencing legislation, independently from one another. Barclays Services Limited drives efficiencies in delivering operational and technology services across the Group.

The Bank and the Bank Group offer products and services designed for the Group's larger corporate, wholesale and international banking clients.

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

Based on the Bank Group's audited financial information for the year ended 31 December 2018, the Bank Group had total assets of £877,700m (2017: £1,129,343m), total net loans and advances of £136,959m (2017: £324,590m), total deposits of £199,337m (2017: £399,189m), and total equity of £47,711m (2017: £65,734m) (including non-controlling interests of £2m (2017: £1m)). The profit before tax of the Bank Group for the year ended 31 December 2018 was £1,286m (2017: £1,758m) after credit impairment charges and other provisions of £643m (2017: £1,553m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2018.

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

Citicorp Trustee Company Limited was incorporated on 24 December 1928 under the laws of England and Wales and has its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company number 235914.

Citicorp Trustee Company Limited is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

Citicorp Trustee Company Limited is regulated by the UK's Financial Conduct Authority.

## THE MOORGATE LEGAL TITLE HOLDERS

Wave Lending Limited is a private limited company incorporated under the laws of England and Wales under company number 03312246 on 4 February 1997 for the purpose of originating residential mortgage loans to borrowers in England and Wales, Northern Ireland and Scotland. Wave Lending Limited is regulated and authorised by the Financial Conduct Authority under registration number 305391. The registered office of Wave Lending Limited is at 2 King Edward Street, London EC1A 1HQ.

Mortgages 1 Limited, Mortgages 2 Limited, Mortgages 3 Limited, Mortgages 4 Limited and Mortgages 5 Limited (together, the "**Mortgages Limited Companies**") are each special purpose companies established solely for the purpose of advancing or acquiring residential mortgage loans to borrowers. Each of these companies are indirect wholly owned subsidiaries of Majestic Acquisition Limited, which is a wholly owned subsidiary of Merrill Lynch International Bank Limited. Mortgage Holdings Limited, an investment holding company, is the direct parent of each of these companies.

Each of the Mortgages Limited Companies advanced or acquired residential mortgage loans to borrowers in England, Wales, Northern Ireland and Scotland. Each of the Mortgages Limited Companies retains legal title to the loans they originated, but have each subsequently sold the beneficial interest in such loans. Consequently, none of the Mortgages Limited Companies hold any assets. The Mortgages Limited Companies no longer originate or acquire new residential mortgage loans.

Each of the Mortgages Limited Companies has its registered address at Merrill Lynch Financial Centre, 2 on EC1A 1HQ. Each of the Mortgages Limited Companies was at the time of origination regulated and authorised where required by applicable law and regulation.



### **THE RMS 25 LEGAL TITLE HOLDER**

Rooftop Mortgages Limited is a private limited company incorporated in England and Wales under company number 04621865 on 19 December 2002 for the purposes of originating residential mortgage loans to borrowers in England and Wales, Northern Ireland and Scotland. Rooftop Mortgages Limited is regulated and authorised by the Financial Conduct Authority under registration number 303059. The registered office of Rooftop Mortgages Limited is 6th Floor, 65 Gresham Street, London, United Kingdom, EC2V7NQ.

## **THE CORPORATE SERVICES PROVIDER**

Intertrust 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.

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

## THE LOANS

### Introduction

The following is a description of some characteristics of the Loans and includes details of the Loan types, the underwriting process, lending criteria and selected statistical information. Information in this section has been obtained from publicly available information. The Seller is not the originator of the Loans and therefore cannot confirm any of the details in relation to the underwriting process or lending criteria and statistical information relating to the Loans. Information has not been included in respect of those loans originated by Close. The loans originated by Close only contributed 3.76 per cent. by Current Balance of the Portfolio.

The Seller has identified a portfolio of mortgage loans as of the Portfolio Reference Date (the "**Provisional Portfolio**") to assign to the Issuer.

The Portfolio of mortgage loans which the Seller will transfer the beneficial title to the Issuer on the Closing Date may differ from the Provisional Portfolio due to any redemptions of mortgage loans occurring, enforcement procedures being completed or repurchases by the persons who sold the relevant Loan to the Seller, in each case during the period between 11 April 2019 (the "**Portfolio Reference Date**") and the Closing Date.

The Provisional Portfolio contains Loans that have previously been securitised by each of Moorgate Funding 2014-1 plc (such Loans, the "**Moorgate Loans**") and Residential Mortgage Securities 25 plc (such Loans, "**RMS 25 Loans**").

As at the Portfolio Reference Date, the Provisional Portfolio had the characteristics shown below. See "*Characteristics of the Provisional Portfolio*".

### The Originators

The Provisional Portfolio comprises Loans originated by the Mortgages PLC Group, Wave Lending Limited ("**Wave**"), Edeus Mortgage Creators Limited (in liquidation) ("**Edeus**"), Close Brothers Limited ("**Close Brothers**"), Kensington Mortgage Company Limited ("**KMC**" or "**Kensington**"), Money Partners Limited ("**Money Partners**") or GMAC – RFC Limited ("**GMAC**") (together the "**Originators**").

## A. THE MOORGATE LOANS

### Characteristics of the Moorgate Loans

The following section includes details of the Moorgate Loans originated by the Mortgages PLC Group, Edeus and Wave. It does not include (unless specified to the contrary) details of those Moorgate Loans acquired by the Seller from Moorgate Funding 2014-1 PLC that were originated by Close Brothers.

### *Repayment Terms*

The Moorgate Loans have different repayment methods, as described as follows:

- (a) *Repayment*: a Moorgate Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Moorgate Loan (a "**Repayment Moorgate Loan**") the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.

- (b) *Interest-only*: a Moorgate Loan under the terms of which the Borrower is only obliged to pay interest during the term of that Moorgate Loan (an "**Interest-only Moorgate Loan**") with the entire principal amount being payable only upon the relevant maturity date. As the principal amount associated with an Interest-only Moorgate Loan is repayable only upon the maturity of the Moorgate Loan, a life insurance or endowment policy or other repayment vehicle may have been taken out by a Borrower as a means of repayment of the Moorgate Loan. However, the Originators will not have required the Borrower to provide evidence as to the existence of any such policies (to the extent that such a policy was required as a condition of the related Moorgate Loan) and such policies are not charged by way of collateral security.
- (c) *Part Repayment and Part Interest Only*: a Moorgate Loan under the terms of which the mortgage loan is effectively separated (at the option of the Borrower) into two principal amounts, one in respect of which the Borrower pays interest only and the other in respect of which the Borrower pays interest and principal. Monthly payments in respect of such mortgage loans (each, a "**Part and Part Moorgate Loan**") are comprised of the interest due on both portions of the Moorgate Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal.

Of the Moorgate Loans in the Provisional Portfolio, approximately 10.84 per cent. by Outstanding Principal Balance are Repayment Moorgate Loans, approximately 88.54 per cent. by Outstanding Principal are Interest Only Moorgate Loans and approximately 0.62 per cent. by Outstanding Principal value are Part and Part Moorgate Loans. The information in this paragraph includes information in respect of the Moorgate Loans originated by Close Brothers.

#### ***Interest Rate Setting for Loans***

The applicable rate of interest accruing under each Moorgate Loan is referred to as the "**Mortgage Rate**". The Moorgate Loans in the Provisional Portfolio consists of *inter alia*:

- (a) LIBOR Linked Moorgate Loans;
- (b) Bank of England Base Rate Linked Moorgate Loans; and
- (c) SVR Moorgate Loans.

The Moorgate Loans in the Provisional Portfolio consists of approximately (i) 0.39 per cent. by Outstanding Principal Balance of Moorgate Loans which are 3m GBP LIBOR linked loans (the "**LIBOR Linked Moorgate Loans**") where the applicable Mortgage Rate is calculated by reference to LIBOR; (ii) 94.58 per cent. by Outstanding Principal Balance of the Moorgate Loans which are Bank of England base rate linked mortgage loans (the "**Bank of England Base Rate Linked Moorgate Loans**") where the applicable Mortgage Rate is calculated by reference to the Bank of England base rate plus a fixed margin expressed as a percentage over the Bank of England base rate and (iii) 5.03 per cent. by Outstanding Principal Balance of the Moorgate Loans which are subject to each Legal Title Holder's prevailing published standard variable rate which is currently set at Bank of England base rate plus a fixed margin ("**SVR**") from time to time ("**Standard Variable Rate Moorgate Loans**" or "**SVR Moorgate Loans**" and together with the Bank of England Base Rate Linked Moorgate Loans and the LIBOR Linked Moorgate Loans, the "**Variable Rate Moorgate Loans**").

For Close Brothers Limited, LIBOR for the LIBOR Linked Moorgate Loans is determined as at 12:00 on the penultimate day of each month in each quarter in relation to the Moorgate Loans by the Servicer on behalf of the Issuer. LIBOR as established on such date shall be effective as of the 1st of each month in each year.

For Edeus Mortgages Creators Limited, the LIBOR for the LIBOR Linked Moorgate Loans is determined as at the date of the MPC meeting held in relation to the Moorgate Loans by the Servicer on behalf of the Issuer. LIBOR, as established at such meeting, shall be effective as of the 1st day of the following month.

The Servicer will be obliged to effect a change to the Rate payable by Borrowers as a result of a change in the Bank of England base rate (such change becoming effective on the Payment Date after the Borrower has been given notice of such change). The Rate payable by such Borrowers is linked to the applicable Bank of England base rate (subject to any applicable fixed rate period having expired and generally subject to the Mortgage Documents of the relevant Bank of England Base Rate Linked Moorgate Loan).

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

The Moorgate Loans include right to buy mortgage loans ("**Right to Buy Moorgate Loans**"), each being a mortgage loan entered into by a Borrower as a means to purchase, refinance or improve a residential property from a local authority or certain other landlords under "right to buy" schemes which are subject to the provisions of the Housing Act 1985 (as amended by the Housing Act 2004) (in the case of English Mortgages) (as applicable) or the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001) (in the case of Scottish Mortgages) or the Housing (Northern Ireland) Order 1983 (as amended by the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003) (in the case of Northern Irish Mortgages).

### ***Monthly Payment Dates***

All Borrowers are obliged to make monthly payments of interest and, if applicable, principal as required by the conditions of the Moorgate Loans contained in the relevant Mortgage Conditions. The Moorgate Loans have payment dates throughout the month.

### ***Mortgage Early Repayment Charges***

The Moorgate Loans may be prepaid in full or in part at any time and early redemption will generally take place in certain circumstances. The Borrowers may voluntarily redeem the Moorgate Loan when, for example, re-mortgaging or selling the underlying property or the Moorgate Loan may be redeemed as a result of enforcement proceedings following default by the Borrowers in making scheduled payments. In particular, an early redemption payment (a "**Mortgage Early Redemption Amount**") will be charged to a Borrower in connection with any repayment if the Moorgate Loan is prepaid within the first few years of its term. The level of early repayment charges depends upon the terms of the relevant Moorgate Loan but is typically on a decreasing sliding scale over the first two to five years.

Since the Moorgate Loans were originated more than five years ago, it is unlikely that any prepayment fee will be due on the Moorgate Loans.

### **MPG Lending Criteria**

The following lending criteria (the "**MPG Lending Criteria**") is a summary consolidating each of the lending criteria applied in relation to the Moorgate Loans originated by the Mortgages PLC Group. Capitalised terms used in this section are used in respect of the MPG Lending Criteria only, unless the context otherwise requires. Each of the Moorgate Loans originated by the Mortgages PLC Group were originated in accordance with the MPG Lending Criteria, save in cases where the Mortgages PLC exercised its discretion to lend outside the MPG Lending Criteria, in accordance with its relevant internal policies and procedures at the time, and subject to approval by the relevant underwriter.

## *Security*

- (a) Each loan must be secured by a first charge by way of legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (at least 35 years longer than the mortgage term) in England or Wales (the "**English Property**") or secured by a first ranking standard security (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (at least 35 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") or secured by a first legal mortgage (which can also be called a charge in cases of title registered in the Land Registry of Northern Ireland) (a "**Northern Irish Mortgage**") over a freehold or long leasehold residential property (at least 35 years longer than the mortgage term) located in Northern Ireland (a "**Northern Irish Property**") (the Northern Irish Property, the Scottish Property and the English Property are collectively defined as the "**Property**" or the "**Properties**").
- (b) Only Property intended for use as the owner's principal place of residence or let under (i) an assured shorthold tenancy (in relation to an English loan), (ii) a private tenancy within the meaning of the Private Tenancies (Northern Ireland) Order 2000 on terms equivalent to assured shorthold (in relation to a Northern Irish loan) or (iii) short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to a Scottish loan), in each case with a term of six or twelve months is acceptable, and, if a short assured tenancy within the meaning of the Housing (Scotland) Act 1988, notice must have been given to the relevant tenant in accordance with Section 32 of that Act.
- (c) Properties under 10 years old will have the benefit of an NHBC warranty, Foundation 15, architect's certificate, Zurich New Building certificate or Premier Guarantee warranty.
- (d) The following types of property are deemed unacceptable as security unless the prior written consent of the lender has been obtained:
  - (i) Freehold flats and maisonettes (other than in Scotland);
  - (ii) Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985 or unfit for human habitation under the Housing (Northern Ireland) Order 1981 or the Housing (Scotland) Act 1987;
  - (iii) Properties containing mundic block materials;
  - (iv) All pre-cast concrete construction;
  - (v) Concrete construction (except in-situ poured concrete);
  - (vi) Properties with high alumina cement construction;
  - (vii) Properties of Cleveland Shale Construction;
  - (viii) Steel frame Construction pre 1990;
  - (ix) Properties with agricultural restrictions;
  - (x) Properties of 100 per cent. timber construction; and
  - (xi) Prefabricated buildings.
- (e) Each Property offered as security will have been valued either (i) by a qualified surveyor (MRICSRICS/FRICS/Tech RICS qualification) chosen from a panel of valuation firms approved by

the lender or (ii) in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans.

- (f) At the time of completion, the relevant Property must have been insured under a buildings insurance policy with the interest of the lender noted on the insurance schedule. Buildings insurance must be arranged with a reputable insurance company agreed to by the lender in an amount not less than the full reinstatement value determined at or around the time the related loan was made.

### ***Loan Amount***

A mortgage loan at the time of completion should not exceed £1,000,000 (or £1,500,000 in aggregate for buy to let loans) at any time during the life of the loan.

### ***Loan to Value***

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

### ***Term***

No loan may have a term of less than 5 years or more than 40 years.

### ***Borrowers***

- (a) Borrowers must have been at least 18 years of age prior to completion of the loan for residential loans and 21 years of age in respect of buy to let loans.
- (b) A maximum number of four Borrowers are allowed to be parties to a loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) Search supplied by credit reference agency;
  - (ii) Confirmation of voters roll entries;
  - (iii) References from current employers or payslips;
  - (iv) Accountant's certificate;
  - (v) References from current and/or previous lenders;
  - (vi) Bank statements; and
  - (vii) References from current and previous landlords.
- (d) Applications where a county court judgment (or its Scottish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a bankruptcy order (or its Scottish equivalent) ("**BO**") or individual voluntary arrangement (or its Scottish equivalent) ("**IVA**") are acceptable under the MPG Lending Criteria. Explanations for CCJs, Court Decrees and arrears

are not required; however, explanations for bankruptcy and IVAs will have been obtained from the Borrower in writing. Generally, a CCJ will have been ignored if it (i) was registered not less than two years before the Borrower's application for a mortgage loan, (ii) was satisfied before the Borrower's application for a mortgage loan or (iii) related to a sum of not more than £100.

- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge (or its Scottish equivalent) unless the bankruptcy had been discharged for more than 3 years. Borrowers who were the subject of an IVA must have provided a confirmation of satisfactory conduct of the IVA where appropriate. If the Borrower was previously subject to an IVA before making an application for a mortgage loan, confirmation will have been obtained that the IVA had expired or a reference obtained from the trustee in bankruptcy confirming satisfactory conduct for at least the 6 months prior to application.

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

### ***Income and Affordability***

#### ***Owner Occupied Loans***

Depending on the loan type, owner occupied loans are tested by reference to income multiples and affordability. An application must have a minimum single applicant income of £10,000 and a minimum joint applicant income of £15,000.

#### ***Income Multiples and Debt Ratio Based Affordability***

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers, pensions, investments and rental income, and other monies approved by the lender.
- (b) The principal amount of any mortgage loans advanced will not exceed the higher of 3.50 times the assessed income of the primary borrower plus one times the assessed income of any additional borrower(s), or 3.00 times the combined assessed incomes of the primary and secondary Borrower and, if necessary, one times the assessed income of any third or fourth Borrower.
- (c) Certain of the owner occupied loans may have been approved using a debt ratio based affordability test. The test provides for up to 45 per cent of an applicant's gross annual income (including the relevant loan payment) to be required to meet existing financial commitments including child maintenance and alimony, hire purchase commitments, other loans, credit card debts, CCJs and IVAs. If the percentage exceeds 50 per cent., then the application will normally be declined; however, Mortgages PLC Group may have approved such applications on a case-by-case basis.

#### ***Updated/Affordability***

Mortgages PLC Group introduced a new method of assessing borrower affordability using a model that took account of the following factors:

- (a) Income as given;
- (b) Less Income Tax and National Insurance calculated by MPLC using HMRC standard data;
- (c) Giving Net Income;



- (d) Expenditure;
- (e) New Mortgage payment always at repayment levels plus an interest rate loading of 1%;
- (f) Monthly payments due on all other credit as identified via a full credit search;
- (g) Other household expenditure using an independent calculation based on the number of individuals with the household;
- (h) Giving Total Expenditure;
- (i) If there was a surplus of £50 or more the affordability test was passed;
- (j) Income Multiples within the updated affordability model;
- (k) The maximum income multiples for full status applications were 5.2 for single and 5.1 for joint;
- (l) For self certification the multiples were reduced to 4.25 for single and 4 for joint; and
- (m) The model was introduced, as a pilot scheme in January 2005, then rolled out to full status loans throughout 2005, and then finally to self certified loans in April 2007. There was discretion to use the calculator on a self certified basis for some months prior to this.

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

- (a) Depending on the date of origination of the loan, one of the following rental assessment calculations would have been used:
- (b) 130% of the monthly payment on the revert rate on an interest only basis;
- (c) 100% of the monthly payment on the revert rate on the repayment type chosen; or
- (d) 120% of the monthly payment on the initial rate on an interest only basis.

The Borrowers' credit and employment history will have been assessed with the aid of one or more of the following:

- (a) Search supplied by credit reference agency;
- (b) Confirmation of voters roll entries or proof of residence;
- (c) References from current and/or previous lenders;
- (d) Bank statements; and
- (e) References from current and previous landlords.

#### ***Solicitors/Title Insurance Providers***

Any firm of solicitors acting on behalf of the lender on the making of each loan must have (i) at least two practising partners (if the firm is a partnership) and (ii) be registered with the relevant Law Society. The Title Insurance Provider in relation to the Loans is London & European Title Insurance Services Limited.

## ***Porting***

All mortgages are portable and can be transferred to a new property if required subject to a satisfactory valuation of that property.

## **Edeus Mortgage Creators Limited (in liquidation) Lending Criteria**

The following lending criteria (the "**Edeus Lending Criteria**") is a summary of the Edeus Lending Criteria that were applied (subject to such deviation made in accordance with the standard of a prudent residential mortgage lender) in respect of the Loans originated by Edeus Mortgage Creators Limited (in liquidation) in the Portfolio. Capitalised terms used in this section are used in respect of the Edeus Lending Criteria only, unless the context otherwise requires.

### **General Lending Principles**

- (a) All mortgage loans other than self-funding buy-to-let mortgage loans (excluding to first time buyers) must pass affordability. The income multiples applied cannot exceed five times the gross income of the two highest income earners.
- (b) Income
  - (i) Employed applicants - the annual income may comprise; basic salary (including shift allowance), large town allowance, mortgage subsidy, car allowance, regular or guaranteed overtime/bonus/commission.
  - (ii) Self-employed applicants - annual income will be assessed from the accounting information supplied. Provided the income is steadily increasing the income taken will generally be the net profit from the latest year's accounts.
  - (iii) Pension – personal, occupational, disability or state pension can be included.
  - (iv) Rental / Investment Income – income from rental property (once any mortgages have been deducted) and investments may be included.
  - (v) Mortgage Loan Term - Each mortgage loan must have an initial term of between 5 and 40 years.
- (c) Borrowers
  - (i) Borrowers must have been at least 18 years of age and no older than 65 years of age if employed or 70 years of age if self-employed prior to completion of the mortgage loan.
  - (ii) A maximum number of 4 borrowers are allowed for each mortgage loan.
  - (iii) Residential History - A three year residential address history is required in all cases.

## ***Property***

- (a) All property must comprise a single residential dwelling unit, i.e. shared living accommodation/kitchen/bathroom etc. However, if both the application and the property are of suitable quality, a "granny annexe" may be considered suitable, subject to valuers comments.
- (b) New built property will have the benefit of a NHBC, Zurich, premier guarantee or Building Life Plans. Properties built less than 10 years ago without standard certification must be referred to the valuer for their comments as to saleability etc.

- (c) The following types of property are usually deemed unacceptable:
- (i) Studio Flats.
  - (ii) Properties designated as defective under Part XVI Housing Act 1985 or Pre-Cast Reinforced Concrete (PRC) property (irrespective of whether repaired under a licensed repair scheme).
  - (iii) Properties constructed with high-alumina cement, timber framed property with no brick skin or 100% steel or timber framed property.
  - (iv) Property where material environmental hazards are present.
  - (v) Any property of Modern Method of Construction (MMC) a POD type construction where units are built off site, craned onto site and secured and serviced connected etc, then external clad.
  - (vi) Any property containing Mundic concrete that does not have an "A" classification.
  - (vii) Freehold flats and maisonettes. However applications may be acceptable where the applicant owns/will own the freehold and a long lease(s) is granted to the other units. If any doubt exists refer to a senior underwriter.
  - (viii) Property where commercial usage exceeds 20%. The commercial element should not extend to light engineering, manufacturing, livestock, rearing or caring for domestic animals.
  - (ix) Any property deemed unsuitable security by the valuer.
  - (x) Any property deemed in multiple occupation (HMO).
  - (xi) Any property where there is on-going movement/monitoring is required.
  - (xii) Ex-local authority flats or maisonettes.
  - (xiii) Mobile homes & houseboats.
  - (xiv) Grade I listed buildings.
  - (xv) Property whose saleability may be adversely affected by local planning or by an unsatisfactory mining search.
- (d) Suitable buildings insurance should be in place at completion (remortgage) or at exchange (purchase) and will be a condition of the offer that the solicitor must address.

### ***Validation***

- (a) Mortgage Conduct - Twelve months satisfactory mortgage conduct may be required under certain circumstances.
- (b) Bank statements - Three months consecutive bank statements may be required to assess an applicant's financial status.
- (c) Employment - a minimum of 12 months employment history for all employed applicants.

- (d) Self-employment - Where accounts are required, two years accounting information should be inspected and income derived. An accountant's certificate may also be acceptable depending on mortgage loan size.
- (e) For all re-mortgages we must establish the amount of capital being raised and its purpose. We must also ensure that independent legal advice is sought.

### ***Lettings Requirements***

- (a) Rental cover - Rental cover is calculated on an interest-only basis at the pay-rate of the product selected.
- (b) Letting Criteria - The property may be let under a single Assured Shorthold Tenancy or a contractual tenancy.
- (c) Multiple lets are unacceptable.

### ***Porting***

- (a) Six months is allowed from redemption of one mortgage loan to the completion of the new mortgage loan if the early repayment charge is to be refunded.
- (b) Porting and topping up - The new mortgage loan is taken on the same terms as the current mortgage loan with regards to the product available.

### ***Mortgage Loan Amount***

- (a) Mortgage loans must be at least £25,001. Mortgage loans will not exceed £10,000,000 at any time during the life of the loan.
- (b) Minimum property value of £40,000 or £75,000 in London postcode districts.
- (c) Must have been resident in UK for last twelve months.

### **Wave Lending Limited Lending Criteria**

The following criteria, subject to limited exceptions, (the "**Wave Lending Criteria**") will have been applied in respect of the Loans comprised in the Portfolio originated by Wave Lending Limited. Capitalised terms used in this section are used in respect of the Wave Lending Criteria only, unless the context otherwise requires.

### ***Security***

- (a) Each mortgage loan (other than Right to Buy Loans (as defined below)) must be secured by first charge by way of legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (at least 25 years longer than the mortgage term and at least 50 years at the date of application) in England or Wales (the "**English Property**") or secured by a first ranking standard security (a "**Scottish Mortgage**") over residential property held on heritable tenure and located in Scotland (a "**Scottish Property**") or secured by a first legal mortgage (which can also be called a charge in cases of title registered in the Land Registry of Northern Ireland) (a "**Northern Irish Mortgage**") over a freehold or long leasehold residential property (at least 99 years at the date of application) located in Northern Ireland (a "**Northern Irish Property**") (the Northern Irish Property the Scottish Property and the English Property are collectively defined as the "**Property**" or the "**Properties**").

- (b) Only Property of acceptable construction intended for use wholly or partly as a principal place of residence or let (in relation to English Property) under an assured shorthold tenancy or (in relation to Scottish Property) a short assured tenancy and (in relation to English Property, Scottish Property and Northern Irish Property) under a tenancy agreement which would be acceptable to a Reasonable, Prudent Residential Mortgage Lender, is acceptable. A Property which may be let as a holiday letting is not acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC or architect's certificate, Foundation 15, Premier Guarantee or Zurich New Building Certificate or BLP Certificate.
- (d) The following types of Property are deemed unacceptable as security:
  - (a) Freehold flats and maisonettes (other than residential flats and maisonettes (which are not ex local authority) held on heritable tenure and located in Scotland);
  - (b) Properties designated as defective under the Housing Defects Act 1984, the Housing Act 1985, the Housing (Scotland) Act 1987 or the Housing (Northern Ireland) Order 1986;
  - (c) Ex-local authority flats and maisonettes (except where the Property has been individually considered by an appropriate higher mandate holder);
  - (d) Properties with restrictions as to occupancy;
  - (e) Steel frame construction unless built after 1987;
  - (f) Prefabricated buildings;
  - (g) Properties underpinned within the last ten years (such properties may be acceptable upon receipt of guarantees, etc.);
  - (h) Properties with shared ownership/equity where the Borrower or Borrowers own less than 100 per cent. of the Property;
  - (i) Flying freehold (elements of flying freehold can be considered providing the relevant valuer confirms that the flying freehold is less than 15 per cent. of the total property);
- (e) Each Property offered as security will have been valued by a Royal Institution of Chartered Surveyors qualified surveyors chosen from a panel of valuation firms approved by Wave Lending Limited.
- (f) At the time of completion, the relevant Property must have been insured under a Third Party Policy unless such property is insured under the terms of the lease.
- (g) Life cover is not required for loans.

### ***Mortgage Loan Amount***

The mortgage loan at the time of completion must be at least £25,000 (or, for credit agreements made before 1 May 1998, over the financial limit then in force under the Consumer Credit Act). The initial loan will not exceed £2,800,000 (including Further Advances).

### ***Loan to Value***

- (a) The Loan to Value Ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the loan by the lower of the valuation of the Property or the purchase price of the Property.
- (b) On the date of the initial advance and/or, as the case may be, any Retention is made to the Borrower, the LTV of a loan must be no more than 90 per cent. (exclusive of any arrangement fee which may be added to the loan).

### ***Term***

Each mortgage loan must have an initial term of a maximum of 40 years subject to full repayment by the Borrower's 75th birthday, except in the case of buy to let where the mortgage loan has been considered by an appropriate higher mandate holder and/or there being at least 25 years left on a lease at the end of the term in the case of leasehold security.

### ***Borrowers***

- (a) Borrowers must be individuals, and have been at least 18 years of age at the time of application.
- (b) A maximum number of four borrowers are allowed to be parties to a loan although only two incomes will be used for affordability on residential properties.
- (c) The borrowers' credit and employment history will have been assessed with the aid of one or more of the following:
  - (a) Search supplied by credit reference agency;
  - (b) Confirmation of voters roll entries or proof of residency;
  - (c) Reference from current employers;
  - (d) Accountants certificate;
  - (e) Reference from current lenders;
  - (f) Reference from current landlords;
  - (g) Last three months pay slips and P60; and/or
  - (h) Such other verification methods by fax and telephone.
- (d) Where satisfaction of a CCJ is a condition precedent to the making of the loan, a certificate of satisfaction must have been provided or confirmation of satisfaction is shown on the relevant credit reference search.

- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA must have provided a confirmation of satisfactory conduct of the IVA where appropriate.
- (f) Explanations for CCJs, BOs, IVAs and arrears may be requested by Wave Lending Limited where it considers that this is appropriate.
- (g) Occupiers of the relevant Property aged 17 or over at the date of implementation of the mortgage loan must complete a Deed of Consent. This requirement does not apply under Scottish law.

**Income**

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self employed Borrowers (holding at least 25 per cent. of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by an authorised officer of Wave Lending Limited.
- (b) Since its launch, Wave Lending Limited has operated a scheme where mortgage loans (other than buy to let mortgage loans) are based on affordability and not income multiples (the "**Affordability Loan Product**"). Affordability is determined through the use of a calculator that takes account of fixed liabilities, current taxation and cost of living as well as applying an interest rate stress test. This allows flexibility in the borrowing capability of the net income and does not restrict the mortgage loan amount to standard multiples.
- (c) In respect of buy to let rental and earned loans - SOLO, the principal amount advanced will not exceed three and one-half times the assessed income of the Borrower or if more than one Borrower, three times the Assessed Income (as defined below) of the primary Borrower plus one times the Assessed Income of any second, third or fourth Borrower(s), or two and three quarter times the combined Assessed Incomes of the primary and secondary Borrowers. In order to calculate the assessed income of any Borrower the following amounts will be deducted from the sum of an applicant's income and gross rental payments (as assessed by the valuer): (i) 7.50 per cent. of any existing residential mortgage balance; (ii) an amount equal to 12 times 5 per cent. of any credit card balances; and (iii) an amount equal to 12 months payments under any hire-purchase arrangements or outstanding mortgage loans of the Borrower (such calculation giving the "Assessed Income" of the Borrower). Where there is more than one Borrower, such deductions are taken from the income of the Borrower with the highest income.
- (d) In respect of buy to let rental income only loans, that the rental payment received by the Borrower in respect of the relevant Property is at least 100 per cent. of the Borrower's monthly interest payments under the mortgage loan on or around application of the mortgage loan.
- (e) In respect of buy to let rental and earned loans – Multi, the principal amount advanced will not exceed:

$$[A-B-C] + [D + E] - [F+G+H+I] \text{ LESS } [K+L+M]$$

$$J+1.25 \text{ per cent.}$$

Where:

A = annual income x 35 per cent.

B = any monthly loan payments x 12.

C = any credit card debt x 1 per cent. x 12.

D = monthly rental income of existing Buy to Let property x 12.

E = monthly rental income of the new Buy to Let property x 12.

F = any agent costs with respect to the new Buy to Let Property consisting of total annual rent x 10 per cent.

G = any insurance costs with respect to the new Buy to Let Property consisting of the property figure x 0.33 per cent.

H = any maintenance costs with respect to the new Buy to Let Property consisting of the property figure x 0.5 per cent.

I = the average void weeks consisting of the total annual rent x 3.6/52.

J = Bank of England base rate.

K = any residential mortgage balance.

L = existing Buy to Let mortgage exposure.

M = new Buy to Let mortgage exposure.

Wave Lending Limited may take into account only the projected rental income, as confirmed by the valuer, on the rented property when considering whether to make a buy to let mortgage loan to a Borrower ("**Buy to Let – rental income**") or may take into account both the projected rental income, as confirmed by the valuer, on the rented property as well as the surplus income of the Borrower which will be available to make repayments on the rented property ("**Buy to Let – rental and earned SOLO and MULTI**").

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

Wave Lending Limited may offer loans which are made to homeowners who wish to let their existing residential property to third parties and buy another property elsewhere ("**Let to Buy Loans**"). The terms of the Let to Buy Loans are governed by the Lending Policy for Owner Occupied Property. Wave Lending Limited does not take security over the existing residential property but may take into account the surplus projected rental income on the rented property (after repayments of the existing loan) when considering whether to make a Let to Buy Loan to a Borrower.

### **General provisions applicable to the Moorgate Loans**

#### *Changes to Lending Criteria and Mortgage Documents*

Subject to obtaining any relevant consents, the Legal Title Holders as lender of record in respect of the Moorgate Loans or the Servicer on behalf of the Legal Title Holders may vary the MPG Lending Criteria, the Edeus Lending Criteria or the Wave Lending Criteria (each, as relevant, the "Lending Criteria") or the basis on which consents or approvals are given to borrowers from time to time and the Servicer may vary the service specification and in doing so it must act as a Prudent Mortgage Servicer.



### *Valuation*

Investors should be aware that, other than the valuation of Properties undertaken as at origination, no revaluation of any Property has been undertaken by the Seller, the Legal Title Holders, the Issuer, the Servicer, the Trustee or any other person in respect of the issue of the Notes and the valuations quoted are at the date of the original mortgage loan origination.

### *Moorgate Enforcement Procedures*

The Moorgate Servicer has established procedures to adhere to when managing mortgage loans that are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing, agreeing payment plans with the related Borrower and deciding to take or not to take enforcement action against the Borrower and/or in respect of the Property. These same procedures as from time to time varied in accordance with the practice of a Prudent Mortgage Servicer as dictated by the Servicer will continue to be applied in respect of arrears arising on the mortgage loans. In this context, the Moorgate Enforcement Procedures will be operated by the Moorgate Servicer.

**"Moorgate Enforcement Procedures"** means the procedures determined by the Moorgate Legal Title Holders relating to the exercise of the rights and remedies against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with his or her Moorgate Loan or related security as described in the Service Specification.

