

IMPORTANT NOTICE

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

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

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

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).

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

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

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

Stratton Mortgage Funding plc

(Incorporated under the laws of England and Wales with limited liability, registered number 11305190)

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate*	Margin	Step-Up Margin (payable from Optional Redemption Date)	Ratings (Moody's/ S&P)	Final Maturity Date
Class A Notes	£122,500,000	100.00%	Three Month LIBOR**	0.80% per annum	1.20% per annum	Aaa (sf) / AAA (sf)	The Interest Payment Date falling in March 2044
Class B Notes	£4,900,000	100.00%	Three Month LIBOR** capped at 8%	1.15% per annum	1.725% per annum	Aa3 (sf) / AA+ (sf)	The Interest Payment Date falling in March 2044
Class C Notes	£4,900,000	100.00%	Three Month LIBOR** capped at 8%	1.80% per annum	2.70% per annum	Baa1 (sf) / AA- (sf)	The Interest Payment Date falling in March 2044
Class D Notes	£4,200,000	100.00%	Three Month LIBOR** capped at 8%	2.75% per annum	3.75% per annum	Ba3 (sf) / BBB+ (sf)	The Interest Payment Date falling in March 2044
Class X Notes	£3,900,000	100.00%	Three Month LIBOR** capped at 8% ***	2.75% per annum	N/A	Ca (sf) / CCC (sf)	The Interest Payment Date falling in March 2044
Class Z1 Notes	£4,300,000	100.00%	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in March 2044
Class Z2 Notes	£2,900,000	100.00%	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in March 2044

The Optional Redemption Date is the Interest Payment Date falling in June 2021. 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.

* Except in respect of the first Interest Period, where the reference rate will be the linear interpolation of LIBOR for three and six month deposits in Sterling.

** "Three Month LIBOR" means LIBOR for three month sterling deposits.

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

ARRANGER

BANK OF AMERICA MERRILL LYNCH

The date of this Prospectus is 30 April 2018

Issue Date	The Issuer will issue the Notes in the classes set out above and the Residual Certificates on or about 30 April 2018 (the " Closing Date ").
Standalone/ programme issuance	Standalone issuance.
Listing	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the " Prospectus Directive "). This Prospectus has been approved by the Central Bank of Ireland (the " Central Bank ") as the competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (together, the " Collateralised Rated Notes ") and the Class X Notes (together with the Collateralised Rated Notes, the " Rated Notes "), the Class Z1 Notes and the Class Z2 Notes (together, the " Class Z Notes "). The Collateralised Rated Notes together with the Class Z1 Notes are the " Collateralised Notes " and the Rated Notes together with the Class Z Notes are the " Notes ", which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, " MIFID II " or the " Markets in Financial Instruments Directive ") and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (" Euronext Dublin ") for the Notes to be admitted to the official list (the " Official List ") and trading on its regulated market (the " Main Securities Market "). Euronext Dublin's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
Underlying Assets	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans and their related security sold on the Closing Date by Ertow Holdings III Designated Activity Company (the "Seller") 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>
Credit Enhancement	<p>Credit enhancement of the Notes is provided in the following manner:</p> <ul style="list-style-type: none"> • in relation to each Class of the Collateralised Rated Notes, the overcollateralisation funded by Collateralised Notes ranking junior to such Class of Notes in the relevant Priority of Payments (if any); • 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 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 (r) of the Pre-Enforcement Revenue Priority of Payments;

- the Reserve Fund which will provide credit enhancement to all Classes of the Collateralised 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 Collateralised 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 Collateralised 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 Collateralised 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 Collateralised 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 Collateralised Rated Note 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 80 ("*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 LIBOR, provided by ICE Benchmark Administration Limited. At the date of this Prospectus, ICE Benchmark Administration Limited 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 ICE Benchmark Administration Limited is not currently required to obtain authorisation or registration.

Credit Rating Agencies Moody's Investors Service Limited ("**Moody's**") and S&P Global Ratings, a division of Standard & Poor's Credit Market Services Europe Limited ("**S&P**") (each a "**Rating Agency**" and together, the "**Rating Agencies**"). As of the date of this prospectus (the "**Prospectus**"), each of the Rating Agencies is a credit rating agency established in the European Union (the "**EU**") and is registered under Regulation (EU) No 1060/2009 (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 Moody's 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 due to the holders of the Class C Notes, Class D Notes and Class X Notes, by a date that is not later than the Final Maturity 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 Rated Notes by S&P address, *inter alia*:

- the likelihood of full and timely payments due to the holders of the Class A Notes, the Class B Notes, the Class X 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 and the Class D Notes (where the Class C Notes and the Class D 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) and Class D Notes (where the Class D 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.

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 X 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 X 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 X 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 CRR, the AIFM Regulation and the Solvency II Regulation (each as defined below), retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the "**Capital Requirements Regulation**" or "**CRR**"), Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the "**AIFM Regulation**") and Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") (which, in each case, does not take into account any relevant national measures) (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, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II 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 "*EU Risk Retention Requirements*").