**"Prudent Mortgage Servicer"** means a leading residential mortgage servicer who is acting prudently in servicing residential mortgage loans and their collateral security in respect of residential property in England and Wales, Scotland and Northern Ireland and which have in all material respects the same or similar characteristics to the Portfolio and are administered to standards, criteria and procedures as ought to have been applied in relation to the Portfolio or, if the relevant content in the relevant Servicing Agreement relates to a specific Loan, as ought to have been applied in relation to such Loan.

## B. THE RMS 25 LOANS

### Characteristics of the RMS 25 Loans

#### *Repayment Terms*

The RMS 25 Loans have different repayment methods, as described as follows:

- (a) *Repayment*: an RMS 25 Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that RMS 25 Loan (a "**Repayment RMS 25 Loan**") the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.
- (b) *Interest-only*: an RMS 25 Loan under the terms of which the Borrower is only obliged to pay interest during the term of that RMS 25 Loan (an "**Interest-only RMS 25 Loan**") with the entire principal amount being payable only upon the relevant maturity date. As the principal amount associated with an Interest-only RMS 25 Loan is repayable only upon the maturity of the RMS 25 Loan, a life insurance or endowment policy or other repayment vehicle may have been taken out by a Borrower as a means of repayment of the RMS 25 Loan. However, the Originators will not have required the Borrower to provide evidence as to the existence of any such policies (to the extent that such a policy was required as a condition of the related RMS 25 Loan) and such policies are not charged by way of collateral security.
- (c) *Part Repayment and Part Interest Only*: an RMS 25 Loan under the terms of which the mortgage loan is effectively separated (at the option of the Borrower) into two principal amounts, one in respect of which the Borrower pays interest only and the other in respect of which the Borrower pays interest and principal. Monthly payments in respect of such mortgage loans (each, a "**Part and Part RMS 25 Loan**") are comprised of the interest due on both portions of the RMS 25 Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal.

19.36 per cent. of the RMS 25 Loans in the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Repayment RMS 25 Loans, 80.64 per cent. of the RMS 25 Loans in the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Interest-Only RMS 25 Loans and 0.00 per cent. of the RMS 25 Loans in the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Part and Part RMS 25 Loans. As of the Portfolio Reference Date, there are 35 mortgage loans (9 of which are RMS 25 Loans) in the Provisional Portfolio where the relevant Borrower have not repaid the outstanding principal amount in respect to the relevant mortgage loan on the relevant loan maturity date, resulting in an aggregate Outstanding Principal Balance of £4,692,682.05 (constituting 1.15 per cent. of the Provisional Portfolio).

#### *Interest Rate Setting for Loans*

The applicable rate of interest accruing under each RMS 25 Loan is referred to as the "**Mortgage Rate**". The Provisional Portfolio consists of:

- (a) mortgage loans under the terms of which interest is payable at a variable rate of interest which is set quarterly at three-month LIBOR plus a margin (a "**LIBOR Standard RMS 25 Loan**");
- (b) mortgage loans under the terms of which interest is payable at a standard variable rate set by the lender as LIBOR (the "**Standard Variable Rate**" or "**SVR**") plus a margin (the "**Standard Variable Rate RMS 25 Loans**");

- (c) mortgage loans under the terms of which the interest rate payable is linked to the Bank of England's Base Rate ("**Bank Base Rate**" or "**BBR**") plus a margin and is reset in accordance with changes in the Bank of England's base rate ("**BBR RMS 25 Loans**" and, together with the Standard Variable Rate RMS 25 Loans, the "**Variable Rate RMS 25 Loans**");
- (d) mortgage loans under the terms of which the interest rate payable is discounted from the Standard Variable Rate or the Bank Base Rate either (i) by a fixed amount either (1) to a fixed date, or (2) for a period of 12 months from the date of completion of the mortgage loan; or (ii) at a stepped rate over three years; in each case plus a margin ("**Discount Loans**"). "**Rolling Discount**" loans and Discount Loans will have a reduced margin payable over the relevant base rate for either a pre-established length of time or until a specified date, respectively. "**Stepped Discount**" loans feature a reducing balance on one or more dates between completion and the final reversion date according to a specified schedule. The period during which the discount exists for each RMS 25 Loan is known as a "**Discount Period**". At the end of the Discount Period, the interest rate payable on such loans by a Borrower is either a Standard Variable Rate or a Bank Base Rate plus a margin. As at the date of the Prospectus, the Discount Period for all relevant Discount Loans and Rolling Discount loans has expired and such loans are now paid by reference to a Standard Variable Rate or a Bank Base Rate; and
- (e) mortgage loans under the terms of which the interest rate payable is fixed for a certain period ("**Fixed Rate Loans**" and, together with the Variable Rate RMS 25 Loans and the Discount Loans, the "**RMS 25 Loans**"). The period during which the rate is fixed is known as the "**Fixed Rate Period**". Fixed Rate Loans where the Fixed Rate Period is for two years from the date of completion of the mortgage loan are known as "**2 Year Fixed Rate Loans**". At the end of the Fixed Rate Period, the interest rate payable on such loans by the Borrower is a Standard Variable Rate plus a margin. As at the date of the Prospectus, all Fixed Rate Loans have reverted to a Standard Variable Rate plus a margin.

### ***Monthly Payment Dates***

All Borrowers are obliged to make monthly payments of interest and, if applicable, principal as required by the conditions of the Loans contained in the relevant Mortgage Conditions. The Loans have payment dates throughout the month.

### ***Mortgage Early Repayment Charges***

Under the terms of each RMS 25 Loan, the Borrower is also obliged to pay a compensation payment if the RMS 25 Loan is redeemed within three years of the date of the advance to the Borrower (a "**Mortgage Early Redemption Amount**").

As at the date of the Prospectus, the period within which Mortgage Early Redemption Amounts are chargeable have expired. Hence no Mortgage Early Redemption Amounts will accrue in respect of the RMS 25 Loans.

### ***Lending Criteria***

#### ***RMS 25 Mortgage Portfolio 1 Lending Criteria***

The following lending criteria (the "**RMS 25 Mortgage Portfolio 1 Lending Criteria**") is a summary consolidating each of the lending criteria applied in relation to the Loans originated by KMC and Money Partners Limited which are in the Portfolio. Capitalised terms used in this section are used in respect of the RMS 25 Mortgage Portfolio 1 Lending Criteria only, unless the context otherwise requires.

## ***Security***

- (a) Each Loan must be secured by a first charge by way of legal mortgage (a "**Mortgage**") over a freehold or long leasehold residential property (usually at least 35 years longer than the mortgage term) in England or Wales (the "**Property**").
- (b) Only Property of standard construction intended for use as the owner's principal place of residence or let under an assured shorthold tenancy is acceptable.
- (c) Properties under 10 years old will have the benefit of an NHBC, Zurich, Zurich Municipal or Premier Guarantee warranty or insurance or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of property are deemed unacceptable as consent of the Originator has been obtained:
  - (i) Ex local authority flats or maisonettes;
  - (ii) Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985;
  - (iii) Properties containing mundic block materials;
  - (iv) Properties of 100 per cent. timber construction;
  - (v) High rise flats;
  - (vi) Studio flats; and
  - (vii) Steel framed properties.
- (e) Each Property offered as security will have been professionally valued by a valuer chosen from a panel of valuation firms approved by the lender. In addition, where the value of the security is in excess of £500,000 an automated valuation of the property securing the mortgage loan will have been provided by Hometrack Data Systems Limited.
- (f) At the time of completion, the relevant Property must either have been insured under a Block Buildings Policy either (i) in the joint names of the mortgagor and the lender or (ii) with the interest of the lender (as mortgagee) endorsed or deemed noted thereon or (iii) in the name of the lender alone or, in the case of leasehold property, covered by a landlord's building insurance policy, with the interest of the lender endorsed or deemed noted thereon, in each case with a reputable insurance company agreed to by the lender and to an amount not less than the full reinstatement value determined at or around the time the related loan was made.

## ***Loan Amount***

A loan will not exceed £1,000,000 at any time during the life of the loan.

## ***Loan to Value***

- (a) The loan to value ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the Loan (exclusive of any arrangement fee which may be added to the loan) (the "Maximum LTV") by the valuation of the Property at origination of the loan or, in some cases, the lower of such valuation and the sale price.

- (b) The LTV of each loan at the date of the advance must be no more than 90 per cent.

### ***Term***

No loan may have a term of less than 5 years and more than 30 years.

### ***Borrowers***

- (a) Borrowers must have been at least 18 years of age prior to completion of the loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of the following:
- (i) Search supplied by credit reference agency;
  - (ii) Confirmation of voters roll entries;
  - (iii) References from current employers;
  - (iv) Accountant's certificate;
  - (v) References from current and/or previous lenders; and
  - (vi) References from current and/or previous landlords.
- (d) Where a County Court Judgment (a "CCJ") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a bankruptcy order ("BO") or individual voluntary arrangement ("IVA"), explanations should have been provided. Generally, a CCJ will be acceptable without an explanation if it (i) was registered not less than two years before the Borrower's application for a loan, (ii) was satisfied more than 12 months before the Borrower's application for a loan and (iii) related to a sum of not more than £100.
- (e) A written explanation for any loan or rent arrears from the applicant must accompany any application with a history of arrears and the relevant underwriter must have been satisfied that the problems that caused the arrears situation were unlikely to reoccur following completion of the new loan.
- (f) With respect to those Borrowers who were the subject of a BO or IVA, the relevant underwriter must have been satisfied that the problems that led to the BO or IVA were historic.

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

### ***Income and Affordability***

#### ***Owner Occupied Loans***

Loans originated by KMC were tested by reference to income multiples. Loans originated by Money Partners Limited and acquired by KMC were tested by reference to affordability. The minimum annual income of the principal applicant must be £10,000 and where a joint application is made a minimum joint annual income of £10,000 was acceptable.

### ***Income Multiples***

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers (holding at least 25 per cent. of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by the lender. Rental income is determined by reference to the application form and supporting documentation including where appropriate the opinion of a valuer or a reputable independent letting agent.
- (b) The principal amount of any loans advanced by KMC will not exceed the higher of 3.50 times the assessed income of the primary borrower plus one times the assessed income of any secondary borrower(s), or 3.00 times the combined assessed incomes of the primary and secondary borrowers.

### ***Affordability***

The affordability test provides for up to 60 per cent. of an applicant's gross monthly income to be required to meet existing financial commitments. Serviceability is then calculated on the 40 per cent. of gross income remaining, taking into account all usual living expenses.

The monthly interest payment used is based on the higher of the fixed rate monthly interest payment payable on the loan and the interest payment calculated on the interest rate that would apply to the loan after the expiry of the fixed rate period (the "**Reversionary Rate**") plus 2 per cent. on the loan at the time the loan was underwritten.

Existing financial commitments include child support payments, alimony or maintenance payments, overdrafts, personal loans and mortgages on other properties or second mortgages not to be refinanced.

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

- (a) Rental income is determined by reference to the application form and supporting documentation, including where appropriate the opinion of a valuer or a reputable independent letting agent. It is the monthly amount a Property is let for or may reasonably be let for.
- (b) The assessed rental income must be equivalent to 120 per cent. (or greater) of the higher of the assessed monthly interest payment and the interest payment based on the Reversionary Rate plus 1 per cent. on the loan at the time the loan was underwritten.

### ***Solicitors/Title Insurance Providers***

Any firm of solicitors acting on behalf of the lender on the making of each loan must be registered with the Law Society of England and Wales and have at least two practising partners.

### ***Further Advance***

Any further advances are considered on the same terms as the original mortgage product criteria. In addition, the lender will have regard to any previously undiscovered CCJs, which will be acceptable if the CCJs total no more than £1000 and a satisfactory explanation has been provided. In addition, a maximum of one missed payment in the last 12 months will be acceptable if the Borrower has provided a satisfactory explanation and there are no post completion CCJs being taken into account.

## ***RMS 25 Mortgage Portfolio 2 Lending Criteria***

The following lending criteria (the "**RMS 25 Mortgage Portfolio 2 Lending Criteria**") is a summary consolidating each of the lending criteria applied in relation to the Loans originated by KMC which are in the Portfolio. Capitalised terms used in this section are used in respect of the RMS 25 Mortgage Portfolio 2 Lending Criteria only, unless the context otherwise requires.

### ***Security***

- (a) Each loan must be secured by a first priority legal mortgage (a "**Mortgage**") over a freehold or long leasehold residential property (usually at least 35 years longer than the mortgage term) in England or Wales (the "**Property**").
- (b) Only Property of standard construction intended for use as the owner's principal place of residence or let under an assured shorthold tenancy is acceptable.
- (c) Properties under 10 years old will have the benefit of an NHBC warranty, BLP Limited Guarantees, or Premier Guarantee warranty or an architect's certificate.
- (d) The following are examples of types of property which are deemed unacceptable as security unless the prior written consent of the lender has been obtained:
  - (a) Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985;
  - (b) Properties containing mundic block materials;
  - (c) Properties of 100 per cent. timber construction;
  - (d) High rise flats (over four storeys);
  - (e) Studio flats; and
  - (f) Basement flats.
- (e) Each Property offered as security will have been professionally valued by a valuer chosen from a panel of valuation firms approved by the lender.
- (f) At the time of completion, the relevant Property must have been insured by the Borrower under an insurance policy to an amount not less than the full reinstatement value determined at or around the time the related Loan was made.

### ***Loan Amount***

A loan will not exceed £500,000 at any time during the life of the loan.

### ***Loan to Value***

- (a) The loan to value ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the loan (exclusive of any arrangement fee which may be added to the loan) (the "**Maximum LTV**") by the valuation of the Property at origination of the loan or, in some cases, the lower of such valuation and the sale price.
- (b) The LTV of each loan at the date of the advance must be no more than 80 per cent.

### ***Term***

No loan may have a term of less than 5 years and more than 30 years.

### ***Borrowers***

- (a) Borrowers must have been at least 18 years of age prior to completion of the loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of the following:
  - (a) Search supplied by credit reference agency;
  - (b) Confirmation of voters roll entries;
  - (c) References from current employers;
  - (d) Accountant's certificate;
  - (e) References from current and/or previous lenders; and
  - (f) References from current and/or previous landlords.
- (d) Where a county court judgment ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a bankruptcy or party to an individual voluntary arrangement, explanations should have been provided. Generally, a CCJ will be acceptable without an explanation if it was registered not less than two years before the Borrower's application for a loan.
- (e) A written explanation for any loan or rent arrears from the applicant must accompany any application with a history of arrears and the relevant underwriter must have been satisfied that the problems that caused the arrears situation were unlikely to reoccur following completion of the new loan.

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

### ***Income and Affordability***

#### ***Owner Occupied Loans***

Owner occupied loans are tested by reference to affordability and income multiples and the amount of any loan (excluding completion fees added to the loan) may not exceed the lower of (A) the maximum loan amount calculated by reference to affordability and (B) the maximum loan amount calculated by reference to income multiples. The minimum annual income of the principal applicant must be £10,000, although where a joint application is made a minimum joint annual income of £16,000 is acceptable.

#### ***Affordability***

Having established the level of income attributable to each applicant, existing financial commitments over and above normal household expenditure will be annualised and deducted from this figure to determine the net disposable income to be used in the affordability calculation. The affordability calculation provides for up to 50 per cent. of an applicant's net disposable income to be required to meet existing financial



commitments. Serviceability is then calculated on the 50 per cent. of net disposable income remaining, taking into account all usual living expenses. This calculation is designed to stress test the reversionary interest rate used to assess the applicant's ability to service the loan both at the time of application and in the future.

Existing financial commitments include child support payments, alimony or maintenance payments, overdrafts, school fees, personal loans and mortgages on other properties or second mortgages not to be refinanced.

Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers (holding at least 25 per cent. of the issued share capital of the company or a sole trader), pensions, investment income, and other monies approved by the lender.

The principal amount of any loans will not exceed the lower of (A) the maximum loan amount calculated in accordance with the calculation methods set out under the section "RMS 25 Mortgage Portfolio 2 Lending Criteria – Affordability" and (B) the maximum loan amount being 4.00 times the assessed income of the primary borrower plus one times the assessed income of any secondary borrower(s).

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

- (a) Rental income is determined by reference to the application form and supporting documentation, including where appropriate the opinion of a valuer or a reputable independent letting agent. It is the monthly amount a Property is let for or may reasonably be let for.
- (b) The assessed rental income must be equivalent to 125 per cent. (or greater) of the assessed monthly interest payment on the loan at the time the loan was underwritten.

#### **Solicitors/Title Insurance Providers**

Any firm of solicitors acting on behalf of the lender on the making of each loan must be registered with the Law Society of England and Wales and have at least three practising partners.

#### **Further Advance**

A Borrower may be eligible for a further advance 3 months after completion of the original loan and if the Borrower has not missed any payments in the preceding 12 months. Any further advances are considered on the same terms as the original mortgage product criteria.

#### **RMS 25 Mortgage Portfolio 3 Lending Criteria**

The following lending criteria (the "**RMS 25 Mortgage Portfolio 3 Lending Criteria**") is a summary consolidating each of the lending criteria applied in relation to the Loans originated by Mortgages 1 Limited which are in the Portfolio. Capitalised terms used in this section are used in respect of the RMS 25 Mortgage Portfolio 3 Lending Criteria only, unless the context otherwise requires.

#### **Security**

- (a) Each loan must be secured by a first ranking legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (usually at least 35 years longer than the mortgage term, in England or Wales) (the "**English Property**") or secured by a first priority standard security, (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 35 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") (the Scottish

Mortgages and the English Mortgages are collectively defined as the "**Mortgages**" and the Scottish Property and the English Property are each a "**Property**" and are collectively defined as the "**Properties**").

- (b) Only Property intended for use as the owner's principal place of residence or let under an assured shorthold tenancy (or, in Scotland, a short assured tenancy) with a term of six or twelve months is acceptable.
- (c) Properties under 10 years old will have the benefit of an NHBC warranty, Foundation 15, architect's certificate, Zurich New Building certificate or Premier Guarantee warranty.
- (d) The following are examples of types of property which are deemed unacceptable as security unless the prior written consent of the lender has been obtained:
  - (a) Freehold flats and maisonettes (other than former feudal flats in Scotland);
  - (b) Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985 or the Housing (Scotland) Act 1987;
  - (c) Properties containing mundic block materials;
  - (d) Concrete construction (except in-situ poured concrete);
  - (e) Properties with agricultural restrictions;
  - (f) Properties of 100 per cent. timber construction; and
  - (g) Prefabricated buildings.
- (e) Each Property offered as security will have been valued either (i) by a qualified surveyor (MRICSRICS/FRICS/Tech RICS qualification) chosen from a panel of valuation firms approved by the lender or (ii) in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans.
- (f) At the time of completion, the relevant Property must have been insured under a buildings insurance policy with the interest of the lender noted on the insurance schedule. Buildings insurance must be arranged with a reputable insurance company agreed to by the lender in an amount not less than the full reinstatement value determined at or around the time the related loan was made.

### **Loan Amount**

A loan will not exceed £2,000,000 at any time during the life of the loan.

### **Loan to Value**

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

### **Term**

No loan may have a term of more than 40 years.

## **Borrowers**

- (a) Borrowers must have been at least 18 years of age prior to completion of the loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of the following:
  - (a) Search supplied by credit reference agency;
  - (b) Confirmation of voters roll entries;
  - (c) References from current employers;
  - (d) Accountant's certificate;
  - (e) References from current and/or previous lenders;
  - (f) Bank statements; and
  - (g) References from current and previous landlords.
- (d) Applications where a county court judgment (or its Scottish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a bankruptcy order (or its Scottish equivalent) ("**BO**") or individual voluntary arrangement ("**IVA**") (or its Scottish equivalent) are acceptable under the Lending Criteria. Explanations for CCJs, Court Decrees and arrears are not required; however, explanations for bankruptcy and IVAs will have been obtained from the Borrower in writing. Generally, a CCJ will have been ignored if it (i) was registered not less than two years before the Borrower's application for a loan, (ii) was satisfied before the Borrower's application for a loan or (iii) related to a sum of not more than £100.
- (e) Borrowers who were the subject of a BO (or its Scottish equivalent) must have provided a certificate of discharge (or its Scottish equivalent) unless the bankruptcy had been discharged for more than 3 years. Borrowers who were the subject of an IVA (or its Scottish equivalent) must have provided a confirmation of satisfactory conduct of the IVA (or its Scottish equivalent) where appropriate. If the Borrower was previously subject to an IVA before making an application for a loan, confirmation will have been obtained that the IVA had expired.

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

## **Income and Affordability**

### ***Owner Occupied Loans***

Depending on the loan type, owner occupied loans are tested by reference to income multiples and affordability. An application must have a minimum single applicant income of £10,000 and a minimum joint applicant income of £15,000.

### ***Income Multiples***

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers,

net profit plus any additional income confirmed by the accountant for self-employed Borrowers, pensions, investments and rental income, and other monies approved by the lender.

- (b) The principal amount of any loans advanced by Mortgages 1 Limited will not exceed the higher of 4.00 times the assessed income of the primary borrower plus one times the assessed income of any additional borrower(s), or 4.00 times the combined assessed incomes of the primary and secondary Borrower and, if necessary, one times the assessed income of any third or fourth Borrower.

### ***Affordability***

Certain of the owner occupied loans comprising RMS 25 Mortgage Portfolio 3 may have been approved using an affordability test. The test provides for up to 50 per cent. of an applicant's gross annual income (including the relevant loan payment) to be required to meet existing financial commitments. If the percentage exceeds 50 per cent., then the application will normally be declined; however, GMAC-RFC Limited may have approved such applications on a case by case basis.

Existing financial commitments include child maintenance and alimony, hire purchase commitments, other loans, credit card debts, CCJs and IVAs.

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

The assessed rental income must be equivalent to 100 per cent. (or greater) of the initial mortgage payment based on the relevant rate, on an interest only basis.

The following criteria must be met in respect of the Borrower's credit history:

- (a) No missed/late payments within last 12 months;
- (b) No defaults within the last 12 months;
- (c) No CCJs registered within the last 2 years;
- (d) No unsatisfied CCJs; and
- (e) No bankruptcy/IVA within last 2 years.

### ***Solicitors/Title Insurance Providers***

Any firm of solicitors acting on behalf of the lender on the making of each loan must have (i) at least two practising partners (if the firm is a partnership) and (ii) be registered with the relevant Law Society.

### ***Further advance***

Further advances will be considered providing that the mortgage has been maintained up to date for at least six months prior to the application. The total advance including the further advance must meet the product criteria. All of the RMS 25 Mortgage Portfolio 3 Lending Criteria will apply to the application and a new valuation will be required in all cases.

### ***Porting***

All mortgages are portable and can be transferred to a new property if required subject to a satisfactory valuation of that property.

### ***RMS 25 Mortgage Portfolio 4 Lending Criteria***

The following lending criteria (the "**RMS 25 Mortgage Portfolio 4 Lending Criteria**" and together with the RMS 25 Mortgage Portfolio 1 Lending Criteria, RMS 25 Mortgage Portfolio 2 Lending Criteria and the RMS 25 Mortgage Portfolio 3 Lending Criteria, the "**RMS Lending Criteria**") is a summary consolidating each of the lending criteria applied in relation to the Loans originated by GMAC-RFC Limited and which are in the Portfolio. Capitalised terms used in this section are used in respect of the RMS 25 Mortgage Portfolio 4 Lending Criteria only, unless the context otherwise requires.

#### ***Security***

- (a) Each loan must be secured by a first ranking legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (usually at least 30 years longer than the mortgage term, in England or Wales) (the "**English Property**") or secured by a first priority standard security, (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 30 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") (the Scottish Mortgages and the English Mortgages are collectively defined as the "**Mortgages**" and the Scottish Property and the English Property are each a "**Property**" and are collectively defined as the "**Properties**").
- (b) Only Property intended for use as the owner's principal place of residence or let under an assured shorthold tenancy (or, in Scotland, a short assured tenancy) with a term of six or twelve months is acceptable.
- (c) Properties under 10 years old will have the benefit of an NHBC, Zurich Municipal or Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following are examples of types of property which are deemed unacceptable as security unless the prior written consent of the lender has been obtained:
  - (a) Freehold flats and maisonettes (other than in Scotland);
  - (b) Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985 or the Housing (Scotland) Act 1987;
  - (c) Properties containing mundic block materials;
  - (d) Properties of 100 per cent. timber construction;
  - (e) Studio flats;
  - (f) Grade I listed buildings;
  - (g) Properties where commercial usage exceeds 40 per cent.; and
  - (h) Second homes and holiday homes.
- (e) Each Property offered as security will have been valued either (i) by a professionally qualified surveyor (ARICS/FRICS qualification) chosen from a panel of valuation firms approved by the lender or (ii) in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans.
- (f) Each Property must have been insured by the Borrower.

### ***Loan Amount***

A loan will not exceed £1,500,000 at any time during the life of the loan.

### ***Loan to Value***

- (a) The loan to value ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the loan (exclusive of any arrangement fee which may be added to the loan) (the "**Maximum LTV**") by the valuation of the Property at origination of the loan or, in some cases, the lower of such valuation and the sale price.
- (b) The LTV of each loan at the date of the advance must be no more than 97.5 per cent. For loans with an LTV above 85%, a higher lending charge of 7.5 per cent. would be added to the advance, provided that the total debt does not exceed 97.5% LTV.

### ***Term***

No loan may have a term of more than 30 years.

### ***Borrowers***

- (a) Borrowers must have been at least 18 years of age prior to completion of the loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of the following:
  - (a) Search supplied by credit reference agency;
  - (b) Confirmation of voters roll entries;
  - (c) References from current employers;
  - (d) Accountant's certificate;
  - (e) References from current and/or previous lenders; and
  - (f) Bank statements.
- (d) Applications where a county court judgment (or its Scottish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a bankruptcy order (or its Scottish equivalent) ("**BO**") or individual voluntary arrangement ("**IVA**") (or its Scottish equivalent) are acceptable under the Lending Criteria. Generally, a CCJ was ignored if it (i) was registered not less than three years before the Borrower's application for a loan, (ii) was satisfied more than 12 months before the Borrower's application for a loan or (iii) related to a sum of not more than £250.
- (e) Borrowers who were the subject of a BO (or its Scottish equivalent) must have provided a certificate of discharge (or its Scottish equivalent) and the applicant must have sufficient income to support the loan. Borrowers who were the subject of an IVA (or its Scottish equivalent) must have provided a confirmation of satisfactory conduct of the IVA (or its Scottish equivalent) where appropriate.

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

## **Income and Affordability**

### ***Owner Occupied Loans***

Depending on the loan type, owner occupied loans are tested either by reference to income multiples and affordability. An applicant must have a minimum income of £10,000.

### ***Income Multiples***

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers, pensions, investments and rental income, and other monies approved by the lender.
- (b) The principal amount of any loans advanced by GMAC-RFC Limited will not exceed 5.00 times the assessed income of any single borrower or 4.50 times the combined assessed incomes of joint borrowers.

### ***Affordability***

Certain of the owner occupied loans comprising RMS Mortgage Portfolio 4 may have been approved using an affordability test. The test provides for up to 55 per cent. of an applicant's gross annual income (including the relevant loan payment) to be required to meet existing financial commitments. If the percentage exceeds 55 per cent., then the application will normally be declined; however, GMAC-RFC Limited may have approved such applications on a case by case basis.

Existing commitments may be defined as loans, either secured (including rent) or unsecured, credit card/store card balances, hire purchase commitments, maintenance payments, or any other regular outgoing which is a committed draw upon income.

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

The assessed rental income must be equivalent to 100 per cent. (or greater) of the assessed monthly interest payment on the loan at the time the loan was underwritten.

### ***Solicitors/Title Insurance Providers***

Any firm of solicitors acting on behalf of the lender on the making of each loan must have (i) at least two practising partners (if the firm is a partnership) and (ii) indemnity insurance in place with minimum cover of £1,000,000; and (iii) the relevant solicitor has a current practising certificate.

### ***Further advance***

A Borrower is eligible for a further advance 6 months after completion of the original loan. Any additional further advance may be granted 6 months after the completion of the previous further advance.

### ***Porting***

A Borrower will not be eligible to port their existing mortgage until 3 months after completion of the original advance, or subsequent further advance.

### ***Title Insurance***

In respect of the RMS 25 Loans, either solicitors have carried out usual investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancers normally make

when lending to an individual on the security of residential property in England, Wales and Scotland and in each case received a certificate of title or report on title relating to such Property, or title insurance has been obtained. If title insurance was obtained, this will have been provided by First Title Insurance Plc or Enact Conveyancing Limited (each a subsidiary of First Title Limited).

The Issuer will have the benefit of the title insurance in respect of these RMS 25 Loans pursuant to the Mortgage Sale Agreement.

### **C. TERMS AND CONDITIONS – MOORGATE LOANS AND RMS 25 LOANS**

#### ***Further Advances***

The Originators could advance additional funds to Borrowers ("Further Advances") on the security of the Mortgages. However, from the Closing Date, neither the Issuer nor the Legal Title Holders will make any Further Advances.

#### ***Porting***

From the Closing Date, porting will not be permitted in respect of the RMS 25 Loans. If the relevant conditions are met in respect of the Moorgate Loans, porting may be permitted by the relevant Legal Title Holder pursuant to the Moorgate Servicing Agreement.

#### ***Retentions***

In cases where a property valuer determines that there is a need for additional remedial (or, in respect of new construction, completion) work to be performed on a Property, the Originator usually retained, in full or in part, certain amounts which would otherwise have been extended to the Borrower under the relevant Loan on the initial drawdown date until such time as the work deemed necessary is successfully completed. Accordingly, upon the satisfactory completion of such work, the Borrower is entitled to receive such retained funds under the Loan. Retentions would only be released to a Borrower when the required work is completed to a satisfactory standard and the relevant Property has been reinspected.

A "Retention" refers to the funds retained under a Loan from the original advance pending completion of the relevant construction or refurbishment work in respect of the relevant Property. There are no Retentions due to the Borrower as at the Closing Date.

#### ***Governing Law***

Each Loan will be governed by the law (and also subject to the jurisdiction of the courts) expressed in each such document to be the governing law of that Loan. The governing law of the Loans will be either English law, Northern Irish law or Scots law.

#### **General provisions applicable to the Loans**

##### ***Valuation***

Other than the valuation of Properties undertaken as at origination, no revaluation of any Property has been undertaken by any person in respect of the issue of the Notes and the valuations quoted are at the date of the original mortgage loan origination.



## **CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO**

The statistical and other information contained in this section has been compiled by reference to the Provisional Portfolio of £407,253,742.84 as at the Portfolio Reference Date and is described further in the section entitled "*The Loans*" above.

The information contained in this section has not been, and will not be updated to reflect any decrease in the size of the Portfolio relative to the Provisional Portfolio. The information contained in this section has been extracted from information provided by the Servicer (which information has been subject to rounding). Investors should note that no Relevant Party hereto has verified the accuracy of the information contained therein. In particular, information relating to CCJs, Bankruptcy Orders or IVAs (in each case, including their Scottish equivalents) has not been subject to due diligence by means of an agreed upon procedure or other similar examination.

Except as otherwise indicated, these tables have been prepared using the Outstanding Principal Balance as at the Portfolio Reference Date. The sum of columns may not sum to the total as a result of rounding. The tables do not include the Shortfall Accounts.

As at the Portfolio Reference Date, the Provisional Portfolio had the following characteristics:

## Summary Statistics<sup>4 5</sup>

Summary Statistics	Moorgate Loans	RMS 25 Loans	Total
Current Balance (£)	323,238,626.45	90,298,412.47	413,537,038.92
Original Balance (£)	350,047,709.41	101,890,125.39	451,937,834.80
Number of loans (#)	2,550	856	3,406
Average Current Balance per Loan (£)	126,760.25	105,488.80	121,414.28
WA Current Interest Rate (%)	3.17%	3.53%	3.25%
WA Seasoning (years)	11.86	11.71	11.83
WA Remaining Term (years)	10.58	10.91	10.65
WA OLTV (%)	82.01%	77.29%	80.98%
WA CLTV (%)	79.01%	72.64%	77.62%
WA Indexed CLTV (%)	68.80%	60.79%	67.05%
Interest Only (%)	88.23%	80.64%	86.57%
Buy ->to ->let (%)	37.61%	18.41%	33.42%
Self ->certified (%)	59.56%	47.62%	56.95%
Bankruptcy or IVA (%)	2.87%	0.00%	2.24%
Loans 1 month or more in arrears (%)	9.06%	5.71%	8.33%
Loans 3 months or more in arrears (%)	4.47%	3.08%	4.16%

## Total Loans

Originator	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
CLOSE BROTHERS	15,296,066.50	3.70%	101	2.97%
EDEUS	71,508,869.02	17.29%	481	14.12%
GMAC RFC	43,154,624.16	10.44%	363	10.66%
KENSINGTON MORTGAGES	8,184,817.04	1.98%	80	2.35%
MONEY PARTNERS LTD	9,577,447.49	2.32%	111	3.26%
MORTGAGES PLC	165,050,784.40	39.91%	1,638	48.09%
WAVE	100,764,430.31	24.37%	632	18.56%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Current Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 25k	2,499,321.06	0.60%	172	5.05%
25k - 50k	13,207,290.90	3.19%	334	9.81%
50k - 75k	31,953,733.77	7.73%	511	15.00%
75k - 100k	45,968,557.88	11.12%	523	15.36%
100k - 150k	114,527,067.92	27.69%	923	27.10%
150k - 200k	86,313,785.05	20.87%	505	14.83%
200k - 250k	55,613,443.95	13.45%	253	7.43%
250k - 500k	51,241,437.75	12.39%	167	4.90%
500 k>=	12,212,400.64	2.95%	18	0.53%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Original Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 25k	28,108.82	0.01%	3	0.09%
25k - 50k	4,784,998.55	1.16%	186	5.46%
50k - 75k	24,066,124.21	5.82%	469	13.77%
75k - 100k	48,075,885.38	11.63%	641	18.82%
100k - 150k	118,956,510.04	28.77%	1,047	30.74%
150k - 200k	90,279,402.12	21.83%	559	16.41%
200k - 250k	60,076,731.50	14.53%	293	8.60%
250k - 500k	54,809,227.58	13.25%	188	5.52%
500 k>=	12,434,675.00	3.01%	19	0.56%

<sup>4</sup> Lower ranges in the tables in this section "Characteristics of the Provisional Portfolio" are inclusive and upper ranges are exclusive.

<sup>5</sup> The SVR Standard Mortgages in respect of the RMS 25 Loans may be reported in the tables in this section "Characteristics of the Provisional Portfolio" as loans with an interest rate index of "3 month LIBOR".

ND	25,375.72	0.01%	1	0.03%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Original LTV (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	13,249,668.30	3.20%	217	6.37%
50.00 - 59.99	18,974,213.79	4.59%	231	6.78%
60.00 - 69.99	40,705,247.81	9.84%	392	11.51%
70.00 - 74.99	25,314,175.58	6.12%	228	6.69%
75.00 - 79.99	39,546,748.54	9.56%	309	9.07%
80.00 - 84.99	49,158,888.78	11.89%	395	11.60%
85.00 - 89.99	88,357,761.16	21.37%	639	18.76%
90.00 - 94.99	120,606,987.32	29.16%	856	25.13%
95.00 >=	17,597,971.92	4.26%	138	4.05%
ND	25,375.72	0.01%	1	0.03%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Current LTV (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	38,188,610.61	9.23%	713	20.93%
50.00 - 59.99	26,932,904.07	6.51%	290	8.51%
60.00 - 69.99	39,566,734.54	9.57%	325	9.54%
70.00 - 74.99	27,515,493.53	6.65%	196	5.75%
75.00 - 79.99	37,383,672.52	9.04%	244	7.16%
80.00 - 84.99	41,928,789.64	10.14%	289	8.49%
85.00 - 89.99	81,611,675.49	19.74%	542	15.91%
90.00 - 94.99	98,819,943.31	23.90%	664	19.50%
95.00 >=	21,589,215.21	5.22%	143	4.20%
ND				
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Indexed Current LTV (%)*	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	82,307,381.36	19.90%	1,001	29.39%
50.00 - 59.99	71,337,644.40	17.25%	482	14.15%
60.00 - 69.99	75,974,011.20	18.37%	495	14.53%
70.00 - 74.99	36,326,562.81	8.78%	272	7.99%
75.00 - 79.99	35,381,024.28	8.56%	260	7.63%
80.00 - 84.99	27,026,292.97	6.54%	213	6.25%
85.00 - 89.99	35,701,228.69	8.63%	279	8.19%
90.00 - 94.99	29,037,276.63	7.02%	257	7.55%
95.00 >=	20,445,616.58	4.94%	147	4.32%
ND		0.00%		0.00%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

\* indexation calculated using Nationwide property price indices (regional indices, non - >seasonally adjusted)

Origination Year	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
2000 - 2001	3,876,603.32	0.94%	67	1.97%
2002 - 2003	6,058,103.42	1.46%	105	3.08%
2004 - 2005	7,578,572.68	1.83%	69	2.03%
2006 - 2007	367,605,580.66	88.89%	2,885	84.70%
2008 - 2009	22,425,159.95	5.42%	218	6.40%
2010 - 2011	3,216,575.85	0.78%	33	0.97%
2012 - 2013	2,368,820.11	0.57%	27	0.79%
2014 - 2015	284,946.83	0.07%	1	0.03%
2016 - 2018	122,676.10	0.03%	1	0.03%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Original Terms (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 5.00	122,676.10	0.03%	1	0.03%
5.00 - 9.99	947,653.93	0.23%	6	0.18%
10.00 - 14.99	17,233,845.29	4.17%	146	4.29%
15.00 - 19.99	65,794,003.69	15.91%	554	16.27%
20.00 - 24.99	115,191,535.94	27.86%	958	28.13%
25.00 - 29.99	183,810,296.58	44.45%	1,466	43.04%
30.00 >=	30,437,027.39	7.36%	275	8.07%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Remaining Terms (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.99	12,570,698.40	3.04%	130	3.82%
2.00 - 3.99	38,550,862.02	9.32%	313	9.19%
4.00 - 5.99	16,975,492.48	4.10%	151	4.43%
6.00 - 7.99	34,392,707.73	8.32%	314	9.22%
8.00 - 9.99	77,130,223.54	18.65%	609	17.88%
10.00 - 11.99	24,364,970.26	5.89%	230	6.75%
12.00 - 13.99	168,940,873.28	40.85%	1,292	37.93%
14.00 - 15.99	5,589,538.73	1.35%	49	1.44%
16.00 - 17.99	9,642,747.60	2.33%	85	2.50%
18.00 >=	25,378,924.88	6.14%	233	6.84%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Seasoning (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.99	122,676.10	0.03%	1	0.03%
5.00 - 5.99	1,768,992.87	0.43%	18	0.53%
6.00 - 6.99	805,897.29	0.19%	9	0.26%
7.00 - 7.99	859,491.32	0.21%	9	0.26%
8.00 - 8.99	2,328,008.11	0.56%	23	0.68%
9.00 - 9.99	769,533.89	0.19%	11	0.32%
10.00 - 10.99	3,665,655.14	0.89%	41	1.20%
11.00 - 11.99	301,748,066.75	72.97%	2,305	67.67%
12.00 - 12.99	79,098,008.64	19.13%	698	20.49%
13.00 - 13.99	11,106,976.01	2.69%	111	3.26%
14.00 - 14.99	1,329,026.06	0.32%	8	0.23%
15.00 - 15.99	121,866.20	0.03%	5	0.15%
16.00 - 16.99	5,319,112.41	1.29%	87	2.55%
17.00 - 17.99	2,367,125.07	0.57%	48	1.41%
18.00 - 18.99	2,018,157.40	0.49%	31	0.91%
19.00 >=	108,445.66	0.03%	1	0.03%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Repayment Method	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Interest Only	358,018,332.66	86.57%	2,484	72.93%
Repayment	52,417,067.24	12.68%	892	26.19%
Part & Part	3,101,639.02	0.75%	30	0.88%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Interest Rate Index	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
BoE Base Rate	358,388,950.77	86.66%	2,814	82.62%
3 month LIBOR	38,672,763.96	9.35%	358	10.51%
SVR	16,475,324.19	3.98%	234	6.87%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Current Interest Rate (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.49	3,828,113.79	0.93%	25	0.73%
1.50 - 1.99	15,253,173.60	3.69%	90	2.64%
2.00 - 2.49	14,294,775.15	3.46%	86	2.52%
2.50 - 3.99	188,729,903.68	45.64%	1,452	42.63%
3.00 - 3.49	68,305,055.25	16.52%	580	17.03%
3.50 - 3.99	42,041,247.63	10.17%	379	11.13%
4.00 - 4.49	42,398,253.04	10.25%	407	11.95%
4.50 - 4.99	25,030,309.91	6.05%	245	7.19%
5.00 >=	13,630,831.15	3.30%	141	4.14%
ND	25,375.72	0.01%	1	0.03%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Interest Rate Margin (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.49	43,314,187.62	10.47%	356	10.45%
1.50 - 1.99	108,131,505.10	26.15%	787	23.11%
2.00 - 2.49	135,568,392.85	32.78%	1,140	33.47%
2.50 - 3.99	45,648,518.43	11.04%	399	11.71%
3.00 - 3.49	39,738,863.26	9.61%	359	10.54%
3.50 - 3.99	32,052,767.06	7.75%	285	8.37%
4.00 - 4.49	8,312,699.81	2.01%	72	2.11%
4.50 >=	744,729.07	0.18%	7	0.21%
ND	25,375.72	0.01%	1	0.03%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Loan Purpose	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Purchase	211,733,143.70	51.20%	1,637	48.06%
Re-mortgage	185,182,037.92	44.78%	1,633	47.94%
Investment Mortgage	16,621,857.30	4.02%	136	3.99%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Occupancy Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Owner-occupied	275,337,742.13	66.58%	2,403	70.55%
Non owner-occupied/buy-to-let	138,199,296.79	33.42%	1,003	29.45%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Number of Days in Arrears	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0 - 30	379,109,004.33	91.67%	3,123	91.69%
30 - 60	10,717,079.73	2.59%	84	2.47%
60 - 90	6,493,842.23	1.57%	49	1.44%
90 - 120	5,410,285.91	1.31%	45	1.32%
120+	11,806,826.72	2.86%	105	3.08%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Loans Past their Maturity Date	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Loans Past their Maturity Date	4,692,682.05	1.13%	35	1.03%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Right to Buy	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
N	321,474,086.82	77.74%	2515	73.84%
Y	1,764,539.63	0.43%	35	1.03%
ND	90,298,412.47	21.84%	856	25.13%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Income Verification by Primary Borrower	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Self-certified	235,527,861.14	56.95%	1,740	51.09%
Verified	177,070,940.06	42.82%	1,653	48.53%
ND	938,237.72	0.23%	13	0.38%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Region	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
South East Inc London	135,767,062.51	32.83%	752	22.08%
North West	62,008,063.59	14.99%	578	16.97%
Yorkshire & Humberside	39,502,972.98	9.55%	388	11.39%
West Midlands	35,403,270.46	8.56%	311	9.13%
South West	24,418,072.78	5.90%	172	5.05%
Scotland	23,205,385.33	5.61%	273	8.02%
Northern Ireland	22,076,573.53	5.34%	212	6.22%
North	20,136,216.88	4.87%	247	7.25%
East Midlands	19,666,592.45	4.76%	181	5.31%
East Anglia	16,610,812.14	4.02%	138	4.05%
Wales	14,742,016.27	3.56%	154	4.52%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

CCJs (satisfied)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0	382,963,467.66	92.61%	3,109	91.28%
1	19,765,878.29	4.78%	188	5.52%
2	6,113,096.92	1.48%	59	1.73%
3	2,314,949.14	0.56%	20	0.59%
4	1,251,402.84	0.30%	13	0.38%
5	114,984.48	0.03%	2	0.06%
7	51,503.02	0.01%	1	0.03%
8	11,609.45	0.00%	1	0.03%
9	134,585.50	0.03%	1	0.03%
ND	815,561.62	0.20%	12	0.35%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Bankruptcy or Individual Voluntary Arrangement	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
N	404,262,831.47	97.76%	3,314	97.30%
Y	9,274,207.45	2.24%	92	2.70%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Property Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
House, detached or semi-detached	183,321,864.06	44.33%	1,427	41.90%
Flat/Apartment	101,379,404.42	24.52%	713	20.93%
Bungalow	40,512,082.58	9.80%	388	11.39%
Terraced House	86,924,462.72	21.02%	861	25.28%
Other	116,683.28	0.03%	2	0.06%
ND	1,282,541.86	0.31%	15	0.44%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

Employment Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Employed	173,253,392.95	41.90%	1,519	44.60%
Self-employed	145,264,563.90	35.13%	983	28.86%
Other	4,720,669.60	1.14%	48	1.41%
ND	90,298,412.47	21.84%	856	25.13%
<b>Total</b>	<b>413,537,038.92</b>	<b>100.00%</b>	<b>3,406</b>	<b>100.00%</b>

### RMS 25 Loans

Originator	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
CLOSE BROTHERS		0.00%		0.00%
EDEUS		0.00%		0.00%
GMAC RFC	43,154,624.16	47.79%	363	42.41%
KENSINGTON MORTGAGES	8,184,817.04	9.06%	80	9.35%
MONEY PARTNERS LTD	9,577,447.49	10.61%	111	12.97%
MORTGAGES PLC	29,381,523.78	32.54%	302	35.28%
WAVE		0.00%		0.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Current Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 25k	655,971.84	0.73%	46	5.37%
25k - 50k	4,962,609.95	5.50%	126	14.72%
50k - 75k	10,673,918.98	11.82%	171	19.98%
75k - 100k	12,055,779.67	13.35%	137	16.00%
100k - 150k	22,760,879.43	25.21%	186	21.73%
150k - 200k	18,738,681.66	20.75%	111	12.97%
200k - 250k	11,102,835.91	12.30%	50	5.84%
250k - 500k	8,845,873.31	9.80%	28	3.27%
500 k >=	501,861.72	0.56%	1	0.12%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Original Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 25k	28,108.82	0.03%	3	0.35%
25k - 50k	1,108,639.46	1.23%	46	5.37%
50k - 75k	7,609,407.06	8.43%	153	17.87%
75k - 100k	13,937,204.31	15.43%	197	23.01%
100k - 150k	26,132,300.06	28.94%	243	28.39%
150k - 200k	19,400,330.38	21.48%	122	14.25%
200k - 250k	11,592,976.10	12.84%	57	6.66%
250k - 500k	9,962,208.84	11.03%	33	3.86%
500 k >=	501,861.72	0.56%	1	0.12%
ND	25,375.72	0.03%	1	0.12%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Original LTV (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	4,508,763.66	4.99%	86	10.05%
50.00 - 59.99	6,570,712.86	7.28%	79	9.23%
60.00 - 69.99	11,890,717.57	13.17%	128	14.95%
70.00 - 74.99	8,196,163.86	9.08%	76	8.88%
75.00 - 79.99	9,057,390.22	10.03%	89	10.40%
80.00 - 84.99	13,981,817.66	15.48%	115	13.43%
85.00 - 89.99	19,656,783.74	21.77%	158	18.46%
90.00 - 94.99	11,715,530.38	12.97%	88	10.28%
95.00 >=	4,695,156.80	5.20%	36	4.21%
ND	25,375.72	0.03%	1	0.12%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Current LTV (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	13,069,362.39	14.47%	258	30.14%
50.00 - 59.99	9,011,538.92	9.98%	98	11.45%
60.00 - 69.99	11,082,084.24	12.27%	94	10.98%
70.00 - 74.99	7,163,390.01	7.93%	54	6.31%
75.00 - 79.99	6,820,313.11	7.55%	52	6.07%
80.00 - 84.99	11,093,358.32	12.29%	75	8.76%
85.00 - 89.99	14,783,015.41	16.37%	108	12.62%
90.00 - 94.99	12,036,238.66	13.33%	81	9.46%
95.00 >=	5,239,111.41	5.80%	36	4.21%
ND				
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Indexed Current LTV (%)*	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	26,327,625.60	29.16%	353	41.24%
50.00 - 59.99	17,578,057.54	19.47%	128	14.95%
60.00 - 69.99	15,522,764.76	17.19%	120	14.02%
70.00 - 74.99	9,124,222.11	10.10%	70	8.18%
75.00 - 79.99	5,574,660.04	6.17%	46	5.37%
80.00 - 84.99	6,173,485.74	6.84%	55	6.43%
85.00 - 89.99	5,560,622.05	6.16%	45	5.26%
90.00 - 94.99	2,832,552.09	3.14%	26	3.04%
95.00 >=	1,604,422.54	1.78%	13	1.52%
ND		0.00%		0.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

\* indexation calculated using Nationwide property price indices (regional indices, non - >seasonally adjusted)

Origination Year	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
2000 - 2001		0.00%		0.00%
2002 - 2003		0.00%		0.00%
2004 - 2005	571,363.37	0.63%	5	0.58%
2006 - 2007	80,275,707.15	88.90%	755	88.20%
2008 - 2009	8,168,042.38	9.05%	84	9.81%
2010 - 2011	1,283,299.57	1.42%	12	1.40%
2012 - 2013		0.00%		0.00%
2014 - 2015		0.00%		0.00%
2016 - 2018		0.00%		0.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>



Original Terms (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 5.00		0.00%		0.00%
5.00 - 9.99	753,381.12	0.83%	4	0.47%
10.00 - 14.99	2,571,566.07	2.85%	34	3.97%
15.00 - 19.99	11,274,647.36	12.49%	116	13.55%
20.00 - 24.99	29,470,163.02	32.64%	275	32.13%
25.00 - 29.99	40,306,568.87	44.64%	359	41.94%
30.00 >=	5,922,086.03	6.56%	68	7.94%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Remaining Terms (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.99	2,663,274.59	2.95%	29	3.39%
2.00 - 3.99	6,214,338.42	6.88%	68	7.94%
4.00 - 5.99	2,238,167.04	2.48%	24	2.80%
6.00 - 7.99	7,558,277.83	8.37%	75	8.76%
8.00 - 9.99	17,793,617.95	19.71%	156	18.22%
10.00 - 11.99	6,603,482.35	7.31%	63	7.36%
12.00 - 13.99	39,293,006.69	43.51%	352	41.12%
14.00 - 15.99	918,670.61	1.02%	10	1.17%
16.00 - 17.99	3,280,455.02	3.63%	34	3.97%
18.00 >=	3,735,121.97	4.14%	45	5.26%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Seasoning (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.99		0.00%		0.00%
5.00 - 5.99		0.00%		0.00%
6.00 - 6.99		0.00%		0.00%
7.00 - 7.99		0.00%		0.00%
8.00 - 8.99	1,283,299.57	1.42%	12	1.40%
9.00 - 9.99	92,864.07	0.10%	2	0.23%
10.00 - 10.99	1,348,159.33	1.49%	13	1.52%
11.00 - 11.99	61,563,785.56	68.18%	545	63.67%
12.00 - 12.99	25,041,108.20	27.73%	273	31.89%
13.00 - 13.99	969,195.74	1.07%	11	1.29%
14.00 - 14.99		0.00%		0.00%
15.00 - 15.99		0.00%		0.00%
16.00 - 16.99		0.00%		0.00%
17.00 - 17.99		0.00%		0.00%
18.00 - 18.99		0.00%		0.00%
19.00 >=		0.00%		0.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Repayment Method	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Interest Only	72,817,271.02	80.64%	547	63.90%
Repayment	17,481,141.45	19.36%	309	36.10%
Part & Part		0.00%		0.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Interest Rate Index	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
BoE Base Rate	52,859,853.59	58.54%	509	59.46%
3 month LIBOR	37,438,558.88	41.46%	347	40.54%
SVR		0.00%		0.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Current Interest Rate (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.49	152,525.41	0.17%	1	0.12%
1.50 - 1.99	256,694.35	0.28%	1	0.12%
2.00 - 2.49	37,622.27	0.04%	1	0.12%
2.50 - 3.99	29,867,514.17	33.08%	304	35.51%
3.00 - 3.49	23,139,925.51	25.63%	220	25.70%
3.50 - 3.99	15,351,280.78	17.00%	136	15.89%
4.00 - 4.49	9,872,480.45	10.93%	93	10.86%
4.50 - 4.99	5,317,956.19	5.89%	44	5.14%
5.00 >=	6,277,037.62	6.95%	55	6.43%
ND	25,375.72	0.03%	1	0.12%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Interest Rate Margin (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.49	12,614,308.66	13.97%	128	14.95%
1.50 - 1.99	9,922,599.26	10.99%	108	12.62%
2.00 - 2.49	35,411,138.60	39.22%	321	37.50%
2.50 - 3.99	13,171,653.15	14.59%	129	15.07%
3.00 - 3.49	10,041,185.27	11.12%	93	10.86%
3.50 - 3.99	6,420,274.13	7.11%	52	6.07%
4.00 - 4.49	2,691,877.68	2.98%	24	2.80%
4.50 >=		0.00%		0.00%
ND	25,375.72	0.03%	1	0.12%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Loan Purpose	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Purchase	31,464,788.27	34.85%	279	32.59%
Re-mortgage	42,211,766.90	46.75%	441	51.52%
Investment Mortgage	16,621,857.30	18.41%	136	15.89%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Occupancy Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Owner-occupied	73,676,555.17	81.59%	720	84.11%
Non owner-occupied/buy-to-let	16,621,857.30	18.41%	136	15.89%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Number of Days in Arrears	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0 - 30	85,146,736.54	94.29%	808	94.39%
30 - 60	1,681,214.39	1.86%	12	1.40%
60 - 90	692,811.28	0.77%	8	0.93%
90 - 120	896,811.46	0.99%	9	1.05%
120+	1,880,838.80	2.08%	19	2.22%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Loans Past their Maturity Date	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Loans Past their Maturity Date	1,267,236.27	1.40%	9	1.05%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Right to Buy	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
N		0.00%		0.00%
Y		0.00%		0.00%
ND	90,298,412.47	100.00%	856	100.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Income Verification by Primary Borrower	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Self-certified	43,004,247.49	47.62%	377	44.04%
Verified	46,478,603.36	51.47%	467	54.56%
ND	815,561.62	0.90%	12	1.40%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Region	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
South East Inc London	28,995,283.47	32.11%	174	20.33%
North West	14,153,521.19	15.67%	157	18.34%
Yorkshire & Humberside	8,095,683.98	8.97%	97	11.33%
West Midlands	7,123,446.65	7.89%	78	9.11%
South West	4,654,672.04	5.15%	45	5.26%
Scotland	5,431,444.98	6.01%	59	6.89%
Northern Ireland		0.00%		0.00%
North	4,118,160.51	4.56%	63	7.36%
East Midlands	4,415,969.46	4.89%	51	5.96%
East Anglia	8,911,814.64	9.87%	75	8.76%
Wales	4,398,415.55	4.87%	57	6.66%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

CCJs (satisfied)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0	87,748,292.81	97.18%	829	96.85%
1	1,518,848.46	1.68%	10	1.17%
2	114,975.55	0.13%	3	0.35%
3		0.00%		0.00%
4	100,734.03	0.11%	2	0.23%
5		0.00%		0.00%
7		0.00%		0.00%
8		0.00%		0.00%
9		0.00%		0.00%
ND	815,561.62	0.90%	12	1.40%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Bankruptcy or Individual Voluntary Arrangement	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
N	90,298,412.47	100.00%	856	100.00%
Y		0.00%		0.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Property Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
House, detached or semi-detached	37,858,471.25	41.93%	335	39.14%
Flat/Apartment	18,528,579.47	20.52%	149	17.41%
Bungalow	26,716,564.12	29.59%	279	32.59%
Terraced House	6,379,236.01	7.06%	81	9.46%
Other		0.00%		0.00%
ND	815,561.62	0.90%	12	1.40%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

Employment Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Employed		0.00%		0.00%
Self-employed		0.00%		0.00%
Other		0.00%		0.00%
ND	90,298,412.47	100.00%	856	100.00%
<b>Total</b>	<b>90,298,412.47</b>	<b>100.00%</b>	<b>856</b>	<b>100.00%</b>

### Moorgate Loans

Originator	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
CLOSE BROTHERS	15,296,066.50	4.73%	101	3.96%
EDEUS	71,508,869.02	22.12%	481	18.86%
GMAC RFC		0.00%		0.00%
KENSINGTON MORTGAGES		0.00%		0.00%
MONEY PARTNERS LTD		0.00%		0.00%
MORTGAGES PLC	135,669,260.62	41.97%	1,336	52.39%
WAVE	100,764,430.31	31.17%	632	24.78%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Current Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 25k	1,843,349.22	0.57%	126	4.94%
25k - 50k	8,244,680.95	2.55%	208	8.16%
50k - 75k	21,279,814.79	6.58%	340	13.33%
75k - 100k	33,912,778.21	10.49%	386	15.14%
100k - 150k	91,766,188.49	28.39%	737	28.90%
150k - 200k	67,575,103.39	20.91%	394	15.45%
200k - 250k	44,510,608.04	13.77%	203	7.96%
250k - 500k	42,395,564.44	13.12%	139	5.45%
500 k >=	11,710,538.92	3.62%	17	0.67%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Original Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 25k		0.00%		0.00%
25k - 50k	3,676,359.09	1.14%	140	5.49%
50k - 75k	16,456,717.15	5.09%	316	12.39%
75k - 100k	34,138,681.07	10.56%	444	17.41%
100k - 150k	92,824,209.98	28.72%	804	31.53%
150k - 200k	70,879,071.74	21.93%	437	17.14%
200k - 250k	48,483,755.40	15.00%	236	9.25%
250k - 500k	44,847,018.74	13.87%	155	6.08%
500 k >=	11,932,813.28	3.69%	18	0.71%
ND		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Original LTV (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	8,740,904.64	2.70%	131	5.14%
50.00 - 59.99	12,403,500.93	3.84%	152	5.96%
60.00 - 69.99	28,814,530.24	8.91%	264	10.35%
70.00 - 74.99	17,118,011.72	5.30%	152	5.96%
75.00 - 79.99	30,489,358.32	9.43%	220	8.63%
80.00 - 84.99	35,177,071.12	10.88%	280	10.98%
85.00 - 89.99	68,700,977.42	21.25%	481	18.86%
90.00 - 94.99	108,891,456.94	33.69%	768	30.12%
95.00 >=	12,902,815.12	3.99%	102	4.00%
ND		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Current LTV (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	25,119,248.22	7.77%	455	17.84%
50.00 - 59.99	17,921,365.15	5.54%	192	7.53%
60.00 - 69.99	28,484,650.30	8.81%	231	9.06%
70.00 - 74.99	20,352,103.52	6.30%	142	5.57%
75.00 - 79.99	30,563,359.41	9.46%	192	7.53%
80.00 - 84.99	30,835,431.32	9.54%	214	8.39%
85.00 - 89.99	66,828,660.08	20.67%	434	17.02%
90.00 - 94.99	86,783,704.65	26.85%	583	22.86%
95.00 >=	16,350,103.80	5.06%	107	4.20%
ND				
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Indexed Current LTV (%)*	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 49.99	55,979,755.76	17.32%	648	25.41%
50.00 - 59.99	53,759,586.86	16.63%	354	13.88%
60.00 - 69.99	60,451,246.44	18.70%	375	14.71%
70.00 - 74.99	27,202,340.70	8.42%	202	7.92%
75.00 - 79.99	29,806,364.24	9.22%	214	8.39%
80.00 - 84.99	20,852,807.23	6.45%	158	6.20%
85.00 - 89.99	30,140,606.64	9.32%	234	9.18%
90.00 - 94.99	26,204,724.54	8.11%	231	9.06%
95.00 >=	18,841,194.04	5.83%	134	5.25%
ND				
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

\* indexation calculated using Nationwide property price indices (regional indices, non - >seasonally adjusted)

Origination Year	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
2000 - 2001	3,876,603.32	1.20%	67	2.63%
2002 - 2003	6,058,103.42	1.87%	105	4.12%
2004 - 2005	7,007,209.31	2.17%	64	2.51%
2006 - 2007	287,329,873.51	88.89%	2,130	83.53%
2008 - 2009	14,257,117.57	4.41%	134	5.25%
2010 - 2011	1,933,276.28	0.60%	21	0.82%
2012 - 2013	2,368,820.11	0.73%	27	1.06%
2014 - 2015	284,946.83	0.09%	1	0.04%
2016 - 2018	122,676.10	0.04%	1	0.04%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Original Terms (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
< 5.00	122,676.10	0.04%	1	0.04%
5.00 - 9.99	194,272.81	0.06%	2	0.08%
10.00 - 14.99	14,662,279.22	4.54%	112	4.39%
15.00 - 19.99	54,519,356.33	16.87%	438	17.18%
20.00 - 24.99	85,721,372.92	26.52%	683	26.78%
25.00 - 29.99	143,503,727.71	44.40%	1,107	43.41%
30.00 >=	24,514,941.36	7.58%	207	8.12%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Remaining Terms (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.99	9,907,423.81	3.07%	101	3.96%
2.00 - 3.99	32,336,523.60	10.00%	245	9.61%
4.00 - 5.99	14,737,325.44	4.56%	127	4.98%
6.00 - 7.99	26,834,429.90	8.30%	239	9.37%
8.00 - 9.99	59,336,605.59	18.36%	453	17.76%
10.00 - 11.99	17,761,487.91	5.49%	167	6.55%
12.00 - 13.99	129,647,866.59	40.11%	940	36.86%
14.00 - 15.99	4,670,868.12	1.45%	39	1.53%
16.00 - 17.99	6,362,292.58	1.97%	51	2.00%
18.00 >=	21,643,802.91	6.70%	188	7.37%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Seasoning (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.99	122,676.10	0.04%	1	0.04%
5.00 - 5.99	1,768,992.87	0.55%	18	0.71%
6.00 - 6.99	805,897.29	0.25%	9	0.35%
7.00 - 7.99	859,491.32	0.27%	9	0.35%
8.00 - 8.99	1,044,708.54	0.32%	11	0.43%
9.00 - 9.99	676,669.82	0.21%	9	0.35%
10.00 - 10.99	2,317,495.81	0.72%	28	1.10%
11.00 - 11.99	240,184,281.19	74.31%	1,760	69.02%
12.00 - 12.99	54,056,900.44	16.72%	425	16.67%
13.00 - 13.99	10,137,780.27	3.14%	100	3.92%
14.00 - 14.99	1,329,026.06	0.41%	8	0.31%
15.00 - 15.99	121,866.20	0.04%	5	0.20%
16.00 - 16.99	5,319,112.41	1.65%	87	3.41%
17.00 - 17.99	2,367,125.07	0.73%	48	1.88%
18.00 - 18.99	2,018,157.40	0.62%	31	1.22%
19.00 >=	108,445.66	0.03%	1	0.04%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Repayment Method	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Interest Only	285,201,061.64	88.23%	1,937	75.96%
Repayment	34,935,925.79	10.81%	583	22.86%
Part & Part	3,101,639.02	0.96%	30	1.18%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Interest Rate Index	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
BoE Base Rate	305,529,097.18	94.52%	2,305	90.39%
3 month LIBOR	1,234,205.08	0.38%	11	0.43%
SVR	16,475,324.19	5.10%	234	9.18%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Current Interest Rate (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.49	3,675,588.38	1.14%	24	0.94%
1.50 - 1.99	14,996,479.25	4.64%	89	3.49%
2.00 - 2.49	14,257,152.88	4.41%	85	3.33%
2.50 - 3.99	158,862,389.51	49.15%	1,148	45.02%
3.00 - 3.49	45,165,129.74	13.97%	360	14.12%
3.50 - 3.99	26,689,966.85	8.26%	243	9.53%
4.00 - 4.49	32,525,772.59	10.06%	314	12.31%
4.50 - 4.99	19,712,353.72	6.10%	201	7.88%
5.00 >=	7,353,793.53	2.28%	86	3.37%
ND		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Interest Rate Margin (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 - 1.49	30,699,878.96	9.50%	228	8.94%
1.50 - 1.99	98,208,905.84	30.38%	679	26.63%
2.00 - 2.49	100,157,254.25	30.99%	819	32.12%
2.50 - 3.99	32,476,865.28	10.05%	270	10.59%
3.00 - 3.49	29,697,677.99	9.19%	266	10.43%
3.50 - 3.99	25,632,492.93	7.93%	233	9.14%
4.00 - 4.49	5,620,822.13	1.74%	48	1.88%
4.50 >=	744,729.07	0.23%	7	0.27%
ND		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Loan Purpose	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Purchase	180,268,355.43	55.77%	1,358	53.25%
Re-mortgage	142,970,271.02	44.23%	1,192	46.75%
Investment Mortgage		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Occupancy Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Owner-occupied	201,661,186.96	62.39%	1,683	66.00%
Non owner-occupied/buy-to-let	121,577,439.49	37.61%	867	34.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Number of Days in Arrears	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0 - 30	293,962,267.79	90.94%	2,315	90.78%
30 - 60	9,035,865.34	2.80%	72	2.82%
60 - 90	5,801,030.95	1.79%	41	1.61%
90 - 120	4,513,474.45	1.40%	36	1.41%
120+	9,925,987.92	3.07%	86	3.37%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Loans Past their Maturity Date	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Loans Past their Maturity Date	3,425,445.78	1.06%	26	1.02%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Right to Buy	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
N	321,474,086.82	99.45%	2,515	98.63%
Y	1,764,539.63	0.55%	35	1.37%
ND		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Income Verification by Primary Borrower	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Self-certified	192,523,613.65	59.56%	1,363	53.45%
Verified	130,592,336.70	40.40%	1,186	46.51%
ND	122,676.10	0.04%	1	0.04%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Region	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
South East Inc London	106,771,779.04	33.03%	578	22.67%
North West	47,854,542.40	14.80%	421	16.51%
Yorkshire & Humberside	31,407,289.00	9.72%	291	11.41%
West Midlands	28,279,823.81	8.75%	233	9.14%
South West	19,763,400.74	6.11%	127	4.98%
Scotland	17,773,940.35	5.50%	214	8.39%
Northern Ireland	22,076,573.53	6.83%	212	8.31%
North	16,018,056.37	4.96%	184	7.22%
East Midlands	15,250,622.99	4.72%	130	5.10%
East Anglia	7,698,997.50	2.38%	63	2.47%
Wales	10,343,600.72	3.20%	97	3.80%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

CCJs (satisfied)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0	295,215,174.85	91.33%	2,280	89.41%
1	18,247,029.83	5.65%	178	6.98%
2	5,998,121.37	1.86%	56	2.20%
3	2,314,949.14	0.72%	20	0.78%
4	1,150,668.81	0.36%	11	0.43%
5	114,984.48	0.04%	2	0.08%
7	51,503.02	0.02%	1	0.04%
8	11,609.45	0.00%	1	0.04%
9	134,585.50	0.04%	1	0.04%
ND		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Bankruptcy or Individual Voluntary Arrangement	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
N	313,964,419.00	97.13%	2,458	96.39%
Y	9,274,207.45	2.87%	92	3.61%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Property Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
House, detached or semi-detached	145,463,392.81	45.00%	1,092	42.82%
Flat/Apartment	82,850,824.95	25.63%	564	22.12%
Bungalow	13,795,518.46	4.27%	109	4.27%
Terraced House	80,545,226.71	24.92%	780	30.59%
Other	116,683.28	0.04%	2	0.08%



ND	466,980.24	0.14%	3	0.12%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

Employment Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Employed	173,253,392.95	53.60%	1,519	59.57%
Self-employed	145,264,563.90	44.94%	983	38.55%
Other	4,720,669.60	1.46%	48	1.88%
ND		0.00%		0.00%
<b>Total</b>	<b>323,238,626.45</b>	<b>100.00%</b>	<b>2,550</b>	<b>100.00%</b>

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Mortgage Sale Agreement

#### *Portfolio*

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

- (a) sell, assign or otherwise transfer to the Issuer pursuant to the Mortgage Sale Agreement a portfolio of English Loans and Northern Irish Loans; and
- (b) direct the relevant Legal Title Holder to hold a portfolio of Scottish Loans sold, assigned or transferred by the Seller to the Issuer pursuant to the terms of the Mortgage Sale Agreement and their Related Security on trust under a Scottish Declaration of Trust for the benefit of the Issuer.

The English Loans and Northern Irish Loans and their respective Related Security comprising the Portfolio will be assigned by way of equitable assignment to the Issuer, while the Scottish Loans and their Related Security comprising the Portfolio will be held on trust for the Issuer under Scottish Declarations of Trust dated the Closing Date, in each case referred to as the "**sale**" by the Seller to the Issuer of the Loans and Related Security.

The consideration due to the Seller in respect of the sale of the Portfolio shall be:

- (a) the Initial Consideration in an amount equal to £408,691,985.69, such Initial Consideration being due and payable on the Closing Date; and
- (b) the deferred consideration consisting of the Residual Payments in respect of the Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to the Seller on the Closing Date.

Any Residual Payment payable pursuant to the Residual Certificates will be paid in accordance with the priority of payments set out in the section headed "*Cashflows – Application of Available Revenue Receipts Prior to the Service of an Enforcement Notice on the Issuer*", "*Cashflows – Application of Available Redemption Receipts Prior to the service of an Enforcement Notice on the Issuer*" and "*Cashflows – Distributions Following the Service of an Enforcement Notice on the Issuer*" below.

#### *Title to the Mortgages, Registration and Notifications*

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

The transfers to the Issuer will be completed by or on behalf of the relevant Legal Title Holder as soon as reasonably practicable after any of the following Perfection Events occurs:

- (a) the relevant Legal Title Holder is required to perfect the Issuer's legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the relevant Legal Title Holder or by any organisation of which the relevant Legal Title Holder is a member;
- (b) it becomes necessary by law or regulation to do any or all of the acts referred to in paragraph (a) above;
- (c) the occurrence of any Servicer Termination Event in circumstances where all applicable grace periods have expired and no replacement Servicer has been appointed;
- (d) the security created under or pursuant to the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in danger of being seized or sold under any form of distress, diligence, attachment, execution or other legal process or otherwise in jeopardy; or
- (e) there is an Insolvency Event in relation to the relevant Legal Title Holder or any other entity in which legal title to any Loan is vested; or

(each of the events set out in paragraphs (a) to (f) inclusive being a "**Perfection Event**").

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

An "**Insolvency Event**" will occur in respect of an entity in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding-up of the relevant entity (or it proposes or makes any composition or arrangement with its creditors); or
- (b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a Receiver is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the relevant entity is unable to pay its debts as they fall due or it is deemed under section 123 of the Insolvency Act 1986 to be unable to pay its debts or announces an intention to suspend making payments with respect to any class of undisputed debts; or
- (e) if proceedings are initiated against the relevant entity under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant entity or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of relevant entity, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a

petition for an administration order), unless initiated by the relevant entity, is not discharged within 30 days; or

- (f) any analogous procedure or step is taken in any jurisdiction.

Following a Perfection Event, notice of the legal assignments and assignments will be given to the Borrowers and the Issuer will take steps to register and record such legal assignments and assignments at the Land Registry of England, Land Registers of Northern Ireland and Registers of Scotland (as applicable).

Save for Title Deeds held at the Land Registry of England, Land Registers of Northern Ireland or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the relevant Legal Title Holder or the relevant Servicer (on behalf of the relevant Legal Title Holder) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and in relation to the Title Deeds held at the Registers of Scotland in respect of Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the relevant Legal Title Holder or the relevant Servicer or its solicitors or agents.

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

#### *Conditions to Sale*

The sale of Loans and their Related Security to the Issuer will be subject to various conditions being satisfied on the Closing Date.

#### *Representations and Warranties*

On the Closing Date, the Loan 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 on that day.

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller on the Closing Date pursuant to the Mortgage Sale Agreement (the "**Loan Warranties**") include, *inter alia*, similar statements to the following effect:

- (a) each Loan and its related Mortgage is valid, binding and enforceable in accordance with its terms, and is non-cancellable, in each case save by virtue of the UTCCR or the bankruptcy or insolvency of the Borrower, and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the person entitled to the benefit of the relevant Mortgage (other than in relation to any prepayment charges);
- (b) subject to completion of any registration or recording which may be pending at any of the Land Registries, each Mortgage constitutes a first ranking legal mortgage in England or Wales or a first ranking mortgage in Northern Ireland or a first ranking standard security in Scotland over the relevant Property, save that in the event of there subsequently being registered any order charging land in favour of the Department of the Environment for Northern Ireland against any of the Northern Irish Properties and founded on a judgment for rates payable in respect of the land which is the subject of the charge, that order charging land shall take priority over all other charges and encumbrances whatever affecting that land pursuant to Article 51 of the Judgments Enforcement (NI) Order 1981 (and other than as described in paragraph (c) below);

- (c) immediately prior to the sale of each Loan, (a) the relevant Legal Title Holder is the legal owner (or will be the legal owner upon completion of any pending applications for registration or recording of that Legal Title Holder as legal title holder at the Land Registry or the Land Registers of Northern Ireland or heritable creditor at the Registers of Scotland (as applicable)) of, and (b) the Seller is the absolute beneficial owner of, the Loans and their Related Security free from all security interests (but subject to the relevant Borrower's equity of redemption) and the Seller has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, released, disposed of or dealt with the benefit of any Loans or their Related Security;
- (d) so far as the Seller is aware, each Borrower is a natural legal person and was aged 18 or older at the time of origination of the relevant Loan;
- (e) in respect of the Loans, the Seller and the Retention Holder obtained all necessary information to assess whether criteria applied in the credit granting of the Loans are as sound and well defined as the criteria applied to non-securitised assets of the relevant Originator (and for the purposes of this paragraph the terms "credit-granting", "sound" and "well-defined" shall have the same meaning as under Regulation (EU) 2017/2402));
- (f) so far as the Seller is aware and except in any case where the relevant Property is covered by a title insurance policy, prior to making a Loan to a Borrower, the Originators instructed, or required to be instructed on its behalf, solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries in relation to the Property which a Reasonable, Prudent Residential Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property in England, Northern Ireland, Scotland or Wales, as applicable, and received from lawyers a report on title relating to the relevant Property, the results of which confirmed that the relevant Borrower had or would acquire good and marketable title or valid and marketable title (as may be applicable) to the relevant Property and that there were no matters of concern affecting the Property;
- (g) so far as the Seller is aware, prior to the relevant Originator making a Loan, the relevant Property was valued by (i) a Royal Institute of Chartered Surveyors qualified surveyor from the panel of surveyors from time to time appointed by the Originators or (ii) applying Hometrack Data System Limited's automated valuation model;
- (h) as far as the Seller is aware, each Loan and its related Mortgage was made on the terms of the Originator's standard mortgage documentation (so far as applicable);
- (i) each property is a residential property located in England, Wales, Northern Ireland or Scotland;
- (j) the amount of each Loan has been fully advanced to the Borrower and the Mortgage Conditions contain no obligation on the part of any Legal Title Holder to make any Further Advance;
- (k) each Loan was originated in, is denominated in, and all amounts in respect of such Loan are payable in, sterling;
- (l) all Loans in respect of Properties located in (i) England and Wales are governed by English law, (ii) Scotland are governed Scots law and (iii) Northern Ireland are governed by Northern Irish law;
- (m) as far as the Seller is aware, no lien of right of set-off or counterclaim has been created or arisen between the Borrower and the Seller which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan;
- (n) as far as the Seller is aware, in relation to each Mortgage over a Property in England, Wales and Northern Ireland, the Borrower has a good and marketable title to the relevant Property, and in

relation to each Scottish Mortgage, the Borrower has a valid and marketable title to the relevant Property;

- (o) all Loans and Related Security are freely assignable and no formal approvals, consents or other steps are necessary to permit a legal or an equitable or beneficial transfer of the Loans and Related Security;
- (p) as far as the Seller is aware, no agreement for any Loan is or includes a regulated consumer credit agreement (as defined in Section 8 of the CCA) or constitutes an unfair relationship under Section 140A of the CCA;
- (q) each Property was at completion of the relevant Mortgage (or, where appropriate, in the case of self build properties, at the date of completion of the relevant property) covered by (i) the Block Buildings Policy; or (ii) a block buildings policy providing equivalent cover; or (iii) the terms of the Originator's standard mortgage documentation required a buildings insurance policy to be taken out by the Borrower;
- (r) no Loan has a final maturity beyond the date falling three years prior to the Final Maturity Date;
- (s) all Loans were originated by the Originators;
- (t) all Loans are Variable Rate Moorgate Loans, Variable Rate RMS 25 Loans, Discount Loans or Fixed Rate Loans;
- (u) the Borrower under each Loan has made at least one full payment;
- (v) so far as the Seller is aware, no Loan, Related Security or any Ancillary Rights in respect of a Loan is "stock" or a "marketable security" (within the meaning of section 125 of the Finance Act 2003), "chargeable securities" (as such terms are defined for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of the Finance Act 2003) and section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013);
- (w) in relation to each Right to Buy Loan: (i) the relevant Originator was an approved lending institution under the relevant legislations; (ii) the original advance was made to the person exercising the right to buy; (iii) the relevant advance was made for the purpose of enabling the recipient to purchase the relevant Property and certain home improvements; and (iv) the Property does not comprise a flat or a maisonette (except cottage flats in Scotland); and
- (x) in relation to each Buy to Let Loan: (i) (in relation to English Property) the relevant tenancy is pursuant to the terms and conditions of the relevant Loan required to be either an assured shorthold tenancy or (in relation to Scottish Property) a short assured tenancy (where entered into prior to 1 December 2017) or a private residential tenancy (where entered into on or after 1 December 2017); or (ii) (in relation to English Property, Scottish Property or Northern Irish Property) the tenancy agreement as at the time of origination of the relevant Buy to Let Loan is on terms which would be acceptable to a Reasonable, Prudent Residential Mortgage Lender.

Neither the Security Trustee nor the Arranger have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the representations and warranties referred to above which will be made by the Seller to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

### ***Repurchase by the Seller***

The Seller will agree to be liable for the repurchase of any Loan and its Related Security sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security proves to be materially untrue as at the Closing Date and that default has not been remedied in accordance with the Mortgage Sale Agreement and within the applicable grace period. Any Loans and their Related Security will be required to be repurchased following receipt by the Seller of a loan repurchase notice substantially in the form set out in and delivered in accordance with the Mortgage Sale Agreement (a "**Loan Repurchase Notice**") requiring the Seller to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

The Seller may in lieu of the repurchase, at the option of the Seller, make an indemnity payment in lieu of repurchase of a Loan or Loans.

The Seller shall have no other liability for breach of a Loan Warranty other than the obligation to repurchase such Loan or Loans in breach of Loan Warranty or make an indemnity payment in lieu of such repurchase in accordance with the terms of the Mortgage Sale Agreement, and shall have no obligation to repurchase any Loans in breach of any Loan Warranty or make any indemnity payment in lieu of such repurchase unless the Issuer has given the Seller notice of the event giving rise to the obligation to repurchase before the Optional Redemption Date. In addition, the Seller shall have no liability for a material breach of a Loan Warranty other than the obligation to repurchase (or make an indemnity payment in lieu of repurchase) in accordance with the terms of the Mortgage Sale Agreement unless:

- (i) in relation to each Loan the amount of such loss suffered by the Issuer would be more than £5,000; and
- (ii) (in relation to the first claim) the loss suffered by the Issuer for all breaches of warranty in relation to all the Loans in the Portfolio would exceed £500,000 in aggregate provided that once such aggregate threshold has been reached, a claim for breach of a Loan Warranty may be made in relation to each Loan where the loss exceeds the threshold referred to in paragraph (i) above, and in which case the Seller shall be liable for the total loss (being, for the avoidance of doubt, £500,000 plus any amount in excess thereof).

### ***Repurchase following legal proceedings***

The Seller and the Issuer will agree pursuant to the Mortgage Sale Agreement that if and to the extent that any determination shall be made by any court or other competent authority or any ombudsman or regulator that:

- (a) any term which relates to the recovery of interest under the Standard Documentation applicable to a Loan and its Related Security is unfair;
- (b) the Standard Variable Rate or any other discretionary interest rate or margin payable under any Loan (subject to any applicable caps, discounts and fixed rates) may not be set by the relevant Legal Title Holder, any successors, assigns or transferees of the relevant Legal Title Holder, any person holding legal title as bare trustee for the Issuer or those deriving title from the Issuer or such holder of legal title; or
- (c) there has been any material breach of or non-observance or non-compliance with any obligation, undertaking, covenant or condition on the part of the Seller or the Originators or the relevant Legal Title Holder relating to the interest payable by or applicable to a Borrower under any Loan,

and such determination results in the relevant Loan (or any terms thereof relating to the obligations of the relevant Borrower to make payment of principal or interest in respect of the relevant Loan or the security

granted in respect of the relevant Loan) being unenforceable, non-binding upon the relevant Borrower or has a material adverse effect on the enforceability of such Loan or its Related Security, then, as soon as reasonably practicable after the receipt by the Issuer of a notification that such a determination has been made under paragraphs (a), (b) or (c) above, the Issuer will serve upon the Seller a Loan Repurchase Notice requiring the Seller to repurchase (or procure the repurchase of) the relevant Loan and its Related Security and, following receipt of such Loan Repurchase Notice, the Seller shall be required to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

#### *Repurchase price*

Where the Seller is required to repurchase an affected Loan and its Related Security, the consideration payable by the Seller in respect of the repurchase of an affected Loan and its Related Security shall be equal to the Outstanding Principal Balance of such Loan as at the relevant date of any such repurchase, plus Arrears of Interest plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller.

As noted above, the Seller may in lieu of the repurchase, at the option of the Seller, elect to make an indemnity payment to the Issuer in respect of the affected Loan. If the Seller makes such an election, instead of effecting a repurchase of the relevant Loan, it shall indemnify on an after-tax basis and keep indemnified the Issuer against all Liabilities relating to the breach of Loan Warranty, provided that any Liabilities of the Issuer in relation to any Loan shall not exceed the amount that would have been payable by the Seller if it had repurchased the Loan and its Related Security.

As used in this Prospectus:

**"Accrued Interest"** means, in relation to a Loan, as at any given date, the aggregate amount of interest accrued or charged from and including the immediately preceding monthly payment date for such Loan but not yet paid (or, if later, the date of completion of such Loan) to, but excluding, that given date.

**"Arrears Balance"** means, in relation to a Loan, as at any given date, the aggregate amount of all the sums which are due and payable but have not been paid by the relevant Borrower in accordance with the terms of that Loan as at that given date including any:

- (a) Arrears of Interest; and
- (b) arrears of any repayment of principal.

**"Arrears of Interest"** means, in relation to a Loan, as at any given date, interest which has become due and payable but remains unpaid as at that given date.

**"Borrower"** means, in relation to a Loan, each person or persons who is or are named and defined as such in the relevant Loan, Mortgage or Mortgage Conditions and to whom such Loan is advanced together with any person or persons from time to time assuming the obligations of the Borrower to repay such Loan or any part of it.

**"Calculation Date"** means the day falling four Business Days prior to each Interest Payment Date.

**"Certificate of Title"** means, in respect of a Property, a solicitor's, licensed or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Originators in respect of such Property substantially in the form of the pro forma set out in the Standard Documentation and all documents and enclosures accompanying the certificate of title as required by the solicitor's instructions.



"**Collection Period**" means each quarterly period commencing from (but excluding) each Collection Period End Date and ending on (and including) the immediately succeeding Collection Period End Date, with the first Collection Period commencing on (and including) 1 June 2019.

"**Collection Period End Date**" means the last calendar day of January, April, July and October, with the first Collection Period End Date ending on (and including) 31 October 2019.

"**Completion Interest**" means any interest which has become due and payable or has been added to the Current Balance of a Loan for the period between completion of that Loan and the end of the relevant calendar month in which such completion took place;

"**Current Balance**" means, in relation to any Loan as at any date, all sums owing by a Borrower under that Loan and secured or intended to be secured by the relevant Mortgage as at close of business on that date including but not limited to the Arrears Balance and (where relevant) Accrued Interest in respect of the period up to and including, but not beyond, that date and including any:

- (a) rent and service charge paid by the relevant Legal Title Holder or a predecessor in title to an applicable Borrower's reversioner or landlord in relation to leasehold properties and not reimbursed by the applicable Borrower;
- (b) Completion Interest; and
- (c) Sundry Fees.

"**Cut-Off Date**" means 31 May 2019.

"**Deed of Consent**" means a deed whereby the signatory agreed to postpone his interest (if any) in the relevant Property to that created by an English Mortgage by declaring that he will not assert any right to an overriding interest by occupation adverse to the mortgagee's rights under the relevant Mortgage.

"**Early Repayment Charge**" means amounts payable by a Borrower in respect of a Loan as additional payments in respect of the early repayment of all or part of that Loan (for the avoidance of doubt, excluding the principal amount repayable and any accrued interest payable in respect of such Loan).

"**Enforced Loans**" means Loans in respect of which the Related Security has been enforced and the related Property has been sold.

"**English Loan**" means a Loan secured by an English Mortgage.

"**English Mortgage**" means a Mortgage secured over a Property situated in England or Wales.

"**Insolvency Proceedings**" means in respect of any person:

- (a) it is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (b) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities) or
- (c) a moratorium is declared in respect of any of its indebtedness.

"**Irrecoverable VAT**" means any amount in respect of VAT incurred by a party to the Transaction Documents (for the purposes of this definition, a "**Relevant Party**") as part of a payment in respect of which it is entitled to be reimbursed or indemnified under the relevant Transaction Documents to the extent that the

Relevant Party does not or will not receive and retain a credit, deduction or repayment of such VAT (as input tax as that expression is defined in section 24(1) of the Value Added Tax Act 1994 or under Article 168 of the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) or any provision of a similar nature, under the law of a member state of the European Union or elsewhere);

**"Land Registers of Northern Ireland"** means the body responsible for recording details of land in Northern Ireland;

**"Lending Criteria"** means in respect of a Loan the lending criteria of the Originators as at the time of origination of such Loan.

**"Liabilities"** means, in respect of any person, any loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability including legal costs and expenses properly incurred (including, in each case, Irrecoverable VAT in respect thereof);

**"Litigation"** means any form of court proceedings in respect of a Loan pursued by or on behalf of the Issuer, the Originators or the relevant Legal Title Holder.

**"Loan"** means a residential mortgage loan (including the aggregate of the outstanding balance of any Loan Advance, any Accrued Interest, Arrears Balance and any fees, costs and other amounts owing to the Seller, the Issuer or the relevant Legal Title Holders from the Borrower (including all capitalised sums) which is secured or intended to be secured by the related Mortgage comprised in the Portfolio, and includes a new loan which is made as a result of a permitted port.

**"Loan Advance"** means all of the monies advanced by the Legal Title Holder or a predecessor in title to a Borrower.

**"Loan Agreement"** means, in relation to a Loan, the loan agreement entered into between the relevant Borrower and the Originators.

**"Loan Files"** means, in relation to a Loan, the customer file (in paper and/or electronic form) maintained by or on behalf of the Issuer or by its agents on their behalf and, where appropriate, MHA/CP Documentation but excluding the Title Deeds.

**"MHA/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 the Scottish Property to which it relates.

**"Monthly Collection Period"** means each 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, with the first Monthly Collection Period commencing on (and including) 1 June 2019.

**"Mortgage"** means in the case of land situated in England and Wales or Northern Ireland, a charge by way of legal mortgage and, in the case of land situated in Scotland, a standard security over a Scottish Property, in each case securing a Loan comprised in the Portfolio and all principal sums, interest, costs and other amounts secured or intended to be secured by that legal mortgage, standard security or legal charge.

**"Mortgage Conditions"** means, in relation to each Loan and the Mortgage relating thereto, the terms and conditions subject to which the Loan and Mortgage are made including, for the avoidance of doubt, the terms and conditions incorporated into any letter or letters of offer or agreement to make such Loan, and in the case of Scottish Loans and the Scottish Mortgages relating thereto, any deeds of variation subject to which the Scottish Loans and the Scottish Mortgages relating thereto are made.

**"Northern Irish Loan"** means a Loan secured by a Northern Irish Mortgage.

**"Northern Irish Mortgage"** means a Mortgage secured over a Property in Northern Ireland.

**"Outstanding Principal Balance"** means:

- (a) in relation to any Loan and on any day, the aggregate, including any arrears, of:
  - (i) the original principal amount advanced to any relevant Borrower pursuant to the Mortgage Conditions; plus
  - (ii) any disbursement, legal expense, fee, charge or premium in respect of such Loan; plus
  - (iii) any further advance of principal to such Borrower prior to the Closing Date pursuant to the Mortgage Conditions; minus
  - (iv) any repayments or reduction of the amounts specified in (i) to (iii) (inclusive) above;but after completion of any relevant Enforcement Procedures in relation to a Loan, the Outstanding Principal Balance of such Loan will be deemed to be zero;
- (b) in relation to the Mortgage Portfolio and any day, the aggregate of the Outstanding Principal Balances in respect of the Loans comprised in that Portfolio;

**"Portfolio"** means the Loans listed in the Mortgage Sale Agreement but excluding any Loan and its Related Security which is repurchased by the Seller pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer.

**"Property"** means, in relation to a Loan and its related Mortgage, the freehold or leasehold property situated in England or Wales or the Scottish Property charged or intended to be charged as security for the repayment of such Loan.

**"Reasonable, Prudent Residential Mortgage Lender"** means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Scotland and NI who include buy-to-let borrowers, the self-employed, independent contractors, temporary employees, borrowers who self-certify their income and/or those who may have experienced previous credit problems including borrowers who generally may not satisfy the lending criteria of traditional residential mortgage lenders and to borrowers with similar credit histories as the Borrowers.

**"Receiver"** means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Assets by the Security Trustee pursuant to the Deed of Charge.

**"Regulated Mortgage Contract"** has the meaning given to that term in article 61(3)(a) of the Regulated Activities Order of the Regulated Activities Order to the extent that it is a regulated activity for the purposes of FSMA.

**"Related Security"** means, in relation to a Loan, the Mortgage relating thereto and all other collateral security for, and rights in respect of such Loan including (but not limited to):

- (a) the benefit of all affidavits, declarations, consents, renunciations, waivers and any Deed of Consent, MHA/CP Documentation, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Loan and Related Security;

- (b) the benefit of (including notations of interest on) any life policies, life policy assignments, assignments, priority letters, pension policies, deposited, charged, obtained or held in connection with the relevant Loan and Related Security;
- (c) to the extent assignable (without the consent of the relevant counterparty), all causes and rights of action (whether assigned to the Issuer, the Seller, the Legal Title Holder or otherwise) against Valuers, Solicitors, Land Registry of England, Land Registers of Northern Ireland or Registers of Scotland or any other person in connection with any report (including a report on title), Valuation Report, opinion, certificate, consent or other statement of fact or opinion given in connection with the relevant Loan or Related Security; and
- (d) assignments, searches, indemnities and related documentation and any other deed or document providing ancillary security or indemnity for repayment of any sums due from time to time under the relevant Loan.

**"Right to Buy Loan"** means a Loan in respect of a Property made as at the date of origination in whole or in part to a Borrower for the purpose of enabling that Borrower to finance or refinance the exercise of his right to buy the relevant Property under:

- (a) Part V of the Housing Act 1985 (or section 16 of the Housing Act 1996); or
- (b) Part III of the Housing (Scotland) Act 1987 (as amended).

**"Scottish Loan"** means a Loan secured by a Scottish Mortgage.

**"Scottish Mortgage"** means a standard security over a Scottish Property securing a Scottish Loan comprised in the Portfolio.

**"Scottish Property"** means, in relation to a Scottish Loan and its related Scottish Mortgage, the heritable or long-leasehold property in Scotland mortgaged or charged as security for repayment of such Scottish Loan.

**"Solicitors"** means a firm of solicitors (or a firm of licensed or qualified conveyancers) selected by the Originators in accordance with the standard practices of the Originators, in the origination of a Loan and its Related Security.

**"Solicitors' Instructions"** means the instructions from the Originators to its Solicitors in substantially the form of the relevant pro-forma instructions contained in the relevant Standard Documentation;

**"Standard Documentation"** means the documents set out in Mortgage Sale Agreement which have been used by the Originators from time to time in connection with its activities as lender and on which each Loan and its Related Security comprised in the Portfolio has been granted or is outstanding, and those documents not set out in the Mortgage Sale Agreement but which:

- (a) are in the same form as those used by the Originators but are jointly branded with remote mortgage processors;
- (b) are copies of mortgage application forms which originate from mortgage introducers to the Originators; or
- (c) are special mortgage conditions appropriate for the relevant product specification or are not related to a particular product specification but are such as would be required by the Originators in the circumstances of the particular Loan.

"**Sundry Fees**" means any administration or service fee or third party fee (including, without limitation, legal fees for Litigation) or outgoings and expenses owed in connection with the Loan which is debited to the Loan;

"**Successor**" means, in relation to a Loan and its Related Security, a successor in title to the Originators.

"**Title Deeds**" means, in relation to a Loan, the agreement or agreements for such Loan, the deed constituting the relevant Mortgage and any documents of title to the relevant Property and to the relevant Related Security.

"**Valuation Report**" means the valuation report substantially in the form of the pro-forma report contained in the relevant Standard Documentation and addressed to the Originators from a Valuer in respect of each Property.

"**Valuer**" means an independent valuer (being a fellow or associate of the Royal Institution of Chartered Surveyors).

#### *Governing Law*

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law (other than (i) those terms of the Mortgage Sale Agreement specific to the law of Northern Ireland relating to the Northern Irish Loans and their Related Security which are constituted in accordance with Northern Irish Law and (ii) those terms of the Mortgage Sale Agreement specific to the law of Scotland relating to the Scottish Loans and their Related Security which are constituted in accordance with Scots law).

#### **Deed of Assignment of Legal Title**

##### *Transfer of legal title of the Moorgate Loans to a successor legal title holder*

Under the Deed of Assignment of Legal Title to be entered into among others, by the Issuer and the Moorgate Legal Title Holders on the Closing Date, each Moorgate Legal Title Holder may agree (severally and separately in respect of the Moorgate Loans and Related Security to which it holds legal title) to sell and assign to a successor legal title holder (a "**New Legal Title Holder**" (subject to the subsisting rights of redemption of the Borrowers) all rights, title, interest and benefit of the Moorgate Legal Title Holders (both present and future) in, to and under the Moorgate Loans and Related Security, for the New Legal Title Holder to hold on bare trust for the Issuer (pursuant, in the case of each Moorgate Loan which is a Scottish Loan and its Related Security, to the relevant Scottish Declaration of Trust).

##### *Undertakings by each Moorgate Legal Title Holder*

Each Moorgate Legal Title Holder undertakes to the Issuer that such Moorgate Legal Title Holder:

- (a) shall not do or omit to do any act or thing which might, in the reasonable opinion of the Issuer prejudice the interests of the Issuer in the relevant Moorgate Loans;
- (b) shall not create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over the relevant Moorgate Loans or their Related Security (other than such encumbrances or other security interests as arise under or pursuant to the Transaction Documents);
- (c) shall not 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 the relevant Moorgate Loans or their

Related Security or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;

- (d) shall not, otherwise than as may be agreed between the Legal Title Holders and the Issuer, offer or notify or otherwise enter into any implied or express binding commitment with any Borrower in relation to any proposed Further Advance or agree to any other amendment or modification of the relevant Moorgate Loans other than to the extent required by any requirement of Law or Regulatory Direction;
- (e) shall promptly notify the relevant Servicer and the Issuer in writing if it receives written notice of any litigation or claim calling into question in any material way the relevant Moorgate Legal Title Holder's or the Issuer's title to any relevant Moorgate Loan comprised in the Portfolio or its Related Security; and
- (f) shall, if reasonably required to do so by the Issuer (or the relevant Servicer on behalf of the Issuer) and subject to the Issuer indemnifying or securing the relevant Legal Title Holder to its reasonable satisfaction against its costs (including VAT), participate or join in any legal proceedings to the extent necessary to protect, preserve and enforce the relevant Legal Title Holder's or the Issuer's title to or interest in any relevant Moorgate Loan or its Related Security provided that the relevant Legal Title Holder shall not be required to take or refrain from taking any action in relation to this sub-clause (f) where to do so in its reasonable opinion would be detrimental to its reputation or commercial interests.

#### *Governing Law*

The Deed of Assignment of Legal Title and any non-contractual obligations arising out of or in connection with it will be governed by English law (other than (i) those terms of the Deed of Assignment of Legal Title specific to the law of Northern Ireland which are constituted in accordance with Northern Irish Law and (ii) those terms of the Deed of Assignment of Legal Title specific to the law of Scotland which are constituted in accordance with Scots law).

#### **Moorgate Servicing Agreement**

The Moorgate Servicer is required to administer the Moorgate Loans on behalf of the Issuer and the Security Trustee (to the extent of their respective interests) under the Moorgate Servicing Agreement. The duties of the Moorgate Servicer in respect of the Moorgate Loans include:

- (a) administering the Moorgate Loans and Related Security and other relevant Assigned Rights and all related matters in accordance with the Service Specification and according to the Service Levels as specified in the Moorgate Servicing Agreement;
- (b) employing sufficient properly trained staff to administer the Moorgate Loans in accordance with the Service Specification and according to the Service Levels and to maintain suitable premises and equipment compatible with its obligations under the Moorgate Servicing Agreement; and
- (c) effecting and maintaining the Insurances with a reputable insurer and agreeing to refrain from any actions which would make voidable such Insurances and provide to the Security Trustee and the Issuer, upon request, documentary evidence of the cover provided by the Insurances.

The Moorgate Servicer will be obliged under the Moorgate Servicing Agreement to act upon the instructions of the Moorgate Legal Title Holders in relation to certain aspects of the administration of the Moorgate Loans and the related Mortgages. The Moorgate Legal Title Holders shall exercise such discretion as is vested in it for the purpose of administering the Moorgate Loans as would be exercised by a Reasonable, Prudent Residential Mortgage Lender.

The Moorgate Servicer is entitled to charge a fee for its services under the Moorgate Servicing Agreement, payable on each Interest Payment Date (subject to the relevant Priority of Payments) being 0.1296 per annum on the aggregate Current Balance of all Moorgate Loans administered by the Moorgate Servicer under the Moorgate Servicing Agreement together with costs and expenses incurred by the Moorgate Servicer in accordance with the Moorgate Servicing Agreement.

The Moorgate Servicer shall be entitled to a fee for servicing any Moorgate Loan that has a Shortfall, which is an amount equal to 30% (thirty per cent) (plus VAT) of any and all funds received by way of repayment of the relevant Shortfall. For the purposes of this paragraph only, a Moorgate Loan with a "**Shortfall**" means a Moorgate Loan where the Related Security for that Moorgate Loan has been sold for less than the balance of that Moorgate Loan outstanding at the date of the sale, and an amount remains outstanding and payable in respect of that Moorgate Loan following the sale.

The appointment of HML as Moorgate Servicer may be terminated by the Issuer (with the prior written consent of the Security Trustee) or the Security Trustee upon the occurrence of the following events:

- (a) default is made by the Moorgate Servicer in the performance or observance of any of its covenants and obligations under the Moorgate Servicing Agreement which, in the opinion of the Security Trustee, is materially prejudicial to the interests of the Noteholders and which, in the case of a default that is remediable, continues unremedied for a period of 15 days after written notice by the Security Trustee requiring the same to be remedied;
- (b) an order is made or an effective resolution passed for winding up the Moorgate Servicer;
- (c) the Moorgate Servicer ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of any amounts due to its creditors generally or is deemed unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent;
- (d) a petition is presented, or a resolution is duly passed or other steps taken or any order is made by any competent court for or towards the winding up or dissolution of the Moorgate Servicer (other than any petition which is frivolous or vexatious and is not withdrawn within five Business Days and other than in the case of a reorganisation the terms of which have been approved by the Security Trustee and where the Moorgate Servicer demonstrates to the satisfaction of the Security Trustee that it is solvent) or a petition is presented, an order is made or documents are filed with the court for the appointment of, or there is appointed, an administrative or other receiver, liquidator, trustee, manager, administrator (or there is service of a notice of intention to appoint an administrator or such appointment takes effect) or other similar official in relation to the Moorgate Servicer or in relation to the whole or any substantial part of the undertaking or assets of the Moorgate Servicer or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Moorgate Servicer, or a distress, execution or diligence or other process is levied or enforced upon or sued against the whole or any substantial part of the undertaking or assets of the Moorgate Servicer and in any of the foregoing cases it shall not be discharged within 15 days;
- (e) a moratorium in respect of all or any of the debts of the Moorgate Servicer or any other similar proceedings or arrangements by which the assets of the Moorgate Servicer are submitted to the control of its creditors is applied for, ordered or declared or if the Moorgate Servicer 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 its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness; or

- (f) an Enforcement Notice is given and the Security Trustee is of the opinion that the continuation of the appointment of the Moorgate Servicer is materially prejudicial to the interests of the Noteholders.

*HML may be replaced as the Moorgate Servicer*

A substitute Moorgate Servicer may be appointed by the Issuer (at the direction of the Certificateholders) to replace HML provided that:

- (a) such substitute Moorgate Servicer has experience of administering mortgages of residential property in England, Wales, Scotland and Northern Ireland ;
- (b) such substitute Moorgate Servicer enters into a replacement servicing agreement substantially on the same terms as the relevant provisions of the Moorgate Servicing Agreement, the RMS 25 Servicing Agreement or on fair and reasonable commercial terms taking into account the then current market conditions (and HML shall not be released from its obligations under the relevant provisions of the Moorgate Servicing Agreement until such substitute has entered into such new agreement); and
- (c) the then current ratings of the Notes issued by the Issuer are not adversely affected as a result of such termination and replacement unless otherwise agreed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes.

*Governing Law*

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

### **RMS 25 Servicing Agreement**

The RMS 25 Servicer is required to administer the RMS 25 Loans on behalf of the Issuer and the Security Trustee (to the extent of their respective interests) under the RMS 25 Servicing Agreement. The RMS 25 Servicer will service the RMS 25 Loans and their Related Security in accordance with the terms of the RMS 25 Servicing Agreement (including the procedures set out therein) and its actions in doing so are binding on the Issuer and (where applicable) the RMS 25 Legal Title Holder.

*Appointment*

The RMS 25 Servicer will be appointed:

- (g) to service, manage and administer the RMS 25 Loans and their Related Security in accordance with the RMS 25 Agreement and to carry out such other matters which are the subject of each RMS 25 Servicer Mandate and set out in the Client Manual or which are set out in the Powers of Attorney or in each case which are necessary thereto; and
- (h) to perform any other functions imposed on the RMS 25 Servicer, in such capacity, by any other Transaction Document to which it is a party (the **Services**).

*Undertakings and Covenants by the RMS 25 Servicer*

The RMS 25 Servicer will undertake and covenant, among other things, to:

- (a) devote such time and attention and shall exercise such skill, care and diligence as necessary to ensure proper performance and discharge of the RMS 25 Servicer's obligations and undertakings contained in the RMS 25 Agreement;



- (b) service the RMS 25 Loans and the Related Security in accordance with the RMS 25 Agreement, all applicable Regulatory Requirements and in accordance with the terms of the Mortgage Conditions;
- (c) to the extent practicable, comply with any proper directions, orders and instructions which the RMS 25 Legal Title Holder, the Issuer or the Security Trustee may from time to time give to it in accordance with the provisions of the RMS 25 Agreement and which in any event are not inconsistent with the terms upon which it has been appointed under the RMS 25 Agreement nor with any applicable Regulatory Requirements;
- (d) obtain and keep in force all licences, approvals, registrations, authorisations and consents which are necessary for the lawful performance of the Services; and
- (e) make all payments required to be made by it pursuant to this Agreement on the due date for payment thereof in the currency in which such payment is due for value on such day without set off (including in respect of any fees owed to it) or counterclaim.

*Further Advances and Porting*

The RMS 25 Servicer shall not agree to pay or make any Further Advance to a Borrower or provide any services relating to the porting of Mortgage Loans.

*Replacement of RMS 25 Collection Account Bank*

Following (i) the occurrence of an Insolvency Event in relation to the RMS 25 Collection Account Bank, or (ii) the RMS 25 Collection Account Bank ceasing to have the Collection Account Bank Rating, (x) the Issuer will and (z) the RMS 25 Servicer shall use reasonable endeavours to:

- (a) appoint a replacement financial institution with the Collection Account Bank Rating to act as replacement RMS 25 Collection Account Bank which is a bank for the purposes of section 878 of the ITA 2007 and which will pay interest in relation to the RMS 25 Collection Account in the ordinary course of its business;
- (b) procure that such financial institution enters into a replacement collection account agreement;
- (c) procure that a trust is declared with respect to any replacement collection account in favour of, *inter alia*, the Issuer;
- (d) procure that a new collection account is opened and established at the replacement institution and further procure that all amounts held on trust for the Issuer standing to the credit of the RMS 25 Collection Account are transferred to the replacement account at such replacement institution as soon as practicable or, where the RMS 25 Collection Account Bank ceases to have the Collection Account Bank Rating, in each case, within 35 calendar days of such downgrade or such longer period as is commensurate with the then current ratings of the Notes; and
- (e) procure the transfer of Borrowers' direct debit mandates to the replacement collection account and that all monthly payments made by Borrowers by any other payment arrangement are made to the replacement collection account,

and the RMS 25 Legal Title Holder shall provide such assistance as the Issuer and the RMS 25 Servicer may reasonably require to carry out the foregoing.

*Termination of the appointment of the RMS 25 Servicer*

If any of the following events (each a "**RMS 25 Servicer Termination Event**") shall occur:

- (a) default is made by the RMS 25 Servicer in the payments on the due date of any payments due and payable by it under the RMS 25 Servicing Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of five Business Days after the earlier of the RMS 25 Servicer becoming aware of such default and receipt by the RMS 25 Servicer of written notice from the Issuer or (following service of an Enforcement Notice) the Security Trustee (acting on the instructions of the Instructing Party) requiring the default to be remedied;
- (b) default is made by the RMS 25 Servicer in the performance or observance of any of its other covenants and obligations under the RMS 25 Servicing Agreement or any other Transaction Document to which it is a party, which default in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the opinion of the Security Trustee (after the delivery of an Enforcement Notice), acting on the advice of a financial adviser, such advice to be relied upon by the Security Trustee absolutely and without further enquiry or any liability, is materially prejudicial to the interests of the Noteholders and which, in the case of a default or breach that is capable of remedy, continues unremedied for a period of 20 Business Days after the earlier of the RMS 25 Servicer becoming aware of such default and of receipt by the RMS 25 Servicer of written notice from the Issuer or (after delivery of an Enforcement Notice) the Security Trustee (acting on the instructions of the Instructing Party) requiring the same to be remedied, provided however that where the relevant default and receipt of notice of such default occurs as a result of a default by a person to whom the RMS 25 Servicer has sub-contracted or delegated part of its obligations under the RMS 25 Servicing Agreement, such default shall not constitute a RMS 25 Servicer Termination Event if, within such period of 20 Business Days of receipt of such notice from the Issuer and/or, as the case may be, the Security Trustee (acting on the instructions of the Instructing Party), the RMS 25 Servicer terminates the relevant sub-contracting or delegation arrangements and remedies such default or takes such steps as the Issuer may in its discretion or (following the delivery of an Enforcement Notice) the Security Trustee may in its discretion specify to indemnify the Issuer and/or the Security Trustee against the consequences of such default;
- (c) the RMS 25 Servicer ceasing to be an authorised person under the FSMA or the failure by the RMS 25 Servicer to obtain or maintain, or the revocation of, applicable licences, registrations or regulatory approvals or permissions enabling it to continue servicing the RMS 25 Loans and to perform the Services;
- (d) the occurrence of an Insolvency Event in respect of the RMS 25 Servicer or the RMS 25 Servicer becomes subject to Insolvency Proceedings; or
- (e) the RMS 25 Servicer ceases to carry on the whole of its business or ceases to carry on the whole or substantially the whole of its residential mortgage servicing business,

then the Issuer (prior to the delivery of an Enforcement Notice) or (after delivery of an Enforcement Notice) the Security Trustee (in the case of (a) and (b) or (d)) shall deliver written notice to the RMS 25 Servicer on becoming aware of the relevant RMS 25 Servicer Termination Event to terminate the RMS 25 Servicer's appointment with effect from the date of receipt of such notice (and in the case of (c) such notice shall be deemed to have been given to terminate the RMS 25 Servicer's appointment as RMS 25 Servicer under the RMS 25 Servicing Agreement with immediate effect), provided that the RMS 25 Servicer's appointment shall not be terminated until a successor servicer (the "**Successor Servicer**") has been appointed. Upon and following the termination of the appointment of the RMS 25 Servicer as servicer under the RMS 25 Servicing Agreement, the Issuer shall each use its reasonable endeavours to appoint a Successor Servicer which satisfies certain conditions set out in the RMS 25 Servicing Agreement within 30 days following the delivery of the written notice to terminate the RMS 25 Servicer's appointment.

### *Voluntary Resignation*

The appointment of the RMS 25 Servicer under the RMS 25 Servicing Agreement may be terminated by the RMS 25 Servicer without cause:

- (a) on not less than one hundred and eighty (180) days' written notice to the other parties to the RMS 25 Servicing Agreement; or
- (b) on such shorter written notice as may be appropriate in the event that it becomes unlawful under any Regulatory Requirements for the RMS 25 Servicer or the Issuer and the RMS 25 Legal Title Holder to comply with the RMS 25 Servicing Agreement or a substantial part of it or in the event that a Competent Authority lawfully directs the RMS 25 Servicer or the Issuer and the RMS 25 Legal Title Holder to terminate the RMS 25 Servicing Agreement; or
- (c) on reasonable written notice, following such time as the Issuer and the RMS 25 Legal Title Holder have no further interest in any of the RMS 25 Loans and Related Security,

provided that a Successor Servicer has been appointed.

### *Delivery of documents and records*

If the appointment of the RMS 25 Servicer is terminated or the RMS 25 Servicer resigns or where Loans are otherwise no longer serviced by the RMS 25 Servicer, the RMS 25 Servicer must deliver to the Issuer (or as the Issuer shall direct), *inter alia*, the Title Deeds and Loan Files relating to the RMS 25 Loans and their Related Security in its possession.

### *RMS 25 Enforcement Procedures*

The RMS 25 Servicer shall act in the manner of a Prudent Mortgage Lender to collect all payments due under or in connection with the RMS 25 Loans and the Related Security and to enforce all covenants and obligations of each Borrower in accordance with the RMS 25 Enforcement Procedures in the event that they become enforceable under the terms of the relevant RMS 25 Loan of a default by a Borrower provided that the RMS 25 Servicer may not, unless by prior written agreement with the Issuer and the RMS 25 Legal Title Holder, agree to:

- (a) extend the term of any RMS 25 Loan;
- (b) grant any waiver of principal due or interest under a RMS 25 Loan; or
- (c) vary or amend the terms and conditions of a RMS 25 Loan,

unless the RMS 25 Servicer, acting as a Prudent Mortgage Lender, considers that such action would lead to a higher recovery in respect of the relevant RMS 25 Loan than which could be recovered under the RMS 25 Enforcement Procedures.

**"RMS 25 Enforcement Procedures"** means the exercise by the RMS 25 Servicer on behalf of the Issuer and the RMS 25 Legal Title Holder of the rights and remedies of the Issuer and the RMS 25 Legal Title Holder and/or the Security Trustee (as applicable) against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with the respective RMS 25 Loan or Related Security in accordance with the procedures agreed or as may be agreed from time to time by the Issuer and the RMS 25 Legal Title Holder with the RMS 25 Servicer acting in accordance with the standards of a Prudent Mortgage Lender in connection with defaults of a similar nature and **"Enforcement Procedures"** means either or both the Mortgage Enforcement Procedures or the RMS 25 Enforcement Procedures as the context requires.

The RMS 25 Servicer shall procure that if, upon completion of the RMS 25 Enforcement Procedures, an amount in excess of all sums due by the relevant Borrower is recovered or received by the RMS 25 Servicer, the balance, after discharge of all sums due by the Borrower, is paid to the person or persons entitled thereto by requesting respective transfers from the Issuer and the RMS 25 Legal Title Holder.

#### *Issuer's Liability*

The Issuer shall indemnify the RMS 25 Servicer and the RMS 25 Legal Title Holder (as applicable) and their officers, directors, employees, agents, sub-contractors and representatives from and against any loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceedings or other liability including legal costs and expenses properly incurred (including, in each case, Irrecoverable VAT in respect thereof) ("**Liability**") incurred or suffered by in connection with, inter alia, any failure by the Issuer, its officers or employees to comply with their obligations to any Borrower or carrying out or relying on any Authorised Instruction, provided that the Issuer shall not be liable for any Liability to the extent that such Liabilities arise from the negligence, wilful default or fraud of the RMS 25 Servicer or the RMS 25 Legal Title Holder or their officers, directors, employees, agents, sub-contractors and representatives.

#### *Limit to RMS 25 Servicer's Liability*

The aggregate liability of the RMS 25 Servicer under the RMS 25 Servicing Agreement is limited to a capped amount of £3,000,000.00 overall and £1,000,000.00 in any twelve (12) month period.

#### *Governing Law*

The RMS 25 Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

#### **Deed of Charge**

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

#### *Security*

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

- (a) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Trust Deed, the Deed of Charge, any Scottish Declaration of Trust and any Scottish Trust Security) and any sums derived therefrom;
- (b) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's interest in the English Loans, the Northern Irish Loans and their respective Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;
- (c) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignment in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trusts declared by the Legal Title Holders over

such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to any Scottish Declaration of Trust) (the "**Scottish Trust Security**");

- (e) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Deposit Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (f) an assignment by way of first fixed security (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under each Collection Account trust (created pursuant to the Collection Account Declarations of Trust); and
- (g) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security (other than item (d) above), including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not such assets are the subject of the charges or Security referred to above).

"**Secured Creditors**" means the Security Trustee, any Receiver appointed by the Security Trustee pursuant to the Deed of Charge, the Note Trustee, the Noteholders, the Certificateholders, the Seller, the Moorgate Legal Title Holders, the RMS 25 Legal Title Holder, the Moorgate Servicer, the RMS 25 Servicer, the Cash Manager, the Issuer Account Bank, the Moorgate Collection Account Bank, the RMS 25 Collection Account Bank, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

"**Transaction Documents**" means:

- (a) the Moorgate Servicing Agreement;
- (b) the RMS 25 Servicing Agreement;
- (c) any replacement servicing agreement;
- (d) the Agency Agreement;
- (e) the Bank Account Agreement;
- (f) the Moorgate Collection Account Agreement;
- (g) the RMS 25 Collection Account Agreement;
- (h) the Deed of Assignment of Legal Title;
- (i) the Cash Management Agreement;
- (j) the Corporate Services Agreement;
- (k) the Deed of Charge;
- (l) any Scottish Trust Security;
- (m) a share trust deed dated 31 May 2019 (the "**Share Trust Deed**");
- (n) the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the "**Issuer Power of Attorney**");

- (o) the Master Definitions and Construction Schedule;
- (p) the Mortgage Sale Agreement;
- (q) a risk retention letter between, amongst others, the Retention Holder, the Seller and the Security Trustee dated on or about the Closing Date (the "**Risk Retention Letter**");
- (r) any Scottish Declaration of Trust;
- (s) the powers of attorney granted by the Moorgate Legal Title Holders and the RMS 25 Legal Title Holder in favour of the Issuer and the Security Trustee on the Closing Date (the "**Moorgate Legal Title Holder Power of Attorney**" and "**RMS 25 Legal Title Holder Power of Attorney**" respectively);
- (t) the powers of attorney granted by the Issuer in favour of the Moorgate Servicer and RMS 25 Servicer on the Closing Date (the "**Moorgate Servicer Power of Attorney**" and "**RMS 25 Servicer Power of Attorney**" respectively);
- (u) the powers of attorney granted on the Closing Date by the Moorgate Legal Title Holders and the RMS 25 Legal Title Holder in favour of, respectively, the Moorgate Servicer (the "**Moorgate Legal Title Holder Servicer Power of Attorney**" and the RMS 25 Servicer, and "**RMS 25 Legal Title Holder Servicer Power of Attorney**" respectively);
- (v) the powers of attorney granted by the Issuer in favour of the RMS 25 Legal Title Holder on the Closing Date (the "**RMS 25 Issuer Power of Attorney**");
- (w) the Trust Deed;
- (x) the Deed Poll;
- (y) the Deed of Covenant;
- (z) any fee letter between any of the Transaction Parties relating to any of the Transaction Documents including without limitation the fee letter relating to the remuneration of the Legal Title Holders; and
- (aa) such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and/or the Residual Certificates.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among other events, service of an Enforcement Notice, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of an administrative receiver or receiver or upon commencement of the winding-up of the Issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

*Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Redemption Priority of Payments*

Prior to the Note Trustee serving an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) or Residual Certificates Condition 10 (*Events of Default*), declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the

Deposit Account as described in "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*", "*Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer*" below and "*Application of Monies released from the Reserve Fund*".

On the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date, the Risk Retention Regulatory Change Option Date, the Market Sale Date or the Refinancing Call Option Date, the Cash Manager (on behalf of the Issuer) shall apply certain monies standing to the credit of the Deposit Account in accordance with the Post-Enforcement Priority of Payments defined in "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*" below.

#### *Post-Enforcement Priority of Payments*

Pursuant to Condition 11 (*Events of Default*) or Residual Certificates Condition 10 (*Events of Default*), the Note Trustee at its absolute discretion may, and if so directed in writing by (a) 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 holders of the Most Senior Class of Notes then outstanding or (b) by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders, shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) serve an Enforcement Notice on the Issuer if an Event of Default has occurred.

After the Note Trustee has served an Enforcement Notice on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by it shall apply the monies standing to the credit of the Deposit Account in accordance with the Post-Enforcement Priority of Payments defined in "*Cashflows – Distributions following the service of an Enforcement Notice on the Issuer*" below.

If an Enforcement Notice has been served on the Issuer pursuant to Condition 11 (*Events of Default*) or Residual Certificates Condition 10 (*Events of Default*) otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the Post-Enforcement Priority of Payments) or (b) the Security Trustee is of the opinion that the cash flow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders in the order of priority set out in the Post-Enforcement Priority of Payments), which opinion shall be binding on the Secured Creditors and reached after considering at any time and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer in accordance with the applicable Priority of Payments. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to above without further enquiry and shall incur no liability to any person for so doing.

#### *Governing Law*

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law (save that aspects relating to Scottish Loans and their Related Security and Northern Irish Loans and their Related Security will be construed in accordance with Scots law and Northern Irish law respectively, and any Scottish Declaration of Trust and any Scottish Trust Security will be governed by Scots law).

## **Trust Deed**

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

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

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

### *Retirement of Note Trustee*

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason therefor and without being responsible for any liabilities occasioned by such retirement. The holders of the Most Senior Class of Notes then 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 trust corporation entitled by rules made under the Public Trustee Act 1906 to carry out the functions of a custodian trustee (a "**Trust Corporation**") in office after such retirement or removal by Extraordinary Resolution. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement or the applicable Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding, the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed but no such appointment shall take effect unless previously approved by Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding.

### *Governing Law*

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

## **Agency Agreement**

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, the Security Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

### *Governing Law*

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



## Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer and the Security Trustee will enter into a cash management agreement (the "**Cash Management Agreement**").

### *Cash Management Services to be provided to the Issuer*

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer or, upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer, the Security Trustee. The Cash Manager's principal function will be to (i) calculate the amount of Available Revenue Receipts and Available Redemption Receipts available for application on the immediately following Interest Payment Date, together with (on or prior to the Senior Note Redemption Date and without double counting) any amounts standing to the credit of the Reserve Fund to be applied in relation to a Revenue Deficit on such Interest Payment Date; and (ii) effecting payments to and from the Deposit Account. In addition, the Cash Manager will, among other things, perform the following:

- (a) on each Calculation Date, determine if there would be a Revenue Deficit following the application of Available Revenue Receipts on the immediately following Interest Payment Date;
- (b) on each Calculation Date, determine if each or any of the Liquidity Availability Conditions are satisfied;
- (c) on each Calculation Date, in respect of each Interest Payment Date falling on or prior to the Senior Note Redemption Date, determine the Reserve Fund Required Liquidity Amount;
- (d) on each Calculation Date, in respect of the immediately following Interest Payment Date, determine the Reserve Fund Required Amount;
- (e) on each Calculation Date, determine if the immediately following Interest Payment Date shall be the Senior Note Redemption Date or the Final Redemption Date;
- (f) calculate on each Calculation Date (prior to service of an Enforcement Notice) the amount of Available Revenue Receipts, Available Redemption Receipts and (subject to the satisfaction of the relevant Liquidity Availability Conditions) any Principal Addition Amounts to be applied on the immediately following Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Redemption Priority of Payments (as applicable);
- (g) calculate on each Calculation Date (prior to the service of an Enforcement Notice) the amount of any Reserve Fund Drawings to be applied on the immediately following Interest Payment Date;
- (h) on each Interest Payment Date prior to the delivery of an Enforcement Notice, apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (including, for the avoidance of doubt, Principal Addition Amounts) and, on or prior to the Senior Note Redemption Date only, (subject to the satisfaction of the relevant Liquidity Availability Conditions) any Reserve Fund Drawings to be applied in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre- Enforcement Revenue Priority of Payments;
- (i) record credits and debits on the Ledgers, as and when required;
- (j) if required (i) during a Determination Period, calculate the Interest Determination Ratio; 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 the Cash Management Agreement;

- (k) on each Business Day, prior to delivery of an Enforcement Notice, apply or cause to be applied Available Revenue Receipts in accordance with the Cash Management Agreement;
- (l) on each Calculation Date, review the balances of the Deposit Account pursuant to the Cash Management Agreement;
- (m) operate the Deposit Account and any additional accounts; and
- (n) transfer all Optional Purchase Collections, Risk Retention Regulatory Change Option Collections or Market Sale Collections to or for the account of the Beneficial Title Transferee or Winning Bidder, as applicable, as soon as reasonably practicable following the Optional Purchase Completion Date, the Risk Retention Regulatory Change Option Date or the Market Sale Date, as applicable.

In addition, the Cash Manager will also:

- (a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
  - (i) the "**Redemption Ledger**", which will record all Redemption Receipts received by the Issuer and the distribution of the Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);
  - (ii) the "**Revenue Ledger**", which will record all Revenue Receipts, amounts retained in the Deposit Account in accordance with item (s) of the Pre-Enforcement Revenue Priority of Payments and the distribution of the Revenue Receipts recorded on the Revenue Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Third Party Amounts;
  - (iii) the "**Reserve Fund Ledger**", which will record amounts credited to, and debited from, the Reserve Fund. The Reserve Fund will be credited with the part of proceeds of the issuance of the Class Z2 Notes on the Closing Date up to the Reserve Fund Required Amount. Thereafter, on each Interest Payment Date (prior to the service of an Enforcement Notice) the Cash Manager will credit the Reserve Fund (A) up to the Reserve Fund Required Liquidity Amount on or prior to the Senior Note Redemption Date at item (h) of the Pre-Enforcement Revenue Priority of Payments and (B) up to the Reserve Fund Required Amount at item (p) of the Pre-Enforcement Revenue Priority of Payments, in each case to the extent that funds are available for such purpose in accordance with the relevant Pre-Enforcement Revenue Priority of Payments and provided that prior to the Senior Note Redemption Date if, on such Interest Payment Date, the balance of the Reserve Fund is not at least equal to the Reserve Fund Required Liquidity Amount following the application of Available Revenue Receipts in the manner described above, Available Redemption Receipts shall be applied at item (b) of the Pre-Enforcement Redemption Priority of Payments to replenish the Reserve Fund up to the Reserve Fund Required Liquidity Amount to the extent funds are available for such purpose in accordance with the Pre-Enforcement Redemption Priority of Payments.
  - (iv) Following the Class A Note Redemption Date, amounts standing to the credit of the Reserve Fund shall be applied as Available Revenue Receipts on each Interest Payment Date. The Cash Manager shall make a corresponding debit entry on the Reserve Fund Ledger. In addition, following such application, on or prior to the Senior Note Redemption Date, but

following the Class A Note Redemption Date, any amount standing to the Reserve Fund, subject to the Liquidity Availability Conditions, shall be available to be applied directly as Reserve Fund Drawings toward any Revenue Deficit determined by the Cash Manager on the immediately preceding Calculation Date (for the avoidance of doubt, after having applied Available Revenue Receipts pursuant to the provisions of the Pre- Enforcement Revenue Priority of Payments). Any such Reserve Fund Drawings shall be debited by the Cash Manager on the Reserve Fund Ledger.

- (v) On the Final Redemption Date, all amounts standing to the credit of the Reserve Fund Ledger (after first, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the relevant Liquidity Availability Conditions and following the application of the Pre-Enforcement Revenue Priority of Payments)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (see "*Credit Structure – Reserve Fund and Reserve Fund Ledger*" below);
- (vi) the "**Principal Deficiency Ledger**" means a ledger maintained by the Cash Manager on behalf of the Issuer, which will comprise the following sub-ledgers:
  - (A) the principal deficiency sub-ledger relating to the Class A Notes (the "**Class A Principal Deficiency Sub-Ledger**");
  - (B) the principal deficiency sub-ledger relating to the Class B Notes (the "**Class B Principal Deficiency Sub-Ledger**");
  - (C) the principal deficiency sub-ledger relating to the Class C Notes (the "**Class C Principal Deficiency Sub-Ledger**");
  - (D) the principal deficiency sub-ledger relating to the Class D Notes (the "**Class D Principal Deficiency Sub-Ledger**");
  - (E) the principal deficiency sub-ledger relating to the Class E Notes (the "**Class E Principal Deficiency Sub-Ledger**");
  - (F) the principal deficiency sub-ledger relating to the Class F Notes (the "**Class F Principal Deficiency Sub-Ledger**"); and
  - (G) the principal deficiency sub-ledger relating to the Class Z1 Notes (the "**Junior Principal Deficiency Sub-Ledger**"),

each a "**Principal Deficiency Sub-Ledger**", which will record on the appropriate sub-ledger as a debit entry deficiencies arising from (i) Losses on the Portfolio (on the date the Cash Manager is informed of such Losses by the relevant Servicer), (ii) Principal Addition Amounts (on the Calculation Date on which such Principal Addition Amounts are determined by the Cash Manager) and (iii) amounts credited to the Reserve Fund in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments and record as a credit entry all PDL Cure Amounts (if any) on each Interest Payment Date and deemed to be Available Redemption Receipts (see "*Credit Structure – Principal Deficiency Ledger*" below); and

- (vii) the "**Issuer Profit Ledger**", which shall record (A) as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) and (B) as a debit any amount used to

discharge any tax liability of the Issuer (up to the credit balance standing of the Issuer Profit Ledger);

- (b) provide the Issuer, the Seller, the relevant Servicer, the Security Trustee, the Rating Agencies, Bloomberg and EuroABS with the Investor Report by 5:00 p.m. on each Reporting Date, provided that the relevant Servicer shall have delivered the Servicer Report in respect of the immediately preceding Monthly Collection Period by no later than 10:00 a.m. on the fourth Business Day immediately preceding that Reporting Date (the "**Servicer Reporting Date**"), such obligation to provide the Investor Report deemed to be discharged if the Cash Manager publishes the Investor Report on <http://sf.citidirect.com> by 5:00 p.m. on each Reporting Date;
- (c) as soon as reasonably practicable upon receiving a request from the Issuer and/or the Security Trustee and provided that it has all information necessary to enable it to do so, calculate and provide to the Issuer and the Security Trustee:
  - (i) the Optional Purchase Price (or where such calculation is made prior to the Calculation Date immediately preceding the Optional Purchase Completion Date, an estimate of the Optional Purchase Price); and/or
  - (ii) (where the initial calculation is made prior to the Calculation Date immediately preceding the Optional Purchase Completion Date) the definitive Optional Purchase Price; and/or
  - (iii) the Minimum Portfolio Liquidation Price;
- (d) keep such records for all Taxation purposes (including those relating to VAT) as it is required to keep under applicable laws;
- (e) subject to any applicable law, assist the Auditors of the Issuer and provide such information to them as they may reasonably request for the purpose of carrying out their duties as auditors of the Issuer;
- (f) arrange for all payments due to be made by the Issuer under any of the Transaction Documents, provided that such monies as are necessary to meet such payments are at the relevant time available to the Issuer and that the Cash Manager is aware of the requirement to make such payment of a specific amount at the relevant time; provided that nothing herein shall constitute a guarantee by the Cash Manager of all or any of the obligations of the Issuer under any of the Transaction Documents;
- (g) on behalf of the Issuer, provided that monies are at the relevant time available to the Issuer, pay all out of pocket expenses of the Issuer as advised in writing to the Cash Manager or incurred by the Cash Manager on behalf of the Issuer in the performance of the Cash Management Services hereunder including:
  - (i) all Taxes which may be due or payable by the Issuer;
  - (ii) all necessary filing and other fees in compliance with regulatory requirements;
  - (iii) all legal and audit fees and other professional advisory fees; and
  - (iv) all communication expenses including postage, courier and telephone charges;
- (h) arrange payment of all fees due to Euronext Dublin or, as applicable, the Central Bank, as advised by the Issuer in writing to the Cash Manager, pursuant to the applicable Priority of Payments;
- (i) two Business Days before each Interest Payment Date, provide notification in writing (which may be satisfied by delivery of the Investor Report) to the Issuer and the Servicer that all necessary

determinations and calculations have been made in order for all necessary payments to be made in accordance with the Priorities of Payments on the forthcoming Interest Payment Date;

- (j) to the extent that there are any amounts held by the Issuer (whether in the Deposit Account or otherwise) after paying or providing for all items in the relevant Priority of Payments ranking in priority to the amounts payable on the Residual Certificates and available for such purpose, distribute such amounts by or on behalf of the Issuer to the Certificateholders; and
- (k) maintain a website relating to the Transaction and will publish on such website each Investor Report (to be published by no later than 5:00 p.m. on each Reporting Date (provided that the Servicer Report is provided by 10:00 a.m. on the Servicer Reporting Date)).

#### *Cash Manager and Directions from the Security Trustee*

The Cash Manager will act upon the direction of the Security Trustee (given in accordance with the terms and provisions of the Deed of Charge) upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer.

#### *Investor Reports and information*

The Issuer will procure that the Cash Manager will publish a monthly investor report which will be published on <http://sf.citidirect.com>.

#### *Remuneration of Cash Manager*

The Cash Manager will be paid a cash management fee for its cash management services under the Cash Management Agreement. Such fees will be determined under a separate fee letter between the Issuer and the Cash Manager. Any sum (or other consideration) payable (or provided) by the Issuer to the Cash Manager in respect of that fee shall be deemed to be exclusive of VAT, if any, chargeable on any supply for which the cash management fee is the consideration (in whole or in part) for VAT purposes. The cash management fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments. If a successor 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 thereunder, a fee to be determined at the time of such appointment in accordance with the terms of the Cash Management Agreement.

#### *Termination of Appointment and Replacement of Cash Manager*

If any of the following events ("**Cash Manager Termination Events**") shall occur:

- (a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement or any of the Cash Manager warranties in the Cash Management Agreement proves to be untrue, incomplete, or inaccurate, or any certification or statement made by the Cash Manager in any certificate or other document delivered pursuant to the Cash Management Agreement proves to be untrue, and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default

and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;

- (c) an Insolvency Event occurs in respect of the Cash Manager; or
- (d) it becomes unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document,

then prior to the delivery of an Enforcement Notice, the Issuer (with the written consent of the Security Trustee), or following the delivery of an Enforcement Notice, the Security Trustee, may, at once or at any time thereafter while such default continues, by notice in writing to the Cash Manager (with a copy to the Security Trustee if such notice is delivered by the Issuer and with a copy to the Issuer if such notice is delivered by the Security Trustee), terminate its appointment as Cash Manager under the Cash Management Agreement with effect from a date (not earlier than the date of the notice) specified in such notice. In determining whether to give or withhold consent to the termination of the Cash Manager by the Issuer, the Security Trustee will have regard to factors including, *inter alia*, the availability of a substitute cash manager. Upon termination of the appointment of the Cash Manager, the Issuer shall use reasonable endeavours to appoint a substitute cash manager that satisfies the conditions set out below.

Any substitute cash manager:

- (a) must have the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and is approved by the Issuer and the Security Trustee;
- (b) must agree to enter into a cash management agreement with the Issuer and the Security Trustee substantially on the terms of the Cash Management Agreement, and at fees which are consistent with those payable generally at the relevant time for the provision of cash management services for transactions similar to this transaction;
- (c) must be resident for tax purposes solely in the United Kingdom; and
- (d) (if the Rated Notes remain outstanding) each Rating Agency must provide a Rating Agency Confirmation in respect of its appointment or the Issuer must have certified to the Security Trustee that certain provisions of the Deed of Charge are satisfied in relation to the request for such Rating Agency Confirmation.

For the avoidance of doubt, upon termination of the appointment of the Cash Manager, if the Issuer is unable to find a suitable third party willing to act as a substitute cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

#### *Resignation of the Cash Manager*

The Cash Manager may resign on giving not less than 60 days' written notice (or such shorter time as may be agreed between the Cash Manager, the Issuer, the relevant Servicer and the Security Trustee) of its resignation to the Issuer, the relevant Servicer, the Note Trustee and the Security Trustee without providing any reason therefor and without being responsible for any liability incurred by reason thereof, provided that:

- (a) a substitute cash manager shall be appointed, such appointment to be effective not later than the date of such termination;
- (b) such substitute cash manager has the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and is approved by the Issuer and the Security Trustee;

- (c) such substitute cash manager enters into a cash management agreement with the Issuer substantially on the terms of the Cash Management Agreement, and at fees which are consistent with those payable generally at the relevant time for the provision of cash management services for transactions similar to this transaction;
- (d) such substitute cash manager must be resident for tax purposes solely in the United Kingdom; and
- (e) (if the Rated Notes remain outstanding) each Rating Agency must provide a Rating Agency Confirmation in respect of its appointment or the Issuer must have certified to the Security Trustee that certain provisions of the Deed of Charge are satisfied in relation to the request for such Rating Agency Confirmation.

#### *Governing Law*

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

#### **The Bank Account Agreement**

Pursuant to the terms of a bank account agreement entered into on or about the Closing Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Security Trustee (the "**Bank Account Agreement**"), the Issuer will maintain with the Issuer Account Bank the Deposit Account, which will be operated in accordance with the Cash Management Agreement and the Deed of Charge. The Issuer Account Bank is required to have all of the Account Bank Ratings.

#### *Governing Law*

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

#### **The Corporate Services Agreement**

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

#### *Governing Law*

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

#### **The Moorgate Collection Account Agreement**

On the Closing Date, the Moorgate Legal Title Holders and others entered into a collection account agreement which includes, *inter alia*, a declaration of trust over the Moorgate Collection Accounts in favour of the Issuer over all of their rights, title, interest and benefit (both present and future) in the accounts held in the name of Mortgages 1 Limited, Mortgages 5 Limited and Wave Lending Limited with the Collection Account Bank, including all amounts standing to the credit of the Moorgate Collection Accounts, absolutely for the beneficiaries in the manner specified in the Moorgate Collection Account Agreement.

### *Governing Law*

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

**"Moorgate Collection Accounts"** means the account entitled "Mortgages 1 Ltd (Moorgate Funding 2014-1) Close" with account number 93306518, the account entitled "Mortgages 1 Ltd (Moorgate Funding 2014-1) Freedom" with account number 93481212, the account entitled "Mortgages 1 Ltd (Moorgate Funding 2014-1)" with account number 93188353, the account entitled "Mortgages 5 Ltd (Moorgate Funding 2014-1)" with account number 13391558, the account entitled "Wave Lending (Moorgate Funding 2014-1 E2)" with account number 63593053, the account entitled "Wave Lending Ltd (Moorgate Funding 2014-1)" with account number 43759857, and the account entitled "Wave Lending (Moorgate Funding 2014-1 E1)" with account number 23119858 and any other replacement or additional collection account in respect of which amounts are received in respect of the Moorgate Loans and their Related Security in the Portfolio.

### **The RMS 25 Collection Account Agreement**

On the Closing Date, the RMS 25 Legal Title Holder and others entered into a collection account agreement which includes, *inter alia*, a declaration of trust over the RMS 25 Collection Account in favour of the Issuer over all of their rights, title, interest and benefit (both present and future) in the account held in the name of the RMS Legal Title Holder with the Collection Account Bank, including all amounts standing to the credit of the RMS 25 Collection Account, absolutely for the beneficiaries in the manner specified in the RMS 25 Collection Account Agreement.

### *Governing Law*

The RMS 25 Collection Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**"RMS 25 Collection Account"** means the account entitled "Rooftop Mortgage Limited" with account number 60365246 and sort code 20-46-67 and held with Barclays Bank PLC and any other replacement or additional collection account in respect of which amounts are received in respect of the RMS 25 Loans and their Related Security in the Portfolio.



## CREDIT STRUCTURE

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

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

### 1. **Liquidity and 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 (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders at item (v) of the Pre-Enforcement Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio relative to the interest rates on the Notes (as to which, see "*Interest Rate Risk*" below) and the performance of the Portfolio.

Available Revenue Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger debit entries which may arise from (i) Losses on the Portfolio, (ii) the application of Available Redemption Receipts as Principal Addition Amounts to cover Revenue Deficits in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments (subject to the satisfaction of the Liquidity Availability Conditions) and (iii) amounts credited to the Reserve Fund in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments (and subject to the conditions set out therein).

Further, Principal Addition Amounts and, on or prior to the Senior Note Redemption Date, amounts standing to the credit of the Reserve Fund will be available to cover any Revenue Deficits subject to the application of the Liquidity Availability Conditions.

On or prior to the Senior Note Redemption Date, to the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments required to be met under items (a) to (g) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish the Reserve Fund up to and including an amount equal to the Reserve Fund Required Liquidity Amount. For the avoidance of doubt, following the Senior Note Redemption Date, item (h) of the Pre-Enforcement Revenue Priority of Payments is not applicable.

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

In certain circumstances and subject to certain conditions, the Reserve Fund will be available for credit enhancement and liquidity support to the Notes as to which see further "*Credit Structure – Reserve Fund and Reserve Fund Ledger*".

On each Interest Payment Date, to the extent that the amount of Available Revenue Receipts exceeds the aggregate of the payments required to be met under items (a) to (t) (inclusive) of the Pre-

Enforcement Revenue Priority of Payments, such excess is available to repay Principal Amounts Outstanding on the Class X Notes until the Principal Amount Outstanding on the Class X Notes has been reduced to zero.

## **2. Reserve Fund and Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a reserve fund (the "**Reserve Fund**") which will, under certain circumstances and subject to certain conditions, be available for credit enhancement and liquidity support for the Notes.

The Reserve Fund will provide credit enhancement to the Class A Notes at all times. At any time after the Class A Note Redemption Date, the Reserve Fund will provide credit enhancement to the Class B Notes.

Following the Class A Note Redemption Date but on or prior to the Senior Note Redemption Date the amount (if any) by which the balance to the Reserve Fund exceeds the Reserve Fund Required Liquidity Amount shall provide credit enhancement to all outstanding Classes of the Rated Notes.

Following the Senior Note Redemption Date all amounts standing to the Reserve Fund shall be available to provide credit enhancement to all Classes of the Rated Notes.

Notwithstanding the provisions of the foregoing paragraphs, following delivery of an Enforcement Notice, the Reserve Fund shall provide credit enhancement to all Classes of Notes.

The Reserve Fund will provide liquidity support to the Class A Notes at all times.

Prior to the Class A Note Redemption Date the Reserve Fund will provide conditional liquidity support to the Class B Notes.

Following the Class A Note Redemption Date the entire balance of the Reserve Fund will unconditionally provide liquidity support to the Class B Notes and the amount by which the balance standing to the Reserve Fund exceeds the Reserve Fund Required Liquidity Amount (if any) shall unconditionally provide liquidity support to all other Classes of Rated Notes.

Following the Senior Note Redemption Date, all amounts standing to the Reserve Fund shall provide liquidity support to all Classes of Rated Notes.

The Reserve Fund will be deposited in the Deposit Account (with a corresponding credit being made to the Reserve Fund Ledger). The Cash Manager will maintain the Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Reserve Fund.

On the Closing Date the Cash Manager will credit the Reserve Fund with an amount equal to the Reserve Fund Required Amount from the part of proceeds of the issuance of the Class Z2 Notes. Thereafter, the Reserve Fund shall be credited on each Interest Payment Date (prior to the service of an Enforcement Notice) (A) up to the Reserve Fund Required Liquidity Amount on or prior to the Senior Note Redemption Date at item (h) of the Pre- Enforcement Revenue Priority of Payments and (B) up to the Reserve Fund Required Amount at item (p) of the Pre-Enforcement Revenue Priority of Payments, in each case to the extent that funds are available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments and provided that prior to the Senior Note Redemption Date if, on such Interest Payment Date, the balance of the Reserve Fund is not at least equal to the Reserve Fund Required Liquidity Amount following the application of Available Revenue Receipts in the manner described above, Available Redemption Receipts shall be applied at item (b) of the Pre- Enforcement Redemption Priority of Payments to replenish the Reserve Fund up to the Reserve Fund Required Liquidity Amount to the extent funds are available for such purpose in

accordance with the Pre-Enforcement Redemption Priority of Payments and subject to the conditions set out in item (b) of the Pre-Enforcement Redemption Priority of Payments.

On or prior to the Class A Note Redemption Date, amounts standing to the credit of the Reserve Fund will not be applied as Available Revenue Receipts but shall be available to make Reserve Fund Drawings subject to the Liquidity Availability Conditions outlined below.

Following the Class A Note Redemption Date, the entire balance of the Reserve Fund will be applied as Available Revenue Receipts.

On or prior to the Senior Note Redemption Date, following the application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments, all amounts then standing to the Reserve Fund shall be available for Reserve Fund Drawings subject to the Liquidity Availability Conditions as outlined below. For the avoidance of doubt, following the Senior Note Redemption Date, the Reserve Fund Drawings will no longer be applicable.

On or prior to the Senior Note Redemption Date, the Cash Manager will, subject to the Liquidity Availability Conditions and to the extent applicable, following a determination made by it on the immediately preceding Calculation Date, (for the avoidance of doubt following the application of Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments) apply Reserve Fund Drawings in an amount equal to the lesser of (i) the balance standing to the Reserve Fund, and (ii) the aggregate amount of any Revenue Deficits. On each Interest Payment Date falling on or prior to the Senior Note Redemption Date, the Cash Manager shall apply the Reserve Fund Drawings to cover Revenue Deficits in the order of priority in which the item corresponding to the relevant Revenue Deficit appears in the Pre-Enforcement Revenue Priority of Payments.

**"Revenue Deficit"** means the amount required on an Interest Payment Date to meet any deficit in Available Revenue Receipts available to pay amounts due (or that would be due but for any deferral provision relating thereto pursuant to Condition 18 (*Subordination by Deferral*)) in respect of any of items (a) to (g), (i), (j), (l) and (n) of the Pre-Enforcement Revenue Priority of Payments determined in respect of such Interest Payment Date in accordance with the Liquidity Availability Conditions on such Interest Payment Date.

The **"Liquidity Availability Conditions"** are:

- (a) Principal Addition Amounts and Reserve Fund Drawings and amounts standing to the credit of the Reserve Fund shall be available at all times to provide for Revenue Deficits under items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments;
- (b) Reserve Fund Drawings shall be available at all times to provide for Revenue Deficits under item (f) of the Pre-Enforcement Revenue Priority of Payments;
- (c) **provided that** the Class B Notes are the Most Senior Class of Notes, Reserve Fund Drawings shall be available in relation to Revenue Deficits corresponding to items (g) and (i) of the Pre-Enforcement Revenue Priority of Payments at all times;
- (d) **provided that** the corresponding Class of Notes are the Most Senior Class of Notes outstanding at such time, Principal Addition Amounts shall be available in relation to Revenue Deficits corresponding to items (g), (j), (l) and (n) of the Pre-Enforcement Revenue Priority of Payments; and
- (e) at all other times and in relation to item (g) only, amounts corresponding to the amount standing to the credit of the Reserve Fund and Principal Addition Amounts shall be available

to provide for a Revenue Deficit should: (i) (in relation to amounts standing to the credit of the Reserve Fund) following application of Available Revenue Receipts on such date, there be no debit entry on the Class B Principal Deficiency Sub-Ledger; and (ii) (in relation to Principal Addition Amounts only), there would be no debit entry on the Class B Principal Deficiency Sub-Ledger following application of such amounts to meet the relevant Revenue Deficit.

On any Calculation Date, if the Cash Manager determines that following application of any amounts standing to the Reserve Fund to provide for any Revenue Deficits on the immediately following Interest Payment Date in the manner outlined above, the amount so applied would be insufficient to provide for such Revenue Deficit in full then, subject to the application of the Liquidity Availability Conditions, the Cash Manager shall in accordance with and pursuant to the Pre-Enforcement Redemption Priority of Payments, retain an amount of Available Redemption Receipts and apply the same in or toward satisfaction of such continuing Revenue Deficit (the "**Principal Addition Amounts**").

On the Final Redemption Date all amounts standing to the credit of the Reserve Fund will be applied (after first, having applied any Reserve Fund Drawings (subject to the application of the Liquidity Availability Conditions) and following the application of the Pre-Enforcement Revenue Priority of Payments) as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

The "**Reserve Fund Required Liquidity Amount**" means on the Closing Date £6,661,660; and thereafter on any Interest Payment Date an amount equal to the lesser of:

- (a) 2.00% of the Principal Amount Outstanding of the Class A Notes and the Class B Notes on the Closing Date; and
- (b) 2.75% of the Principal Amount Outstanding of the Class A Notes and the Class B Notes on a Calculation Date (for the avoidance of doubt, prior to the application of Available Revenue Receipts and Available Redemption Receipts on the immediately following Interest Payment Date).

The "**Reserve Fund Required Amount**" means 2.00% of the Principal Amount Outstanding of the Collateralised Notes on the Closing Date, which is equal to £8,173,840.00.

For more information about the application of the amounts standing to the credit of the Reserve Fund, see the section "*Cashflows – Application of Monies released from the Reserve Fund*" below.

### 3. **Principal Deficiency Ledger**

The Principal Deficiency Ledger will be established on the Closing Date to record any Losses affecting the Loans in the Portfolio and/or any Principal Addition Amounts (determined in accordance with the Liquidity Availability Conditions) and/or amounts credited to the Reserve Fund in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments. At or about the same time, the Cash Manager shall establish six Principal Deficiency Sub-Ledgers, being the Class A Principal Deficiency Sub-Ledger, Class B Principal Deficiency Sub-Ledger, Class C Principal Deficiency Sub-Ledger, Class D Principal Deficiency Sub-Ledger, Class E Principal Deficiency Sub-Ledger, Class F Principal Deficiency Sub-Ledger and Junior Principal Deficiency Sub-Ledger.

Any Losses on the Portfolio and/or any Principal Addition Amounts and/or any amounts credited to the Reserve Fund in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments will be recorded as a debit on the Principal Deficiency Ledger (on the date that the Cash

Manager is informed of such Losses by the relevant Servicer or on the Calculation Date that such Principal Addition Amounts, or (ii) such amounts to be credited to the Reserve Fund pursuant to item (b) of the Pre-Enforcement Redemption Priority of Payments, are determined by the Cash Manager (as applicable) and shall be allocated to the relevant Principal Deficiency Sub-Ledger in the following order of priority:

- (a) *first*, to the Junior Principal Deficiency Sub-Ledger up to a maximum amount equal to the Junior PDL Notional Capacity;
- (b) *second*, to the Class F Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class F Notes;
- (c) *third*, to the Class E Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class E Notes;
- (d) *fourth*, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes;
- (e) *fifth*, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes;
- (f) *sixth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and
- (g) *seventh*, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes.

Investors should note that realised Losses in any period will be calculated after applying any recoveries from the sale of a property which is secured in respect of any Loan following enforcement of a Loan to pay all outstanding fees and interest amounts due and payable in respect of such Loan.

The Cash Manager will record as a credit, PDL Cure Amounts expressed to be credited to the relevant Principal Deficiency Sub-Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments (in the case of Available Revenue Receipts) or, in the case of Reserve Fund Drawings, amounts expressed to relate to items (f) or (i) of the Pre-Enforcement Revenue Priority of Payments.

"**Junior PDL Notional Capacity**" means on any Calculation Date the Principal Amount Outstanding of the Class Z1 Notes.

#### **4. Available Revenue Receipts and Available Redemption Receipts**

Prior to the service of an Enforcement Notice on the Issuer, Available Revenue Receipts and Available Redemption Receipts shall be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, respectively. It is not intended that any surplus will be accumulated in the Issuer other than amounts which the Issuer expects to generate in each accounting period as its profit in respect of the business of the Issuer and, on or prior to the Class A Note Redemption Date, amounts standing to the credit of the Reserve Fund.

If, on any Interest Payment Date while there are Rated Notes outstanding, the Available Revenue Receipts, Reserve Fund Drawings (to the extent applicable) and Principal Addition Amounts are insufficient to pay the interest that would otherwise be payable absent the deferral provisions in respect of the Notes other than in respect of the Most Senior Class of Notes, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the

extent of the insufficiency) until the following Interest Payment Date. Any such deferral in accordance with the deferral provisions contained in the Conditions will not constitute a Default until the Final Maturity Date. However, failure to pay interest on the Class A Notes or, should they be the Most Senior Class of Notes, the Class B Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

## CASHFLOWS

### Definition of Revenue Receipts

"**Revenue Receipts**" means (without double-counting) the aggregate of:

- (a) payments of interest and other fees due from time to time under the Loans (including any Early Repayment Charges) and other amounts received by the Issuer in respect of the Loans and their Related Security, other than payments of interest, fees and other amounts comprising Optional Purchase Collections, Risk Retention Regulatory Change Option Collections or Market Sale Collections;
- (b) recoveries of interest from defaulting Borrowers under Loans being enforced;
- (c) recoveries of all amounts from defaulting Borrowers under Loans following enforcement and sale of the relevant property or any amounts recovered from third parties, other than any recoveries comprising Redemption Receipts;
- (d) the proceeds of repurchase (or payment made by the Seller in lieu of the obligation to repurchase) attributable to Accrued Interest and Arrears of Interest only of any Loan repurchased by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including amounts which have been capitalised subsequent to the Cut-Off Date which, had such amounts not been capitalised, would have been Revenue Receipts); and
- (e) any other amounts of a revenue nature received in respect of a Loan including, without limitation, amounts under the Mortgage Sale Agreement attributable to fees, interest, insurance proceeds and any proceeds from any claims made by or on behalf of the Issuer, in each case which do not relate to the payment of principal.

### Definition of Available Revenue Receipts

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

- (a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts (in each case, excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date) received by the Issuer during the immediately preceding Collection Period;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period;
- (c) only following the Class A Note Redemption Date, the amount (if any) standing to the credit of the Reserve Fund as at the last day of the immediately preceding Collection Period, subject to the Liquidity Availability Conditions (where relevant);
- (d) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with the Cash Management Agreement;
- (e) amounts determined to be credited to the Deposit Account on the immediately preceding Interest Payment Date in accordance with item (s) of the Pre-Enforcement Revenue Priority of Payments;
- (f) amounts determined to be applied as Available Revenue Receipts in accordance with item (k) of the Pre-Enforcement Redemption Priority of Payments

- (g) other net income of the Issuer corresponding to the immediately preceding Collection Period, excluding any Redemption Receipts;

*less:*

- (h) any Third Party Amounts.

**"Third Party Amounts"** means the amounts applied from time to time during the immediately preceding Collection Period in accordance with the Cash Management Agreement in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):

- (a) certain costs and expenses charged by the relevant Servicer in respect of its servicing of the Loans in accordance with the Moorgate Servicing Agreement or the RMS 25 Servicing Agreement (as applicable), other than any Servicing Fee and not otherwise covered by the items below;
- (b) payments of certain insurance premiums in respect of the Insurance Policies (to the extent referable to the Loans);
- (c) amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited in excess of the amount required to be paid by a Borrower or in error;
- (d) 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;
- (e) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger;
- (f) amounts to remedy any overdraft in relation to the Moorgate Collection Account or the RMS 25 Collection Account or to pay any amounts due to the Moorgate Collection Account Bank or the RMS 25 Collection Account; and
- (g) amounts for the purposes of funding any recalled payments under a direct debiting scheme.

#### **Application of Monies released from the Reserve Fund**

On each Interest Payment Date on or prior to the Class A Note Redemption Date, the Reserve Fund shall not be applied as Available Revenue Receipts but, subject to the Liquidity Availability Conditions, shall be available for the purpose of Reserve Fund Drawings. Following the Class A Note Redemption Date, the balance standing to the Reserve Fund shall be applied as Available Revenue Receipts on each Interest Payment Date.

On each Interest Payment Date falling on or prior to the Senior Note Redemption Date, and subject to the Liquidity Availability Conditions, to the extent that there would be one or more Revenue Deficit on such Interest Payment Date, an amount equal to the lower of (a) the amount required to cover such Revenue Deficit or Revenue Deficits and (b) the amount standing to the credit of the Reserve Fund on such Interest Payment Date (such amounts being "**Reserve Fund Drawings**") shall be debited from the Reserve Fund immediately following the application of Available Revenue Receipts and will be applied to meet such Revenue Deficit or Revenue Deficits, provided that if there is more than one Revenue Deficit such amounts shall be applied in the order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments.

On the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund (after first, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date



(subject to the satisfaction of the Liquidity Availability Conditions)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

#### **Application of Available Redemption Receipts to cover a Revenue Deficit**

If the Cash Manager calculates that, on any Interest Payment Date, there would be a Revenue Deficit (after application of the Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (on or prior to the Senior Note Redemption Date) the use of any Reserve Fund Drawings to meet any Revenue Deficits against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments), the Issuer shall apply Principal Addition Amounts to cover such Revenue Deficit, provided that amounts will only be released to cover a Revenue Deficit corresponding to items (e), (f), (g), (i), (j), (l) or (n) of the Pre-Enforcement Revenue Priority of Payments if the relevant Liquidity Availability Conditions are satisfied.

If any Principal Addition Amounts are applied on any Interest Payment Date in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments, the Issuer (or the Cash Manager on its behalf) will make a corresponding debit entry in the Principal Deficiency Ledger.

#### **Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer**

The Cash Manager, on behalf of the Issuer, is required pursuant to the terms of the Cash Management Agreement to apply or provide for the application of Available Revenue Receipts on each relevant Interest Payment Date prior to the service of an Enforcement Notice by the Note Trustee on the Issuer (other than an Interest Payment Date falling on or immediately following the Optional Purchase Completion Date, the Risk Retention Regulatory Change Option Date, the Market Sale Date or the Optional Refinancing Date), and in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Priority of Payments**") and, together with the Pre-Enforcement Redemption Priority of Payments and the Post-Enforcement Priority of Payments, the "**Priorities of Payments**" and each a "**Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein; and
  - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof (in each case without double counting) of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Principal Paying Agent and any fees, costs, charges, liabilities, expenses and all other amounts then due to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities, expenses and all other amounts then due 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 Moorgate Servicer and the Moorgate Legal Title Holders and any fees, costs, charges, liabilities and expenses then due under the provisions of the Moorgate Servicing Agreement and any fee letter related thereto, together with (if payable) VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the RMS 25 Servicer and the RMS 25 Legal Title Holder and any fees, costs, charges, liabilities and expenses then due under the provisions of the RMS 25 Servicing Agreement and any fee letter related thereto, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities, expenses and all other amounts then due under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein; and
  - (vii) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Moorgate Collection Account Agreement and the RMS 25 Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, to pay, *pro rata* and *pari passu* according to the respective amounts thereof (in each case without double counting) of:
- (i) Third Party Expenses (if any) and any amounts required to pay or discharge (to the extent not discharged from the Issuer Profit Amount) any liability of the Issuer for corporation tax of the Issuer; and
  - (ii) any Transfer Costs which the relevant Servicer has failed to pay pursuant to the Moorgate Servicing Agreement or the RMS 25 Servicing Agreement (as applicable);
- (d) *fourth*, to pay the Issuer an amount equal to £300 to be retained by the Issuer as profit in respect of the business of the Issuer (the "**Issuer Profit Amount**");
- (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*, to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (g) *seventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class B Notes;
- (h) *eighth*, on or prior to the Senior Note Redemption Date, to credit the Reserve Fund up to the Reserve Fund Required Liquidity Amount;
- (i) *ninth*, to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

- (j) *tenth*, to 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;
- (k) *eleventh* to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (l) *twelfth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class D Notes;
- (m) *thirteenth*, to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (n) *fourteenth*, 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;
- (o) *fifteenth*, 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 Redemption Receipts);
- (p) *sixteenth*, to credit the Reserve Fund Ledger up to the Reserve Fund Required Amount;
- (q) *seventeenth*, 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 Redemption Receipts);
- (r) *eighteenth*, to credit the Junior Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (s) *nineteenth*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be retained in the Deposit Account to be applied on the next Interest Payment Date as Available Revenue Receipts;
- (t) *twentieth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class X Notes;
- (u) *twenty first*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class X Notes until the Principal Amount Outstanding on the Class X Notes has been reduced to zero; and
- (v) *twenty second*, any excess amounts *pro rata* and *pari passu* to the Certificateholders.

As used in this Prospectus:

"**Appointee**" means any attorney, manager, agent, delegate, nominee, custodian, financial adviser or other professional adviser or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions.

"**Final Discharge Date**" means the date on which the Security Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Obligations and/or all other monies and their liabilities due or owing by the Issuer have been paid or discharged in full.

**"Final Redemption Date"** means the Interest Payment Date in respect of which the Cash Manager determines on the immediately preceding Calculation Date (or on any other date falling after such Calculation Date but prior to the relevant Interest Payment Date) that the sum of:

- (a) the Available Redemption Receipts (excluding item (c) of the definition thereof); and
- (b) all amounts standing to the credit of the Reserve Fund Ledger (after first, having applied any Reserve Fund Drawings to meet any Revenue Deficit on such Interest Payment Date (subject to the satisfaction of the relevant Liquidity Availability Conditions)) and following the application of the Pre-Enforcement Revenue Priority of Payments,

would be sufficient to redeem in full the Rated Notes on the Interest Payment Date immediately succeeding the relevant Calculation Date and **provided that** such Interest Payment Date does not fall on or immediately following the Optional Purchase Completion Date, the Risk Retention Regulatory Change Option Date, Market Sale Date or the Optional Refinancing Date (whereupon, for the avoidance of doubt, amounts standing to the Reserve Fund shall be applied pursuant to the Post-Enforcement Priority of Payments together with other amounts expressed to be available to the Issuer to effect the redemption in full of the Notes).

**"Optional Redemption Date"** means the Interest Payment Date falling in August 2022.

**"Third Party Expenses"** means 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).

**"Transfer Costs"** means the Issuer's costs and expenses associated with the transfer of servicing to a substitute servicer.

### **Definition of Redemption Receipts**

**"Redemption Receipts"** means (without double-counting) the aggregate of:

- (a) principal repayments under the Loans (including payments of arrears of principal and amounts capitalised prior to the Cut-Off Date) (other than amounts (i) comprising Optional Purchase Collections, Risk Retention Regulatory Change Option Collections or Market Sale Collections and (ii) in respect of any Loans and their Related Security following payment by the Seller in lieu of repurchase pursuant to the Mortgage Sale Agreement);
- (b) the proceeds of the repurchase of any Loan (or indemnity payment in lieu of repurchase) by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (excluding amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date) (less any amounts which have been capitalised which, had they not been capitalised, would have been a Revenue Receipt);
- (c) recoveries of principal from defaulting Borrowers under Loans upon enforcement and sale of the relevant property or any amounts recovered from third parties to the extent that such proceeds or receipts constitute principal; and
- (d) any other amounts of a principal nature received in respect of a Loan or its Related Security including without limitation any payment pursuant to any insurance policy in respect of a Property in connection with a Loan, to the extent it is attributable to principal.

## Definition of Available Redemption Receipts

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

- (a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption Receipts (in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date) received by the Issuer during the immediately preceding Collection Period;
- (b) any amounts of Available Revenue Receipts retained pursuant to items (f), (i), (k), (m), (o), (q) and (r) of the Pre-Enforcement Revenue Priority of Payments and deemed to be Available Redemption Receipts, or any amounts of the Reserve Fund used to cure Revenue Deficits corresponding to items (f) or (i) of the Pre-Enforcement Revenue Priority of Payments and deemed to constitute Available Redemption Receipts (each a "**PDL Cure Amount**" and together, the "**PDL Cure Amounts**");
- (c) in respect of the first Interest Payment Date only, the amount paid into the Deposit Account on the Closing Date from the excess of the proceeds of the Notes over the Initial Consideration;
- (d) on the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund Ledger (after first, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the relevant Liquidity Availability Condition)) and following the application of the Pre-Enforcement Revenue Priority of Payments; and
- (e) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with the Cash Management Agreement.

## Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer

On each relevant Interest Payment Date prior to the service of an Enforcement Notice on the Issuer (other than an Interest Payment Date falling on or immediately following the Optional Purchase Completion Date, the Risk Retention Regulatory Change Option Date, the Market Sale Date or the Optional Refinancing Date), and 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 Cash Manager on behalf of the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Redemption Receipts in the following order of priority (the "**Pre-Enforcement Redemption Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full):

- (a) *first*, any Principal Addition Amounts (subject to the satisfaction of the Liquidity Availability Condition) to be applied to meet any Revenue Deficit in the order in which the item to which such Revenue Deficit relates appears in the Pre-Enforcement Revenue Priority of Payments;
- (b) *second*, prior to the Senior Note Redemption Date, to credit the Reserve Fund up to the Reserve Fund Required Liquidity Amount **provided that** (i) should the Class A Notes be the Most Senior Class of Notes no amount shall be applied pursuant to this provision should there be a debit entry on the Class A Principal Deficiency Sub-Ledger at such time; (ii) should the Class B Notes be the Most Senior Class of Notes no amount shall be applied pursuant to this provision should there be a debit entry on the Class B Principal Deficiency Sub-Ledger at such time; and (iii) no amount shall be applied pursuant to this provision on the Final Redemption Date;
- (c) *third*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;

- (d) *fourth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (e) *fifth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (f) *sixth*, 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;
- (g) *seventh*, 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;
- (h) *eighth*, 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;
- (i) *ninth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class Z1 Notes until the Principal Amount Outstanding of the Class Z1 Notes has been reduced to zero;
- (j) *tenth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class Z2 Notes under the Principal Amount Outstanding of the Class Z2 Notes has been reduced to zero; and
- (k) *eleventh*, any excess amounts to be applied as Available Revenue Receipts.

#### **Distributions following the service of an Enforcement Notice on the Issuer**

(I) after an Enforcement Notice has been served on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by the Security Trustee in connection with the enforcement of the Security will apply all Available Revenue Receipts, all Available Redemption Receipts and all other amounts received or recovered by the Issuer, the Security Trustee or any Receiver and (II) on the Interest Payment Date immediately following the Optional Purchase Completion Date, Risk Retention Regulatory Change Option Date, the Market Sale Date or Optional Refinancing Date, the Issuer (or the Cash Manager on its behalf), will apply all amounts expressed to be available to be applied on such Interest Payment Date, in each case other than any amount standing to the credit of the Issuer Profit Ledger, which shall be applied by the Issuer in or towards satisfaction of any liability of the Issuer for corporation tax of the Issuer, in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Post-Enforcement Priority of Payments**"):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee, Receiver and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
  - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, Receiver and any Appointee under the provisions of the Deed of

Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Principal Paying Agent and any costs, charges, liabilities, expenses and all other amounts then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities, expenses and all other amounts then due 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 Moorgate Servicer and the Moorgate Legal Title Holders and any fees, costs, charges, liabilities and expenses then due under the provisions of the Moorgate Servicing Agreement and any fee letter related thereto, together with (if payable) VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the RMS 25 Servicer and the RMS 25 Legal Title Holder and any fees, costs, charges, liabilities and expenses then due under the provisions of the RMS 25 Servicing Agreement and any fee letter related thereto, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein; and
  - (vii) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of Moorgate Collection Account Agreement and the RMS 25 Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction of any Transfer Costs which the relevant Servicer has failed to pay pursuant to the Moorgate Servicing Agreement or RMS 25 Servicing Agreement (as applicable);
- (d) *fourth*, to pay, *pro rata* and *pari passu*, interest due and payable on the Class A Notes;
- (e) *fifth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amount thereof, principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (f) *sixth*, to pay, *pro rata* and *pari passu*, interest due and payable on the Class B Notes;
- (g) *seventh*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;

- (h) *eighth*, to pay, *pro rata* and *pari passu*, interest due and payable on the Class C Notes;
- (i) *ninth*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (j) *tenth*, to pay, *pro rata* and *pari passu*, interest due and payable on the Class D Notes;
- (k) *eleventh*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (l) *twelfth*, to pay, *pro rata* and *pari passu*, interest due and payable on the Class E Notes;
- (m) *thirteenth*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (n) *fourteenth*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
- (o) *fifteenth*, to pay, *pro rata* and *pari passu*, interest due and payable on the Class X Notes;
- (p) *sixteenth*, in or towards repayment, *pro rata* and *pari passu*, principal due and payable on the Class X Notes until the Principal Amount Outstanding on the Class X Notes has been reduced to zero;
- (q) *seventeenth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, principal due and payable on the Class Z1 Notes until the Principal Amount Outstanding on the Class Z1 Notes has been reduced to zero;
- (r) *eighteenth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, principal due and payable on the Class Z2 Notes until the Principal Amount Outstanding on the Class Z2 Notes has been reduced to zero;
- (s) *nineteenth*, any Third Party Expenses (if any) and any amounts in excess of amounts already credited to the Issuer Profit Ledger prior to such Interest Payment Date and required to discharge any liability of the Issuer for corporation tax of the Issuer;
- (t) *twentieth*, to pay the Issuer Profit Amount; and
- (u) *twenty first*, any excess amounts *pro rata* and *pari passu* to the Certificateholders.



## DESCRIPTION OF THE GLOBAL NOTES

### General

Each Class of Notes as at the Closing Date will each be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

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

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

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and higher integral multiples of £1,000 (an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests or the Residual Certificate Book-Entry Interests through Participants or through other Indirect Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. 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 Safekeeper is the registered holder of the Global Note underlying the Book-Entry Interests, the nominee for the Common Safekeeper will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set out under "*Issuance of Registered Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in respect of the Global Notes and the Book-Entry Interests*", below.

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

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

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

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

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

### **Payments on the Global Notes**

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Citibank, N.A., London Branch (the "**Principal Paying Agent**"), on behalf of the Issuer to the order of the Common Safekeeper or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

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

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

### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

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

### **Redemption**

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

## **Cancellation**

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

## **Transfers and Transfer Restrictions**

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

## **Issuance of Registered Definitive Notes**

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

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

Not later than 10 days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions set out in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above with respect to soliciting instructions from their respective

Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

## **Notices**

Whilst the Notes are represented by Global Notes the Issuer may, at its option, send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Noteholders for communication by Euroclear and Clearstream, Luxembourg to the Noteholders. Alternatively, such notices regarding the Notes may instead be published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom; provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders, publication in such newspaper shall not be required with respect to such information so long as the rules of Euronext Dublin allow. The Issuer may elect not to publish any notice in a newspaper for so long as the Notes are held in global form and notice is given to Euroclear and Clearstream, Luxembourg. The Note Trustee may, in accordance with Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Noteholders if such method is reasonable having regard to, among other things, the market practice then prevailing and the requirements of the relevant stock exchange. See also Condition 16 (*Notice to Noteholders*) of the Notes.

## **Eurosystem eligibility**

The Notes are intended to be held in the new safekeeping structure which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

## DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATE

### General

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

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

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

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

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

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

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

Purchasers of Residual Certificate Book-Entry Interests in a Global Residual Certificate will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a Global Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out in the section below entitled "*Transfers and Transfer Restrictions*"), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Residual Certificate Book-Entry Interests in the 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 Residual Certificate Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arranger, the Note Trustee, the Security Trustee or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

### **Issuance of Definitive Residual Certificates**

The Global Residual Certificate will become exchangeable in whole, but not in part, for Definitive Residual Certificates at the request of the holder of the relevant Global Residual Certificate if Euroclear or Clearstream, Luxembourg closes for business on a permanent basis without a successor to act as a clearing system with respect to the Global Residual Certificate (the "**Exchange Event**").

Any Definitive Residual Certificate issued in exchange for Residual Certificate Book-Entry Interests in the Global Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Residual Certificate Book-Entry Interests. Whenever a Global Residual Certificate is to be exchanged for Definitive Residual Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Residual Certificate Book-Entry Interests) of such Definitive Residual Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Residual Certificate within 30 days of the occurrence of the Exchange Event.

### **Payments on Global Residual Certificate**

Payment of amounts due in respect of the Global Residual Certificate will be made in Sterling by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Safekeeper or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

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

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

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

### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of Residual Certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established Safekeeper and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.



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

### **Transfers and Transfer Restrictions**

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

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

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

Not later than 10 days after receipt by the Issuer of any notice in respect of the Global Residual Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of the 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 Residual Certificate Book-Entry Interests or the 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 Residual Certificate Book-Entry Interests or the Global Residual Certificate in accordance with any instructions set out in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under the section above entitled "*General*", with respect to soliciting instructions from their respective Participants.

### **Notices**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Certificateholders for communication by Euroclear and Clearstream, Luxembourg to the Certificateholders and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also Residual Certificates Condition 15 (*Notice to Certificateholders*)). The Note Trustee may in accordance with the Residual Certificates Condition 15.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Certificateholders, if such method is reasonable having regard to the then prevailing market practice.

### **Eurosystem eligibility**

The Residual Certificates are intended to be held in the new safekeeping structure which will allow Eurosystem eligibility. This simply means that the Residual Certificates are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Residual Certificates will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit

operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

### 1. GENERAL

The £320,823,000 Class A mortgage backed floating rate notes due May 2051 (the "**Class A Notes**"), the £12,260,000 Class B mortgage backed capped rate notes due May 2051 (the "**Class B Notes**"), the £15,325,000 Class C mortgage backed capped rate notes due May 2051 (the "**Class C Notes**"), the £15,325,000 Class D mortgage backed capped rate notes due May 2051 (the "**Class D Notes**"), the £16,347,000 Class E mortgage backed capped rate notes due May 2051 (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**", the £16,347,000 Class F mortgage backed notes due May 2051 (the "**Class F Notes**"), the £2,500,000 Class X capped rate notes due May 2051 (the "**Class X Notes**"), the £12,265,000 Class Z1 notes due May 2051 and the £8,174,000 Class Z2 notes due May 2051 (the "**Class Z Notes**") and together with the Rated Notes, the Class F Notes and the Class X Notes, the "**Notes**", in each case of Stratton Mortgage Funding 2019-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 10 June 2019 (the "**Closing Date**") and made between, among others, the Issuer and Citicorp Trustee Company 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, the Class F Notes, the Class X Notes or the Class Z Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, the Security Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agent**"), Citibank, N.A., London Branch as registrar (in such capacity, the "**Registrar**") and Citibank, N.A., London Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

## 2. INTERPRETATION

### 2.1 Definitions

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

### 2.2 Interpretation

These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 3. FORM, DENOMINATION AND TITLE

### 3.1 Form and Denomination

Each Class of Notes will initially be represented by a global note certificate in registered form (a "**Global Note**").

For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Registered Definitive Notes (as defined below) will be issued with a denomination above £199,000. A Global Note will be exchanged for the relevant Note in definitive registered form (such exchanged Global Notes in definitive registered form, the "**Registered Definitive Notes**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
  - (ii) announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things,

and in either case no alternative clearing system satisfactory to the Note Trustee is available;  
or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the relevant Notes in definitive registered form.

If Registered Definitive Notes are issued in respect of Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Registered Definitive Notes shall be equal to the Principal Amount Outstanding of the Notes at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Notes in global and (if issued and printed) definitive form will be £100,000.

References to "**Notes**" in these Conditions shall include the Global Notes and the Registered Definitive Notes.

### **3.2 Title**

Title to the Global Notes shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note shall only pass by and upon registration of the transfer in the Register.

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 3.1 (*Form and Denomination*) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set out on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

## **4. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY**

### **4.1 Status and relationship between the Notes**

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in these Conditions and the Transaction Documents.

- (b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class B Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class B Notes (the "**Class B Noteholders**") will be subordinated to the interests of the persons who for the time being are registered in the Register as holders of Class A Notes (the "**Class A Noteholders**") (so long as any Class A Notes remain outstanding).
- (c) The Class C Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class C Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class C Notes (the "**Class C Noteholders**") will be subordinated to the interests of each of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or any Class B Notes remain outstanding).
- (d) The Class D Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class D Notes (the "**Class D Noteholders**") will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes remain outstanding).
- (e) The Class E Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class E Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class 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 persons who for the time being are registered in the Register as holders of the Class E Notes (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 to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class F Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class F Notes (the Class F Noteholders) will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E 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 and/or any Class E Notes remain outstanding).

- (g) The Class X Notes constitute direct and secured (subject as provided in the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class X Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to (prior to enforcement) all payment of interest due in respect of the Rated Notes and (following enforcement) all payments due in respect of the Rated Notes and the Class F Notes, as provided in these Conditions and the Transaction Documents. The Class X Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to (prior to enforcement) all payment of interest due in respect of the Rated Notes and (following enforcement) all payments due in respect of the Rated Notes, the Class F Notes and payment of interest on the Class X Notes, as provided in these Conditions and the Transaction Documents. The interests of the persons who for the time being are registered in the Register as holders of the Class X Notes (the "**Class X Noteholders**") will be subordinated to the interests of the holders of the Rated Notes and the Class F Notes (so long as any Rated Notes remain outstanding).
- (h) The Class Z1 Notes constitute direct, secured and (subject as provided in the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z1 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payments due in respect of the Rated Notes and the Class F Notes and (following enforcement), the Rated Notes, the Class F Notes and the Class X Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class Z1 Notes (the "**Class Z1 Noteholders**") will be subordinated to the interests of the holders of the Rated Notes, the Class F Notes and the Class X Notes (so long as any Rated Notes and/or Class F Notes and/or Class X Notes remain outstanding).
- (i) The Class Z2 Notes constitute direct, secured and (subject as provided in the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate (prior to enforcement) to all payments due in respect of the Rated Notes, the Class F Notes and Class Z1 Notes and following enforcement, the Rated Notes, the Class F Notes, the Class X Notes and Class Z1 Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class Z2 Notes (the "**Class Z2 Noteholders**") will be subordinated to the interests of the holders of the Rated Notes, the Class F Notes, the Class X Notes and the Class Z1 Notes (so long as any Rated Notes and/or Class F Notes and/or Class X Notes and/or Class Z1 Notes remain outstanding). The Class Z1 Noteholders together with the Class Z2 Noteholders are the "**Class Z Noteholders**".
- (j) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of holders of each Class of the Notes as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class of Notes ranking in priority to the other relevant Classes of Notes or if there are no Notes then outstanding to the Certificateholders.
- (k) The Trust Deed also contains provisions limiting the powers of any Class of Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class of Notes then outstanding. Except in certain circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes then outstanding, the exercise of which will be binding

(save in respect of a Basic Terms Modification) on the holders of all other Classes of Notes and the Certificateholders in each case irrespective of the effect thereof on their respective interests.

As long as any Notes are outstanding but subject to Condition 13.5, the Security Trustee shall act on the instructions of the Note Trustee and not have regard to the interests of the other Secured Creditors.

## 4.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

## 5. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under these Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertakings;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;



- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the 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;
- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;
- (l) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same; or
- (m) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 6. INTEREST

### 6.1 Accrual of interest

#### (a) *Interest Accrual*

Each Note (other than the Class F Notes and the Class Z Notes) bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 7 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### 6.2 Interest Payment Dates

Interest will be payable in arrear on each Interest Payment Date for all classes of Notes other than the Class F Notes and the Class Z Notes.

"**Interest Payment Date**" means the 25th day of February, May, August and November or, if such day is not a Business Day, the immediately following Business Day with the first Interest Payment Date falling in November 2019.

Interest shall accrue in the case of a Class of the Rated Notes or the Class X Notes from (and including) an Interest Payment Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Interest Payment Date, (each such period above, an "**Interest Period**").

No interest will be payable for the Class F Notes and the Class Z Notes.

### 6.3 **Rate of Interest**

#### *Rate of Interest*

- (a) The rate of interest payable from time to time in respect of each class or sub-class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be:
  - (i) subject to paragraph (b) below, in respect of the Rated Notes and the Class X Notes and any Interest Period, determined on the basis of the following provisions:
    - (A) the Agent Bank will determine the Compounded Daily SONIA as at the Interest Determination Date (as defined below) in question. The Rates of Interest for the relevant Interest Period shall be the aggregate of:
      - I. in respect of the Rated Notes:
        - (i) from (and including) the Closing Date to (but excluding) the Optional Redemption Date, Compounded Daily SONIA plus the Relevant Margin; and
        - (ii) from (and including) the Optional Redemption Date, Compounded Daily SONIA plus the Step-Up Margin;
      - II. in respect of the Class X Notes:
        - (i) from (and including) the Closing Date to (but excluding) the Optional Redemption Date, Compounded Daily SONIA plus the Relevant Margin; and
        - (ii) from (and including) the Optional Redemption Date, zero per cent.;
    - (B) Notwithstanding the provisions of these Conditions, in the event the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Agent Bank shall, to the extent that it is reasonably practicable, follow such guidance in order to determine SONIA for the purpose of the Notes for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.
    - (C) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Agent Bank, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Relevant Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant Interest Period in place of the Relevant Margin relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest

Determination Date, the initial Rate of Interest which would have been applicable to the relevant Class of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) that first Interest Payment Date (but applying the Relevant Margin applicable to the first Interest Period).

- (b) In respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, and the Class X Notes only, if the Compounded Daily SONIA (or, if applicable, the Alternative Base Rate) is greater than eight per cent., the Compounded Daily SONIA (or, if applicable, the Alternative Base Rate) shall be deemed to be eight per cent.
- (c) In the event that the Rate of Interest is less than zero per cent., the Rate of Interest shall be deemed to be zero per cent.
- (d) There will be no maximum Rate of Interest on the Class A Notes.
- (e) In these Conditions (except where otherwise defined), the expression:
  - (i) "**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London;
  - (ii) "**Compounded Daily SONIA**" means the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Agent Bank as at the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**d<sub>0</sub>**" is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to **d<sub>0</sub>**, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

**LBD** means a Business Day;

"**n<sub>i</sub>**", for any day "**i**", means the number of calendar days from and including such day "**i**" up to but excluding the following Business Day;

"**p**" means for any Interest Period, 5; and

"**SONIA<sub>i-pLBD</sub>**" means in respect of any Business Day falling in the relevant Interest Period, the SONIA Reference Rate for the Business Day falling "**p**" Business Days prior to that Business Day "**i**";

- (iii) "**Interest Determination Date**" means the fifth Business Day before the Interest Payment Date in respect of the Interest Period for which the rate will apply;

- (iv) "**Interest Determination Ratio**" means, on any Interest Payment Date, (A) the aggregate Revenue Receipts calculated in the three preceding Monthly Collection Periods in respect of which all relevant Servicer Reports are available (or, where there are not at least three such previous Monthly Collection Periods, any such previous Monthly Collection Periods) divided by (B) the aggregate of all Revenue Receipts and all Redemption Receipts calculated in such Servicer Reports;
- (v) "**Observation Period**" means the period from and including the date falling "p" Business Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Closing Date) and ending on, but excluding, the date falling "p" Business Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling "p" Business Days prior to any other date on which a payment of interest is to be made in respect of the Notes);
- (vi) "**Reconciliation Amount**" means in respect of any Collection Period (A) the actual Redemption Receipts as determined in accordance with the available Servicer Reports, less (B) the Calculated Redemption Receipts in respect of such Collection Period, plus (C) any Reconciliation Amount not applied in previous Collection Periods;
- (vii) "**Relevant Margin**" means:
  - (A) in respect of the Class A Notes, 1.20 per cent. per annum;
  - (B) in respect of the Class B Notes, 1.80 per cent. per annum;
  - (C) in respect of the Class C Notes, 2.10 per cent. per annum;
  - (D) in respect of the Class D Notes, 2.50 per cent. per annum; and
  - (E) in respect of the Class E Notes, 3.50 per cent. per annum; and
  - (F) in respect of the Class X Notes, 2.00 per cent. per annum.
- (viii) "**Reporting Date**" means the day falling four Business Days prior to the 25th day of each calendar month provided that where the 25th day of a calendar month is not a Business Day, the Reporting Date for that month shall be the day falling four Business Days prior to the Business Day immediately following the 25th day of that calendar month;
- (ix) "**Screen**" means Reuters Screen SONIA Page or such other page as may replace Reuters Screen SONIA on that service for the purpose of displaying such information or if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Note Trustee) as may replace such screen;
- (x) "**Servicer Report**" means a report to be provided by the relevant Servicer no later than 10:00 a.m. on the Servicer Reporting Date in accordance with the terms of the Moorgate Servicing Agreement or RMS 25 Servicing Agreement (as applicable) and detailing, *inter alia*, the information relating to the Portfolio necessary to produce the Investor Report and the SR Investor Report;
- (xi) "**SONIA Reference Rate**" means in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such

Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Screen or, if the Screen is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day). If, in respect of any Business Day in the relevant Observation Period, the Agent Bank determines that the SONIA Reference Rate is not available on the Screen or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate;

(xii) "**Step-Up Margin**" means,

- (A) in respect of the Class A Notes, 1.80 per cent. per annum;
- (B) in respect of the Class B Notes, 2.70 per cent. per annum;
- (C) in respect of the Class C Notes, 3.10 per cent. per annum;
- (D) in respect of the Class D Notes, 3.50 per cent. per annum; and
- (E) in respect of the Class E Notes, 4.50 per cent. per annum.

#### **6.4 Determination of Rates of Interest and Interest Amounts**

The Agent Bank shall, as soon as practicable on the Interest Determination Date falling in such Interest Period, but in no event later than the third Business Day thereafter, determine the Sterling amount (the "**Interest Amounts**") payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall, in respect of a Class of Rated Notes and the Class X Notes be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Rated Notes or Class X Notes (as applicable) and multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the figure downwards to the nearest penny.

#### **6.5 Publication of Rates of Interest and Interest Amounts**

The Agent Bank shall cause the Rate of Interest and the Interest Amounts for each Class of Notes (other than the Class F Notes and Class Z Notes) in respect of each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 16 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than three Business Days prior to the immediately succeeding Interest Payment Date. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

## 6.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and the Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of such default by the Cash Manager, determine or cause to be determined the Rates of Interest and the Interest Amounts, it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 6.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

## 6.7 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Noteholders shall attach to the Cash Manager, the Agent Bank, or if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 6.

## 6.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an agent bank for the purposes of the Notes. The Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank and shall, in the event of the appointed office of any bank being unable or unwilling to continue to act as the agent bank or failing duly to determine the Rate of Interest or the Interest Amounts in respect of any Class of Notes for any Interest Period, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed pursuant to the terms of the Agency Agreement.

## 6.9 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Monthly Collection Period (each such period, a "**Determination Period**"), then the Cash Manager shall use the Servicer Report in respect of the three most recent Monthly Collection Periods in respect of which all relevant Servicer Reports are available (or, where there are not at least three such previous Monthly Collection Periods, any such previous Monthly Collection Periods) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in Condition 6.9(b). When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 6.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 6.9(b) and/or 6.9(c); (ii) payments made under any of the Notes, Certificates and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 6.9(b) and/or 6.9(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) In respect of any Determination Period the Cash Manager shall on the Calculation Date immediately following the Determination Period:

- (i) determine the Interest Determination Ratio (as defined in Condition 6.3(e)) by reference to the three most recent Monthly Collection Periods in respect of which all relevant Servicer Reports are available (or, where there are not at least three such previous Monthly Collection Periods, any such previous Monthly Collection Periods) received in the preceding Collection Periods;
  - (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and
  - (iii) calculate the Redemption Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Redemption Receipts**").
- (c) Following the end of any Determination Period, upon receipt by the Cash Manager of the relevant Servicer Report in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 6.9(b) to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined above) as follows:
- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Redemption Receipts (with a corresponding debit of the Revenue Ledger); and
  - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Redemption Ledger, as Available Revenue Receipts (with a corresponding debit of the Redemption Ledger),

**provided that** the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Redemption Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

## **7. PAYMENTS**

### **7.1 Payment of Interest and Principal**

Subject to paragraph 2 of Condition 3.1 (*Form and Denomination*), payments of any amount in respect of a Note, including principal and interest, shall be made by credit or transfer to an account in sterling maintained by the payee.

### **7.2 Laws and Regulations**

Payments of any amount in respect of a Note including principal and interest in respect of the Notes are subject, in all cases, to (a) any fiscal or other laws and regulations applicable thereto and (b) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

### **7.3 Payment of Interest following a Failure to pay Principal**

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6.1 (*Accrual of interest*) and Condition 6.3 (*Rate of Interest*) will be paid in accordance with this Condition 7.

### **7.4 Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents provided that there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Ireland or in London.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

### **7.5 No Payment on non-Business Day**

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 7.5, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

### **7.6 Partial Payment**

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register indicating the amount and date of such payment.

### **7.7 Payment of Interest**

If interest is not paid in respect of a Note of any Class (other than a Class F Note or Class Z Note) on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 7.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 7.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 16 (*Notice to Noteholders*).

## **8. REDEMPTION**

### **8.1 Redemption at Maturity**

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Interest Payment Date falling in May 2051 (the "**Final Maturity Date**").



## 8.2 Mandatory Redemption prior to the service of an Enforcement Notice

- (a) Prior to the service of an Enforcement Notice, each Class of Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Redemption Receipts available for such purpose in accordance with the Pre-Enforcement Redemption Priority of Payments which shall be applied in the following order of priority:
- (i) to repay the Class A Notes until they are each repaid in full; and thereafter
  - (ii) to repay the Class B Notes until they are each repaid in full; and thereafter
  - (iii) to repay the Class C Notes until they are each repaid in full; and thereafter
  - (iv) to repay the Class D Notes until they are each repaid in full; and thereafter
  - (v) to repay the Class E Notes until they are repaid in full; and thereafter
  - (vi) to repay the Class F Notes until they are repaid in full; and thereafter
  - (vii) to repay the Class Z1 Notes until they are each repaid in full; and thereafter
  - (viii) to repay the Class Z2 Notes until they are each repaid in full.
- (b) Prior to the Optional Redemption Date, the Class X Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Revenue Receipts available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.
- (c) The Principal Amount Outstanding of each Class of Notes shall be redeemed on each Interest Payment Date in accordance with the relevant Priority of Payments. The principal amount to be redeemed in respect of a Class of Notes (the "**Note Principal Payment**") on any Interest Payment Date prior to the service of an Enforcement Notice shall be the Available Redemption Receipts and/or Available Revenue Receipts (as applicable) available for such purpose on such Interest Payment Date in accordance with the relevant Priority of Payments, as calculated on the Calculation Date immediately preceding such Interest Payment Date, multiplied by the relevant Note Factor. 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 "**Note Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, is the Principal Amount Outstanding of the relevant Class of Notes. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default or manifest error) be final and binding on all persons.
- (d) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and Note Factor to be notified 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 Euronext Dublin and admitted to trading on its Regulated Market) Euronext Dublin, and will immediately cause notice of each such determination to be given in accordance with Condition 16 (*Notice to Noteholders*) not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Notes on any Interest Payment Date a notice to this effect will be given to the holders of the Notes.

### **8.3 Mandatory Redemption of the Notes in full**

(a) On or after the Optional Redemption Date

On giving not more than 30 days' nor fewer than five Business Days' notice by the Issuer to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date on or after the Optional Redemption Date and following the sale of the Loans and their Related Security comprising the Portfolio in accordance with the provisions of the Deed Poll, the Optional Purchase Price together with all amounts standing to the credit of the Reserve Fund Ledger and any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date will be applied in accordance with the Post-Enforcement Priority of Payments with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice*).

(b) Ten per cent. clean-up call

On giving not more than 60 days' nor fewer than 14 Business Days' notice by the Issuer to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date following the sale of the Loans and their Related Security comprising the Portfolio in accordance with the provisions of the Deed Poll where the aggregate Outstanding Principal Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Outstanding Principal Balance of the Loans comprising the Portfolio on the Cut-Off Date, the Optional Purchase Price together with all amounts standing to the credit of the Reserve Fund Ledger and any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date will be applied in accordance with the Post-Enforcement Priority of Payments with the result that the Notes will be redeemed in full on such Interest Payment Date in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice*).

(c) Following a market sale

On giving not more than 30 days' nor fewer than five Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date on or after the sale of the Loans and their Related Security comprising the Portfolio to the Winning Bidder in accordance with the provisions of the Deed Poll, a portion of the proceeds of the sale shall be paid directly by the Winning Bidder (on behalf of the Issuer) to the Liquidation Agent for its fees, and expenses and the remaining proceeds of the sale, together with all amounts standing to the credit of the Reserve Fund Ledger and any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on such Interest Payment Date, will be applied in accordance with the Post-Enforcement Priority of Payments with the result that the Rated Notes, the Class F Notes and the Class X Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice*).

### **8.4 Mandatory Redemption in full pursuant to a Risk Retention Regulatory Change Option**

(a) On the Interest Payment Date falling on or immediately following the Risk Retention Regulatory Change Option Date following the sale of the Loans pursuant to the Risk Retention Regulatory Change Option, the full amount of the Risk Retention Regulatory Change Option Purchase Price, together with all amounts standing to the credit of the Reserve Fund Ledger and all Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Risk Retention

Regulatory Change Option Date will be applied in accordance with the Post-Enforcement Priority of Payments with the result that the Notes will be redeemed in full in accordance with this Condition 8.4.

- (b) Any Note redeemed pursuant to Condition 8.4(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 and including the Interest Payment Date immediately following the Risk Retention Regulatory Change Option Date.

## 8.5 Mandatory Redemption for Taxation or Other Reasons

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or
- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes,

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

- (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the holders of the Rated Notes, the Class F Notes and the Class X Notes (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any confirmation made orally to the Issuer (in which case the Issuer shall confirm the same in writing to the Note Trustee) or in writing from each of the Rating Agencies that the then current ratings of the Rated Notes would not be adversely affected by such substitution or (B) if no such confirmation from the Rating Agencies is forthcoming and the Issuer has certified to the Cash Manager, the Note Trustee and the Security 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) (while any of the Rated Notes remain outstanding) would not have an adverse effect on the rating of the Rated Notes) (upon which confirmation or certificate the Note Trustee, the Cash Manager and Security Trustee shall be entitled to rely absolutely without liability to any person for so doing); and
- (ii) such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law.

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

On any Interest Payment Date following the date on which the Loans and their Related Security comprising the Portfolio are sold pursuant to the Deed Poll following the occurrence of a Redemption Event, the Optional Purchase Price together with all amounts standing to the credit of the Reserve Fund Ledger and any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date falling on or immediately following the Optional Purchase Completion Date will be applied in accordance with the Post-Enforcement Priority of Payments with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice*). The Issuer shall give not more than 60 days' nor fewer than 30 Business Days' notice of any such redemption of the Notes to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee.

## **8.6 Refinancing Call Option**

The Issuer may, in consultation with the Option Holder and the Retention Holder, issue further notes (the "**Refinancing Notes**") on or after the Optional Redemption Date (any such date of refinancing being an "**Optional Refinancing Date**") provided that the proceeds of any such Refinancing Notes must be of an amount equal to or greater than the Refinancing Notes Minimum Issuance Amount.

On giving not more than 30 days' nor less than five Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, following the exercise of the Refinancing Call Option, some or all of the proceeds of the issuance of Refinancing Notes and other amounts available to the Issuer for application will be applied in accordance with the Post-Enforcement Priority of Payments on the Interest Payment Date falling on or immediately following the Optional Refinancing Date in an amount sufficient to redeem the Notes in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice*).

"**Refinancing Call Option**" means the option of the Issuer, on giving not more than 30 nor less than five Business Days' notice to the holders of the Notes and the Note Trustee in accordance with this Condition 8.6 (*Refinancing Call Option*), to redeem (in full and not in part) any Notes outstanding on any Interest Payment Date falling on and from the Optional Redemption Date using some or all of the proceeds of the issuance of Refinancing Notes together with other amounts available to the Issuer and deemed to be expressly available for such purposes;

## **8.7 Principal Amount Outstanding**

The "Principal Amount Outstanding" of each Class of Notes on any date shall be, in each case, their original principal amount, in respect of the Class A Notes of £320,823,000, in respect of the Class B Notes of £12,260,000, in respect of the Class C Notes of £15,325,000, in respect of the Class D Notes of £15,325,000, in respect of the Class E Notes of £16,347,000, in respect of the Class F Notes of £16,347,000, in respect of the Class Z1 Notes of £12,265,000, in respect of the Class Z2 Notes of £8,174,000, and in respect of the Class X Notes of £2,500,000, in each case less the aggregate amount of all principal payments in respect of such Class of Notes which have been made since the Closing Date.

## **8.8 Notice of Redemption**

Any such notice as is referred to in Condition 8.3 (*Mandatory Redemption of the Notes in full*), Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*) or Condition 8.6 (*Refinancing Call Option*) 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 the Deed Poll may be relied on by the Note Trustee absolutely without any liability to any person for so doing and without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

## **8.9 No Purchase by the Issuer**

The Issuer will not be permitted to purchase any of the Notes.

## **8.10 Cancellation on redemption in full**

All Notes redeemed in full will be cancelled upon redemption. Notes cancelled upon redemption in full may not be resold or re-issued.

## **9. TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

## **10. PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 10, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies has been received, and notice to that effect is duly given to the relevant Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

## **11. EVENTS OF DEFAULT**

### **11.1 Notes**

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class

of Notes then outstanding shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (an "**Enforcement Notice**") to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued (but unpaid) interest as provided in the Trust Deed (with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the relevant Legal Title Holder, the relevant Servicer, the Issuer Account Bank, the Collection Account Bank and the Cash Manager), if any of the following events (each, an "**Event of Default**") occur:

- (a) subject to Condition 18 (*Subordination by Deferral*), if default is made in the payment of any principal or interest due in respect of the Most Senior Class of Notes and the default continues for: (i) a period of ten Business Days in the case of principal, or (ii) five Business Days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and the failure continues for a period of 15 Business Days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the failure to be incapable of remedy, then no continuation or notice as is aforementioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any representation or warranty made by the Issuer under any Transaction Document is incorrect when made and the matters giving rise to such misrepresentation are not remedied within a period of 15 Business Days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the matters giving rise to such misrepresentation to be incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (d) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders; or
- (e) if (i) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or (iii) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (f) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with the court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), unless initiated by the Issuer, is not discharged within 30 Business Days; or
- (g) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or

other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

"**Default**" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

## **11.2 General**

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Condition 11.1 (*Notes*), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.

## **12. ENFORCEMENT**

### **12.1 General**

The Note Trustee may, at any time, at its discretion and without notice and in such manner as it thinks fit, take such proceedings, actions and/or steps, or direct the Security Trustee to take such proceedings, actions and/or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) the Note Trustee shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and
- (b) in all cases, the Note Trustee and the Security Trustee shall have been indemnified and/or prefunded and/or secured to its satisfaction.

### **12.2 Preservation of Assets**

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the holders of the Notes (and all persons ranking in priority to the holders of the Notes), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of priority set out in the Post-Enforcement Priority of Payments). The fees and expenses of the aforementioned financial adviser

or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 12.2 without further enquiry and shall incur no liability to any person for so doing.

### **12.3 Limitations on Enforcement**

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

### **12.4 Limited Recourse**

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the "**Charged Assets**"). If:

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

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain due or to be paid in respect of the Notes (including, for the avoidance of doubt, payments of principal, premium (if any) or interest in respect of the Notes) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Notes and any further payment rights shall be extinguished.

## **13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

13.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

13.2 For the purposes of these Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes then outstanding, the Class E Notes or, if there are no Rated Notes then outstanding, the Class F Notes or, if there are no Rated Notes or Class F Notes then outstanding, the Class X Notes, or, if there are no Rated Notes, Class F Notes or Class X Notes then outstanding, the Class Z Notes.

### **13.3 Limitations on Noteholders**



- (a) Subject as provided in Conditions 13.3(b) and 13.3(c):
  - (i) subject to Conditions 13.3(a)(ii) and (iii), a resolution passed at any meeting of the holders of the Most Senior Class of Notes then outstanding shall be binding on such Noteholders and all other Classes of Noteholders and the Residual Certificates irrespective of the effect upon them;
  - (ii) subject to Condition 13.3(a)(iii), a resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (A) such Noteholders and all other Classes of Noteholders ranking junior to such Class of Noteholders in each case and (B) the Residual Certificates, in each case irrespective of the effect it has upon them; and
  - (iii) no resolution of any Class of Noteholders shall take effect for any purpose while any of the Most Senior Class of Notes then outstanding remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding and in the case of the Residual Certificates all Notes ranking in priority thereto or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding and in the case of the Residual Certificates all Notes ranking in priority thereto.
- (b) Subject as provided in Condition 13.3(c), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and/or the holders of the Residual Certificates (if applicable).

#### 13.4 **Quorum**

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (b) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or, where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the

Notes, or, where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, or of the method of calculating the amounts payable in respect of the Residual Certificates (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes ranking senior to such Class or the Residual Certificates in the Priorities of Payments), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) make any change to the definition of a Basic Terms Modification, or (viii) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons holding or representing in the aggregate not less than (A) 75 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (B) 75 per cent. of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant Class of Noteholders and (if affected) the Certificateholders in accordance with the Residual Certificates Conditions.

- (d) The quorum at any adjourned meeting shall be:
- (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than ten per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding;
  - (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution shall be one or more persons present and holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding; and
  - (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or of the Residual Certificates then in issue.

The terms of the Trust Deed and the Deed of Charge provide for the Noteholders to give directions in writing to the Note Trustee upon which the Note Trustee is bound to act.

13.5 The Note Trustee may at any time and from time to time, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification (other than a Basic Terms Modification):

- (a) to these Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee, will not be materially prejudicial to the interests of the Noteholders (or, if there are no Notes outstanding, the interests of the Certificateholders); or
- (b) to these Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee, such modification is of a formal, minor or technical nature or to correct a manifest error.

13.6 Notwithstanding the provisions of Condition 13.5, the Note Trustee shall be obliged and shall direct the Security Trustee, without any consent or sanction of the Noteholders or the other Secured

Creditors, but subject to the receipt of written consent from any of the Secured Creditors party to the Transaction Document being modified (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document that the Issuer considers necessary:

- (a) for the purposes of enabling the Issuer or any Transaction Party to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer or the relevant Transaction Party, as applicable, certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; and
- (b) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, **provided that:**
  - (i) the Issuer certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (ii) in the case of any modification to a Transaction Document proposed by any of the Seller, the relevant Servicer, the Cash Manager, the Collection Account Bank, the Agent Bank, the Principal Paying Agent or the Issuer Account Bank (for the purpose of this Condition 13.6 only, each a "**Relevant Party**", in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds)):
    - (A) the Relevant Party certifies in writing to the Issuer, the Note Trustee and the Security Trustee that such modification is necessary for the purposes described in subparagraph (ii)(x) and/or (y) above; and
    - (B) the Issuer, the Relevant Party or the relevant Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies, a Rating Agency Confirmation or, in the case of a Non-Responsive Rating Agency only, certifies in writing to the Issuer (in the case of the Relevant Party or the relevant Servicer) and the Note Trustee and the Security Trustee that the provisions of Condition 19 (*Non-Responsive Rating Agency*) have been satisfied in relation to the request for such Rating Agency Confirmation with respect to the Non-Responsive Rating Agency;
- (c) for the purpose of (i) complying with any changes in the requirements of, or (ii) enabling the Issuer to comply with an obligation in respect of, the Securitisation Regulation (including in respect of risk retention) after the Closing Date, including as a result of the adoption of regulatory or implementing technical standards in relation to the Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

- (d) for the purpose of enabling the Notes to be (or to remain) listed on Euronext Dublin, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation and the Commission Delegated Regulation 2015/3 (including, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended from time to time (the "**CRA3 Requirements**"), including any requirements imposed by any regulation laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation (the "**STS Regulation**") proposed by the European Commission or any other obligation which applies under the CRA3 Requirements, the STS Regulation and/or any new regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (f) for the purpose of complying with any changes in the requirements of the CRR Amendment Regulation after the Closing Date,  
  
(the certificate to be provided by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Conditions 13.6(a) to 13.6(f) above being a "**Modification Certificate**"), or
- (g) for the purpose of changing the reference rate or the base rate that then applies in respect of the Notes to an alternative base rate (any such rate, which may include an alternative screen rate, an "**Alternative Base Rate**") and making such other amendments as are necessary or advisable in the commercially reasonable judgement of the Issuer (or the relevant Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**"), provided that the Issuer (or the relevant Servicer on its behalf), certifies to the Note Trustee and the Security Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:
  - (i) such Base Rate Modification is being undertaken due to:
    - (A) an alternative manner of calculating a SONIA-based rate being introduced and becoming a standard means of calculating interest for similar transactions;
    - (B) a material disruption to SONIA, an adverse change in the methodology of calculating SONIA or SONIA ceasing to exist or be published;
    - (C) the insolvency or cessation of business of the SONIA administrator (in circumstances where no successor SONIA administrator has been appointed);
    - (D) a public statement by the SONIA administrator that it will cease publishing SONIA permanently or indefinitely (in circumstances where no successor SONIA administrator has been appointed that will continue publication of SONIA);

- (E) a public statement by the supervisor of the SONIA administrator that SONIA has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;
  - (F) a public statement by the supervisor of the SONIA administrator that means SONIA may no longer be used or that its use is subject to restrictions or adverse consequences; or
  - (G) the reasonable expectation of the Issuer (or the relevant Servicer on its behalf) that any of the events specified in sub-paragraphs (A) to (F) above will occur or exist within six months of the proposed effective date of such Base Rate Modification; and
- (ii) such Alternative Base Rate is any one or more of the following:
- (A) a base rate published, endorsed, approved or recognised by the Federal Reserve or the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing); or
  - (B) a base rate utilised in a material number of publicly-listed new issues of Sterling-denominated asset backed floating rate notes prior to the effective date of such Base Rate Modification; or
  - (C) such other base rate as the Issuer (or the relevant Servicer on its behalf ) reasonably determines, provided that this option may only be used if the Issuer (or the relevant Servicer on its behalf) certifies to the Note Trustee and the Security Trustee that, in the reasonable opinion of the Issuer (or the relevant Servicer on its behalf) none of the Condition 13.6(g)(ii)(A) to (B) are applicable and/or practicable in the context of the transaction, and sets out the rationale in the Base Rate Modification Certificate for choosing the proposed Alternative Base Rate,

and in each case, the change to the Alternative Base Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholders (or, if no Notes are outstanding, the Certificateholders).

For the avoidance of doubt, the Issuer (or the relevant Servicer on its behalf) may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in this Condition 13.6(g) are satisfied.

- (h) The Note Trustee is only obliged to concur and direct the Security Trustee to concur with the Issuer in making any modification referred to in Conditions 13.6(a) to 13.6(g) (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document **provided that:**
- (i) in respect of an amendment under Condition 13.6(g), the same Alternative Base Rate will be applied to all Classes of Notes (where such Notes bear interest);
  - (ii) at least 30 days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;

- (iii) the Modification Certificate and Base Rate Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee are notified of the proposed modification and on the date that such modification takes effect;
- (iv) the written consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document);
- (v) the Note Trustee and the Security Trustee is satisfied that it has been or will be reimbursed all costs, fees and expenses (including reasonable and properly incurred legal fees) incurred by it in connection with such modification;
- (vi) other than in the case of a modification pursuant to Condition 13.6(b)(ii) above, the Issuer, the Relevant Party or the relevant Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies, a Rating Agency Confirmation or, in the case of a Non-Responsive Rating Agency only, certifies in writing to the Issuer (in the case of the Relevant Party or the relevant Servicer) and the Note Trustee that the provisions of Condition 19 (*Non-Responsive Rating Agency*) have been satisfied in relation to the request for such Rating Agency Confirmation with respect to the Non-Responsive Rating Agency; and
- (vii) the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) in writing to the Note Trustee and the Security Trustee (which certification may be in the Modification Certificate) that in relation to such modification (A) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Issuer, in each case specifying the date and time by which Noteholders must respond, and it has made available at such time the modification documents for inspection at the registered office of the Note Trustee for the time being during normal business hours, and (B) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in accordance with the notice provided above and the then current practice of any applicable clearing system through which such Notes may be held within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with this Condition 13.

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

- 13.7 When implementing any modification pursuant to Condition 13.6:
- (a) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification) the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 13.6 and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
  - (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (i) exposing the Note Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.
- 13.8 The Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Condition 13.8 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or by a direction under Condition 11 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 13.9 Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with these Conditions, Residual Certificates Conditions or Transaction Documents shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders*).
- 13.10 Any modification to the Transaction Documents and the Conditions shall be notified by the Issuer in writing to the Rating Agencies.
- 13.11 In connection with any such substitution of principal debtor referred to in Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), the Note Trustee may also agree, and may direct the Security Trustee to agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.
- 13.12 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may, among other things, have regard to whether the Rating Agencies have confirmed orally to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current ratings of the Rated Notes.

- 13.13 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall (a) have regard to the general interests of the Noteholders of such Class or Classes but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders and (b) subject to the more detailed provisions of the Trust Deed and the Deed of Charge, as applicable, have regard to the interests of holders of each Class of Notes (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more Classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class or Classes of Notes ranking in priority to the other relevant Classes of Notes.
- 13.14 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.
- 13.15 "**Ordinary Resolution**" means, in respect of the holders of any of the Classes of Notes:
- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by not less than a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll;
  - (b) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or
  - (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes.
- 13.16 "**Extraordinary Resolution**" means, in respect of the holders of any of the Classes of Notes:
- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than 75 per cent. of Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll;
  - (b) a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or



- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes.
- 13.17 "**Eligible Person**" means any one of the following persons who shall be entitled to attend and vote at a meeting:
- (a) a bearer of any Voting Certificate; and
  - (b) a proxy specified in any Block Voting Instruction.
- 13.18 "**Voting Certificate**" means an English language certificate issued by a Paying Agent in which it is stated:
- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
    - (i) the conclusion of the meeting specified in such Voting Certificate; and
    - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
  - (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.
- 13.19 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:
- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
    - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
    - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
  - (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
  - (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution;

- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
- (e) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
- (f) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.20 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

#### 13.21 **Issuer Substitution Condition**

The Note Trustee may agree, subject to such amendment of these Conditions and of any of the Transaction Documents, and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 5 (*Covenants*) (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Condition 13.21, the Note Trustee may in its absolute discretion agree, and may direct the Security Trustee to agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

#### 14. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce their rights, comply with its obligations and perform their duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## 15. REPLACEMENT OF NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange requirements. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

## 16. NOTICE TO NOTEHOLDERS

### 16.1 Publication of Notice

- (a) Subject to Condition 16.1(d), any notice to Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by (i) email or (ii) first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail, at the respective email addresses or addresses (as the case may be) on the Register. Any such notice sent by post will be deemed to have been given on the fourth day after the date of posting and any notice sent by email shall be deemed to have been given at the time of dispatch provided that in the case of a notice given by email a confirmation of receipt is received by the sending party.
- (c) While the Notes are represented by Global Note, notices to Noteholders will be valid if published as described above or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (d) So long as the relevant Notes are admitted to trading on, and listed on the official list of, Euronext Dublin all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of Euronext Dublin (which includes delivering a copy of such notice to Euronext Dublin) and any such notice will be deemed to have been given on the date sent to Euronext Dublin.

### 16.2 Note Trustee's Discretion to Select Alternative Method

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

traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

## 17. REPLACEMENT NOTES

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

## 18. SUBORDINATION BY DEFERRAL

### 18.1 Interest Amounts

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

### 18.2 General

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

### 18.3 Notification

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

## 19. NON-RESPONSIVE RATING AGENCY

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Rated Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the 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 or more 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 (if there is only one Non-Responsive Rating Agency); or
  - (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, if there is only one Non-Responsive Rating Agency, each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred or if there is more than one Non-Responsive Rating Agency that the events in paragraphs (i)(A) or (i)(B) are satisfied. Each of the Note Trustee and the Security Trustee may rely on such certificate absolutely without further enquiry and without liability.

## **20. JURISDICTION AND GOVERNING LAW**

- (a) The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.
- (b) The Transaction Documents, the Notes, the Residual Certificates and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any documents supplemental thereto relate to the Scottish Loans or the Northern Irish Loans, such provisions and documents shall be construed in accordance and/or governed by Scots law or Northern Irish law, as applicable.

## **21. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

*The following are the terms and conditions of the Residual Certificates in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)*

### 1. GENERAL

The 100 residual certificates (the "**Residual Certificates**") of Stratton Mortgage Funding 2019-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 10 June 2019 (the "**Closing Date**") and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the registered holders for the time being of the Residual Certificates (the "**Certificateholders**") (the "**Note Trustee**"). Any reference in these residual certificates terms and conditions (the "**Residual Certificates Conditions**") to a "**Class**" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class X Notes, the Class Z1 Notes or the Class Z2 Notes as the case may be, or to the respective holders thereof. The security for the Residual Certificates is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agent**") Citibank, N.A., London Branch as registrar (in such capacity, the "**Registrar**") and Citibank, N.A., London Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of amounts in respect of the Residual Certificates.

The statements in these Residual Certificates Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

### 2. INTERPRETATION

#### 2.1 Definitions

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

#### 2.2 Interpretation

These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

### 3. FORM AND TITLE

#### 3.1 Form and Denomination

Each Residual Certificate will initially be represented by a global residual certificate in registered form (a "**Global Residual Certificate**").

For so long as any of the Residual Certificates are represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in such Global Residual Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. The Global Residual Certificate will be deposited with and registered in the name of a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate in definitive registered form, the "**Definitive Residual Certificates**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
  - (ii) announce an intention permanently to cease business or to cease to make their book-entry systems available for settlement of beneficial interests in the Global Residual Certificate and do in fact do either of those things,and in either case no alternative clearing system satisfactory to the Note Trustee is available;  
or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations which become effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to "**Residual Certificates**" in these Residual Certificates Conditions shall include the Global Residual Certificate and the Definitive Residual Certificates.

#### 3.2 Title

Title to the Global Residual Certificate shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a

Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to Definitive Residual Certificates shall only pass by and upon registration of the transfer in the Register.

Definitive Residual Certificates may be transferred upon the surrender of the relevant Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Definitive Residual Certificates are subject to any restrictions on transfer set out on the Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Residual Certificate to be issued upon transfer of such Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

## **4. STATUS AND SECURITY**

### **4.1 Status of the Residual Certificates**

The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 11.3 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay deferred consideration for its purchase of the Portfolio, consisting of the Residual Payments. The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payments on the Residual Certificates. Residual Payments will be made subject to and in accordance with the Pre-Enforcement Revenue Priority of Payments, Pre-Enforcement Redemption Priority of Payments and Post-Enforcement Priority of Payments.

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard (except as expressly provided otherwise) to the interests of the Noteholders for so long as there are any Notes outstanding.

### **4.2 Security**

The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

The Certificateholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.



## 5. ISSUER COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of these Residual Certificates Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of, its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Deposit Account, 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;

- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;
- (l) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same; or
- (m) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 6. RESIDUAL PAYMENTS

### 6.1 Right to Residual Payments

Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of deferred consideration for the purchase by the Issuer of the Portfolio.

### 6.2 Payment

A Residual Payment may be payable in respect of the Residual Certificates on each Interest Payment Date and each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments.

- (a) "**Determination Period**" has the meaning set out in Residual Certificate Condition 6.9 (*Determinations and Reconciliation*).
- (b) "**Interest Payment Date**" means each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.
- (c) "**Residual Payment**" means:
  - (i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the amount (if any) by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (u) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date; and
  - (ii) following the delivery of an Enforcement Notice, in respect of each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (a) to (t) of the Post-Enforcement Priority of Payments on that date.
- (d) "**Residual Payment Amount**" means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Residual Payment for that date, divided by the number of Residual Certificates then in issue.

### **6.3 Determination of Residual Payment**

The Agent Bank shall on each Calculation Date determine the Residual Payment payable on the immediately following Interest Payment Date and the Residual Payment Amount payable in respect of each Residual Certificate on such Interest Payment Date.

### **6.4 Publication of Residual Payment and Residual Payment Amount**

The Agent Bank shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*) as soon as possible after their determination and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date.

### **6.5 Determination by the Note Trustee**

The Note Trustee may, without liability therefor, if the Cash Manager defaults at any time in its obligation to determine the Residual Payment and Residual Payment Amount (if any) in accordance with the above provisions and the Note Trustee has been notified of this default, determine or cause to be determined the Residual Payment and Residual Payment Amount (if any), in the manner provided in this Residual Certificates Condition 6.5. Any such determination shall be deemed to be a determination made by the Cash Manager.

### **6.6 Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 6.6, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar, the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, or if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Residual Certificates Condition 6.6.

### **6.7 Termination of Payments**

Other than where the Notes have been redeemed in full following the exercise of the Refinancing Call Option, following the redemption in full of the Notes, the realisation of the Charged Assets and payment of the proceeds of realisation in accordance with the applicable Priority of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be redeemed and cancelled.

## **7. PAYMENTS**

### **7.1 Payment of Residual Payment Amounts**

Subject to paragraph 2 of Residual Certificates Condition 3.1 (*Form and Denomination*), payments of Residual Payment Amounts shall be made by credit or transfer to an account in sterling maintained by the payee.

## 7.2 **Laws and Regulations**

Payments of any Residual Payment Amounts are subject, in all cases, to (a) any fiscal or other laws and regulations applicable thereto and (b) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Certificateholders will not be charged commissions or expenses on payments.

## 7.3 **Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents, provided that there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Ireland or in London.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Certificateholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

## 7.4 **No Payment on non-Business Day**

If the date for payment of any amount in respect of a Residual Certificate is not a Presentation Date, Certificateholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to interest or other payment in respect of such delay. In this Residual Certificates Condition 7.4, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

## 8. **TAXATION**

All payments of Residual Payment Amounts by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imports, duties, fees, deductions, withholding or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

## 9. **PRESCRIPTION**

Claims in respect of Residual Payment Amounts will be prescribed after ten years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 9, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, and notice to that

effect is duly given to the relevant Certificateholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

## 10. EVENTS OF DEFAULT

### 10.1 Residual Certificates

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give a notice (an "**Enforcement Notice**") to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the following events (each, an "**Event of Default**") with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the relevant Legal Title Holder, the relevant Servicer, the Issuer Account Bank and the Cash Manager:

- (a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of five Business Days from the due date for payment; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and the failure continues for a period of 30 Business Days (following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied (or such longer period as the Note Trustee may permit)), except in any case where the Note Trustee considers the failure to be incapable of remedy, in which case no continuation or notice as is aforementioned will be required; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders; or
- (d) if (i) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or (iii) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the Issuer, is not discharged or within 30 Business Days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or

other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## **10.2 General**

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Residual Certificates Condition 10.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

## **11. ENFORCEMENT**

### **11.1 General**

The Note Trustee may, at any time, at its discretion and without notice and in such manner as it thinks fit, take such proceedings, actions and/or steps or direct the Security Trustee to take such proceedings, actions and/or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Residual Certificates or the Trust Deed (including these Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless, following redemption of the Notes in full:

- (a) the Note Trustee shall have been so directed by an Extraordinary Resolution of the Certificateholders or directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number; and
- (b) in all cases, the Note Trustee and the Security Trustee shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

### **11.2 Limitations on Enforcement**

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

### **11.3 Limited Recourse**

Notwithstanding any other Residual Certificates Condition or any provision of any Transaction Document, all obligations of the Issuer to the Certificateholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the "**Charged Assets**"). If:

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

then the Certificateholders shall have no further claim against the Issuer in respect of any further amounts due or to be paid in respect of the Residual Certificates (including, for the avoidance of doubt, payments of Residual Payment Amounts in respect of the Residual Certificates) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Residual Certificates and any further payment rights shall be extinguished.

## **12. MEETINGS OF CERTIFICATEHOLDERS AND NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class, and the Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Residual Certificates Conditions, the Conditions or the provisions of any of the Transaction Documents.

12.2 For the purposes of these Residual Certificates Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes then outstanding, the Class E Notes or, if there are no Rated Notes then outstanding, the Class F Notes or, if there are no Rated Notes or Class F Notes then outstanding, the Class X Notes, or, if there are no Rated Notes, Class F Notes or Class X Notes then outstanding, the Class Z Notes.

### **12.3 Limitations on Noteholders and Certificateholders**

- (a) Subject as provided in Residual Certificates Conditions 12.3(b) and 12.3(c):
  - (i) subject to Residual Certificates Conditions 12.3(a)(ii) and (iii), a resolution passed at any meeting of the holders of the Most Senior Class of Notes then outstanding shall be binding on all other Classes of Noteholders and the Residual Certificates irrespective of the effect it has upon them;
  - (ii) subject to Residual Certificates Condition 12.3(a)(iii), a 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 each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them; and
  - (iii) no resolution of any Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes then outstanding remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding.

- (b) Subject as provided in Residual Certificates Conditions 12.3(c), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only, shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates (if applicable).

#### 12.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the Residual Certificates then in issue.
- (b) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the Residual Certificates then in issue.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of the Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes or of the method of calculating the amounts payable in respect of the Residual Certificates (including, if any such modification is proposed for any Class of Notes), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) make any change to the definition of Basic Terms Modification, or (viii) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**"), shall be one or more persons holding or representing in the aggregate not less than (i) 75 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) 75 per cent. of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant Class of Noteholders and (if affected) by a meeting of the Certificateholders.
- (d) The quorum at any adjourned meeting shall be:
  - (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than ten per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding or Residual Certificates then in issue;



- (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution shall be one or more persons present and holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding or any of the Residual Certificates then in issue; and
- (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or of the Residual Certificates then in issue.

12.5 The Note Trustee may at any time and from time to time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification (other than a Basic Terms Modification):

- (a) to these Residual Certificates Conditions, the Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders); or
- (b) to these Residual Certificates Conditions, the Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

12.6 Notwithstanding the provisions of Residual Certificates Condition 12.5, the Note Trustee shall be obliged and shall direct the Security Trustee, without any consent or sanction of the Certificateholders or the other Secured Creditors, but subject to the receipt of written consent from any of the Secured Creditors party to the Transaction Document being modified (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Residual Certificates Conditions and/or any Transaction Document that the Issuer considers necessary:

- (a) for the purposes of enabling the Issuer or any Transaction Party to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer or the relevant Transaction Party, as applicable, certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; and
- (b) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, **provided that:**
  - (i) the Issuer certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (ii) in the case of any modification to a Transaction Document proposed by any of the Seller, the relevant Servicer, the Cash Manager, the Collection Account Bank, the

Agent Bank, the Principal Paying Agent or the Issuer Account Bank (for the purpose of this Residual Certificate Condition 12.6 only, each a "**Relevant Party**", in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds)):

- (A) the Relevant Party certifies in writing to the Issuer, the Note Trustee and the Security Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above; and
  - (B) the Issuer, the Relevant Party or the relevant Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies, a Rating Agency Confirmation or, in the case of Non-Responsive Rating Agency only, certifies in writing to the Issuer (in the case of the Relevant Party or the relevant Servicer) and the Note Trustee and the Security Trustee that the provisions of Residual Certificates Condition 17 have been satisfied in respect of the request for such Rating Agency Confirmation with respect to the Non-Responsive Rating Agency.
- (c) for the purpose of (i) complying with any changes in the requirements of, or (ii) enabling the Issuer to comply with an obligation in respect of, the Securitisation Regulation (including in respect of risk retention) after the Closing Date, including as a result of the adoption of regulatory or implementing technical standards in relation to the Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation and the Commission Delegated Regulation 2015/3 (including, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended from time to time (the "**CRA3 Requirements**"), including any requirements imposed by any regulation laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation (the "**STS Regulation**") proposed by the European Commission or any other obligation which applies under the CRA3 Requirements, the STS Regulation and/or any new regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purpose of complying with any changes in the requirements of the CRR Amendment Regulation after the Closing Date,

(the certificate to be provided by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Residual Certificates Conditions 12.6(a) to 12.6(e) above being a "**Modification Certificate**"), or

- (f) The Note Trustee is only obliged to concur and direct the Security Trustee to concur with the Issuer in making any modification referred to in Residual Certificates Conditions 12.6(a) to 12.6(d) (other than in respect of a Basic Terms Modification) to these Residual Certificates Conditions and/or any Transaction Document **provided that:**

- (i) at least 30 days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
- (ii) the Modification Certificate and Base Rate Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee are notified of the proposed modification and on the date that such modification takes effect;
- (iii) the written consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document);
- (iv) the Note Trustee and the Security Trustee is satisfied that it has been or will be reimbursed all costs, fees and expenses (including reasonable and properly incurred legal fees) incurred by it in connection with such modification;
- (v) other than in the case of a modification pursuant to Residual Certificates Condition 12.6(b)(ii) above, the Issuer, the Relevant Party or the relevant Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies, a Rating Agency Confirmation or, in the case of a Non-Responsive Rating Agency only, certifies in writing to the Issuer (in the case of the Relevant Party or the relevant Servicer) and the Note Trustee that the provisions of Residual Certificates Condition 17 have been satisfied in relation to the request for such Rating Agency Confirmation with respect to the Non-Responsive Rating Agency; and
- (vi) the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) in writing to the Note Trustee and the Security Trustee (which certification may be in the Modification Certificate) that in relation to such modification (I) the Issuer has provided at least 30 days' notice to the Noteholders of the proposed modification in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*) and by publication on Bloomberg on the "Company News" screen relating to the Issuer, in each case specifying the date and time by which Noteholders must respond, and has made available at such time the modification documents for inspection at the registered office of the Note Trustee for the time being during normal business hours, and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in accordance with the notice provided above and the then current practice of any applicable clearing system through which such Notes may be held within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Residual Certificates Condition 12 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

- 12.7 When implementing any modification pursuant to Residual Certificates Condition 12.6:
- (a) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification) the Note Trustee shall not consider the interests of the Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Residual Certificates Condition 12.6 and shall not be liable to the Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
  - (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (i) exposing the Note Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Residual Certificates Conditions.
- 12.8 The Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Residual Certificates Condition 12.8 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or by a direction under Residual Certificates Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 12.9 Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with the Conditions, these Residual Certificates Conditions or the Transaction Documents shall be binding on the Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Certificateholders as soon as practicable thereafter in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).
- 12.10 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.11 In connection with any such substitution of principal debtor referred to in Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Certificateholders or the other Secured Creditors, to a change of the laws governing the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee be materially prejudicial to the interests of the Certificateholders or the other Secured Creditors.

- 12.12 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 Residual Certificates Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Certificateholders, it shall have regard to the general interests of the Certificateholders but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Certificateholders be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Certificateholders.
- 12.13 Other than in respect of any matter requiring an Extraordinary Resolution, Certificateholders are required to vote by way of an Ordinary Resolution.
- 12.14 "**Ordinary Resolution**" means:
- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by not less than a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll;
  - (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or
  - (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue.
- 12.15 "**Extraordinary Resolution**" means:
- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a majority consisting of not less than 75 per cent. of the Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll;
  - (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than 75 per cent. in number of the holders of the Residual Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or
  - (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than 75 per cent. in number of the holders of the Residual Certificates then in issue.

- 12.16 "**Eligible Person**" means any one of the following persons who shall be entitled to attend and vote at a meeting:
- (a) a bearer of any Voting Certificate; and
  - (b) a proxy specified in any Block Voting Instruction.
- 12.17 "**Voting Certificate**" means an English language certificate issued by a Paying Agent in which it is stated:
- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
  - (b) the conclusion of the meeting specified in such Voting Certificate; and
  - (c) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
  - (d) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.
- 12.18 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:
- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
    - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
    - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
  - (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
  - (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
  - (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes

attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in paragraph (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:

- (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
- (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

12.19 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

#### 12.20 **Issuer Substitution Condition**

The Note Trustee may agree, subject to such amendment of these Residual Certificates Conditions and of any of the Transaction Documents, and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Residual Certificates are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Residual Certificates Condition 5 (*Issuer Covenants*) (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Residual Certificates Condition 12.20, the Note Trustee may in its absolute discretion agree, and may direct the Security Trustee to agree, without the consent of the Certificateholders, to a change in law governing the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Certificateholders.

### 13. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **14. REPLACEMENT OF RESIDUAL CERTIFICATES**

If any Residual Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws. Replacement of any mutilated, defaced, lost, stolen or destroyed Residual Certificate will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Residual Certificate must be surrendered before a new one will be issued.

## **15. NOTICE TO CERTIFICATEHOLDERS**

### **15.1 Publication of Notice**

While the Residual Certificates are represented by a Global Residual Certificate, notices to Certificateholders will be valid if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Certificateholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid, shall be deemed to have been given on the day of such delivery.

While the Residual Certificates are represented by Definitive Residual Certificates, the Note Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in its opinion, such method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall deem appropriate.

### **15.2 Note Trustee's Discretion to Select Alternative Method**

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

## **16. REPLACEMENT RESIDUAL CERTIFICATES**

If the Issuer Substitution Condition is satisfied, the Issuer may, without the consent of the Certificateholders, issue replacement residual certificates to replace the Residual Certificates, which shall have terms and conditions which may differ from the terms and conditions of the Residual Certificates which it replaces.

## **17. 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 Residual Certificates 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 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 or more 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 (if there is only one Non-Responsive Rating Agency)
- (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, if there is only one Non-Responsive Rating Agency, each of the events in paragraphs 17(b)(i)(A) or (B) and 17(b)(ii) above has occurred or if there is more than one Non-Responsive Rating Agency that the events in paragraphs (i)(A) or (i)(B) are satisfied. Each of the Note Trustee and the Security Trustee may rely on such certificate absolutely without further enquiry and without liability.

## **18. JURISDICTION AND GOVERNING LAW**

- (a) The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.
- (b) The Transaction Documents, the Notes, the Residual Certificates and these Residual Certificates Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any documents supplemental thereto relate to Scottish Loans or the Northern Irish Loans, such provisions and documents shall be construed in accordance and/or governed by Scots law or Northern Irish law, as applicable.

## **19. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Residual Certificates or these Residual Certificates Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## TAXATION

### *United Kingdom Taxation*

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating Only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders and Certificateholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders and Certificateholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

### *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 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. Euronext Dublin is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Regulated Market of Euronext Dublin. Provided, therefore, that the Notes carry a right to interest and are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any available exemptions or reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### *Foreign Account Tax Compliance Act*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes or Residual Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes and Residual Certificates, such withholding would not apply prior to the date that is two years after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of

FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes or Residual Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes or Residual Certificates, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

The Seller has pursuant to a subscription agreement dated 10 June 2019 between, amongst others, the Seller (as **Note Purchaser**), HSBC Bank plc (as the "**Arranger**") and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

- (i) £320,823,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes;
- (ii) £12,260,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes;
- (iii) £15,325,000 of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes;
- (iv) £15,325,000 of the Class D Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class D Notes;
- (v) £16,347,000 of the Class E Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class E Notes;
- (vi) £16,347,000 of the Class F Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class F Notes;
- (vii) £2,500,000 of the Class X Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class X Notes;
- (viii) £12,265,000 of the Class Z1 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z1 Notes; and
- (ix) £8,174,000 of the Class Z2 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z2 Notes,

as at the Closing Date.

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

Except with the express written consent of the Seller in the form of a U.S. Risk Retention Consent and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes or the Residual Certificates offered and sold by the Issuer may not be purchased by any person except for persons that are not Risk Retention U.S. Persons.

***This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.***

### ***United States***

The Notes have not been and will not be registered under the Securities Act or the state securities laws or "blue sky" laws of any state or any other relevant jurisdiction of the United States and therefore may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant

to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

#### ***Prohibition of Sales to EEA Retail Investors***

The Note Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of MiFID II; or
  - (ii) a customer within the meaning of the "Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (b) not a qualified investor as defined in the Prospectus Directive; and
- (c) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

#### ***EEA***

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Note Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Note Purchaser; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Note Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (i) the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe

the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and

- (ii) the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### ***United Kingdom***

The Note Purchaser has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Note Purchaser has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with the Prospectus Directive, having applied for the admission of the Notes to the Official List of Euronext Dublin and admission of the Notes to trading on its Regulated Market, no further action has been or will be taken in any jurisdiction by the Note Purchaser that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

### ***Ireland***

The Note Purchaser has represented, warranted and agreed with the Issuer that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the issue of any Notes in Ireland:

- (a) otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017), as amended and any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998 and the Investment Intermediaries Act 1995, as amended, and they will conduct themselves in accordance with any codes and rules of conduct, conditions, requirements and any other enactment, imposed or approved by the Central Bank of Ireland (the **Central Bank**) with respect to anything done by them in relation to the Notes;
- (b) otherwise than in conformity with the provisions of the Central Bank Acts 1942-2018, as amended, including any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 and any regulations issued pursuant to Part 8 of the Central Bank (Supervision and Enforcement) Act 2013, as amended;
- (c) otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended, the Prospectus (Directive 2003/71/EC) (Amendment) Regulations 2018 as amended, the EU Prospectus Regulation 2017/1129 and any rules issued under Section 1363 of the Companies Act 2014, as amended, by the Central Bank;
- (d) otherwise than in compliance with the provisions of (A) the Market Abuse Regulation (Regulation EU 596/2014); (B) the Market Abuse Directive on criminal sanctions for market abuse (Directive 2014/57/EU); (C) the European Union (Market Abuse) Regulations 2016 (S.I. No. 349 of 2016), as

amended; and (D) any rules issued by the Central Bank pursuant thereto and/or under Section 1370 of the Companies Act 2014, as amended; and

- (e) otherwise than in compliance with the provisions of Companies Act 2014, as amended.

## **General**

Other than admission of the Notes to the Official List of Euronext Dublin and the admission of the Notes to trading on its Regulated Market, no action has been taken by the Issuer, the Arranger, the Note Purchaser or the Seller that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Note Purchaser and the Seller has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

To the extent that it would not contravene any undertakings made by the Seller in the Risk Retention Letter, the Note Purchaser has undertaken that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations, provided that the Note Purchaser shall not be liable for any loss arising from the sale of the Notes to any person believed in good faith by the Note Purchaser, on reasonable grounds and after making reasonable investigations, to be a person to whom the Notes could legally be sold or to whom any material could lawfully be given in compliance with the above restrictions and requirements.

## **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 except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

### ***Investor Representations***

Each purchaser of the Notes or the Residual Certificates (which term for the purposes of this section will be deemed to include any interest in the Notes or Residual Certificates, including Book-Entry Interests) during the initial syndication will be deemed to have represented and agreed as follows: it (1) either (i) is not a Risk Retention U.S. Person or (ii) has obtained a U.S. Risk Retention Consent, (2) is acquiring such Note, Residual Certificate or a beneficial interest therein for its own account and not with a view to distribute such Notes or Residual Certificates and (3) is not acquiring such Note, Residual Certificate or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules);

### ***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 or with any securities regulatory authority of any state or other jurisdiction of the United States and 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) unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act, and, in each case, only in accordance with any applicable securities laws of any state or other jurisdiction of the United States. If the purchaser is purchasing the Notes within the period beginning on the later of the commencement of the offering of the Notes and the closing of the offering of the Notes and ending 40 days thereafter, such purchaser is not a U.S. person and is not acquiring the Notes for the account or benefit of a U.S. person;
- (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, and (iii) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the Registrar, the Note Purchaser 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.”

EACH PURCHASER OR HOLDER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED BY SUCH PURCHASE AND/OR HOLDING THAT (I) IT IS NOT AND IS NOT USING THE ASSETS OF A BENEFIT PLAN INVESTOR, AND SHALL NOT AT ANY TIME HOLD THIS NOTE FOR OR ON BEHALF OF A BENEFIT PLAN INVESTOR AND (II) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"). THE TERM "**BENEFIT PLAN INVESTOR**" SHALL MEAN (1) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), WHICH IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY UNDER U.S. DEPARTMENT OF LABOR REGULATIONS § 2510.3-101 (29 C.F.R. § 2510-101) AS MODIFIED BY SECTION 3(42) OF ERISA.

*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 Euronext Dublin and the admission of the Notes to trading on Euronext Dublin's Regulated Market will be granted on or around 10 June 2019.
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 29 March 2019 and 1 April 2019 (being the respective date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2019. So long as the Notes are admitted to trading on Euronext Dublin's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List of Euronext Dublin and to trading on Euronext Dublin's Regulated 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 29 March 2019 and 1 April 2019 (being the respective 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 or around 7 June 2019.
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/Residual Certificates</b>	<b>ISIN</b>	<b>Common Code</b>
Class A Notes	XS2003517112	200351711
Class B Notes	XS2003519670	200351967
Class C Notes	XS2003520413	200352041
Class D Notes	XS2003521064	200352106
Class E Notes	XS2004857939	200485793
Class F Notes	XS2004858820	200485882
Class X Notes	XS2003523433	200352343
Class Z1 Notes	XS2003532269	200353226
Class Z2 Notes	XS2003532343	200353234
Residual Certificates	XS2005349647	200534964

9. From the date of this Prospectus and for so long as the Notes are listed on Euronext Dublin and admitted to trading on its Regulated Market, physical copies of the following documents (other than in the case of the Trust Deed subject to the redaction of any sensitive personal information) may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):
- (a) the memorandum and articles of association of each of the Issuer and Holdings;
  - (b) physical copies of the following documents:
    - (i) the Agency Agreement;
    - (ii) the Deed Poll;
    - (iii) the Deed of Charge;
    - (iv) the Cash Management Agreement;
    - (v) the Master Definitions and Construction Schedule;
    - (vi) the Mortgage Sale Agreement;
    - (vii) the Deed of Assignment of Legal Title;
    - (viii) the Deed of Covenant;
    - (ix) the Corporate Services Agreement;
    - (x) the Bank Account Agreement;
    - (xi) the Moorgate Collection Account Agreement;
    - (xii) the RMS 25 Collection Account Agreement;
    - (xiii) the RMS 25 Servicing Agreement;
    - (xiv) the Moorgate Servicing Agreement;
    - (xv) any Scottish Trust Security;
    - (xvi) any Scottish Declaration of Trust;
    - (xvii) the Share Trust Deed;
    - (xviii) Risk Retention Letter; and
    - (xix) the Trust Deed.
10. From the Closing Date and for so long as the Notes remain outstanding (including the period while this Prospectus is valid and the Notes are listed on Euronext Dublin and admitted to trading on its Regulated Market), the Cash Manager on behalf of the Issuer will publish the monthly Investor Report. The defined terms used in the Investor Reports shall, by reference, incorporate the defined terms set out generally in the Prospectus and more specifically in the Master Definitions and Construction Schedule. Such Investor Reports will be published on the website at

<http://sf.citidirect.com>. Investor Reports will also be made available to the Issuer, the relevant Servicer, the Security Trustee, the Rating Agencies, Bloomberg and EuroABS. It is also intended that Investor Reports and information on the Loans in the Portfolio will be published on the website at [www.euroabs.com](http://www.euroabs.com) provided that neither the Issuer nor any other Relevant Party assumes any liability for any failure to publish any such information thereon. 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 and other assets of the Issuer 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. Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Regulated Market of Euronext Dublin.
13. Any website referred to in this document does not form part of the Prospectus.
14. The Issuer is the designated entity for the purposes of the Article 7(2) of the Securitisation Regulation. The Issuer will procure that EuroABS will:
  - (a) from the date of this Prospectus:
    - (i) publish a quarterly investor report in respect of each Determination Period, as then required by and in accordance with Article 7(1)(e) of the Securitisation Regulation (the “**SR Investor Report**”); and
    - (ii) publish on a quarterly basis certain aggregated loan-by-loan information in relation to the Portfolio in respect of each Determination Period as then required by and in accordance with Article 7(1)(a) of the Securitisation Regulations and in the form required by the Bank of England for the purpose of the Bank of England’s sterling monetary framework,in each case, in the form prescribed as at such time under the Securitisation Regulation;
  - (b) publish without delay, any inside information relating to the Issuer which the Issuer determines it is obliged to make in accordance with Article 17 of Regulation (EU) No 596/2014 in accordance with Article 7(1)(f) of the Securitisation Regulation and will be disclosed to the public by the Issuer in the manner prescribed under the Securitisation Regulation; and
  - (c) make available, within 5 Business Days of the issuance of the Notes, copies of the relevant Transaction Documents and this Prospectus via <https://euroabs.com/> (or such other website as may be notified by EuroABS to the Issuer, the Security Trustee, each Rating Agency, the Noteholders from time to time).
15. In addition, the Issuer confirms that it (or EuroABS on its behalf) has made available the documents required by Article 7(1)(b) of the Securitisation Regulation prior to the pricing date of the Notes.
16. The reports set out in paragraph 14(a)(i) above and the documentation and information set out in paragraphs 14(a)(ii) and 14(b) above as at the date of this Prospectus have been or, as applicable,

shall be published on the website at <https://euroabs.com/> (or such other website as may be notified by EuroABS to the Issuer, the Security Trustee, each Rating Agency and the Noteholders from time to time, being a website that conforms to the requirements set out in Article 7(2) of the Securitisation Regulation). The Issuer intends to appoint EuroABS as an SR Repository. Such reports and information will be made available through the SR Repository, once appointed. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

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