Any change in the manner in which the interest is held will be notified to the Noteholders. See the section entitled "*EU Risk Retention 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 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 "*EU Risk Retention 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 CURRENT LEGAL TITLE HOLDERS, THE NEW LEGAL TITLE HOLDER, THE RETENTION HOLDER, THE ARRANGER, THE INTERIM SERVICER, THE LONG-TERM SERVICER, THE BACK-UP SERVICER FACILITATOR, 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, THE ORIGINAL ISSUERS (EACH AS DEFINED HEREIN), 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 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 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; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, 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 (iii) not a qualified investor as defined in the Prospectus Directive). 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 INTERIM SERVICER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE INTERIM SERVICER". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE INTERIM 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 INTERIM 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 LONG-TERM SERVICER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE LONG-TERM SERVICER". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE LONG-TERM 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 LONG-TERM 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 CURRENT LEGAL TITLE HOLDERS ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE CURRENT LEGAL TITLE HOLDERS". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF EACH OF THE CURRENT 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 CURRENT 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 NEW LEGAL TITLE HOLDER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE NEW LEGAL TITLE HOLDER". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE NEW 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 NEW 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 CURRENT 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 CURRENT LEGAL TITLE HOLDERS IN THE TRANSACTION DOCUMENTS WHICH THE CURRENT 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 CURRENT LEGAL TITLE HOLDERS, THE NEW 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 CURRENT LEGAL TITLE HOLDERS, THE NEW 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 CURRENT LEGAL TITLE HOLDERS, THE NEW 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 CURRENT LEGAL TITLE HOLDERS, THE NEW 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 CURRENT LEGAL TITLE HOLDERS, THE NEW 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 CURRENT LEGAL TITLE HOLDERS, THE NEW 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.

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 Interim Servicer or after the Long-Term Servicer Effective Date, the Long-Term Servicer, on behalf of the Issuer and the Current Legal Title Holders or the New 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 Collateralised 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 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 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 Collateralised Rated Notes and (following enforcement) all payments due in respect of the Collateralised Rated 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 Collateralised Rated 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 Collateralised Rated Notes and (following enforcement) all payments due in respect of the Rated 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 Collateralised Rated Notes and the Class Z1 Notes and (following enforcement) all payments due in respect of the Rated 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 Interim Servicer, the Long-Term Servicer, the Back-Up Servicer Facilitator, the Current Legal Title Holders, the New 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.

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 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 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. 14.85 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are BBR Mortgages and 85.15 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Standard Variable Rate Mortgages. However, the Issuer's liabilities under the Rated Notes are based on three-month LIBOR for the relevant period. The Issuer will not enter into any swap agreement in respect of the difference between the BBR Mortgages or the Standard Variable Rate Mortgages 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 Mortgages or the Standard Variable Rate Mortgages and interest set by reference to the three-month LIBOR (the "**Reference Rate**") on the Rated Notes which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors. As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes. However, given that the Standard Variable Rate is calculated by reference to the Bank Base Rate plus a margin of 2.15 per cent., and Standard Variable Rate Mortgages constitute majority of the mortgages in the Portfolio, this risk is mitigated to a certain extent.

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

Various interest rate benchmarks (including the London Inter-Bank Offered Rate ("**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 Benchmarks Regulation.

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 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) if LIBOR 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 Terms and Conditions of the Notes, 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 LIBOR was available; and

- (c) while (i) an amendment may be made under Condition 13.6 of the Terms and Conditions of the Notes to change the base rate on the Rated Notes from LIBOR to an alternative base rate under certain circumstances broadly related to LIBOR dysfunction or discontinuation and subject to certain conditions being satisfied (in this regard please also refer to the risk factor above entitled "*Meetings of Noteholders and Certificateholders, Modifications and Waivers*") and (ii) the Issuer (or the Servicer on its behalf) is under an obligation to use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 13.6 under Condition 6.3 (*Rate of Interest*), there can be no assurance that any such amendments will be made or, if made, that they (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes or (ii) will be made prior to any date on which any of the risks described in in this risk factor may become relevant (in this regard, please also refer to the risk factor above entitled "*Meetings of Noteholders and Certificateholders, Modifications and Waivers*").

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between 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 (c) above) or any other significant change to the setting or existence of 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 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 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 Interim Servicer or after the Long-Term Servicer Effective Date, the Long-Term 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.

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 and the New Legal Title Holder (in its capacity as trustee under the 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 New Legal Title Holder 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 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 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

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 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, 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.

Whilst central bank schemes such as, amongst others, 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. Neither the Issuer nor 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.

Ratings of the Rated Notes

The ratings assigned to the Rated Notes by Moody's 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 due to the holders of the Class C Notes, the Class D Notes and Class X Notes, by a date that is not later than the Final Maturity Date; and
- (c) 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 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, the Class B Notes and the Class X 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 and the Class D Notes (where the Class C Notes and the Class D 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) and Class D Notes (where the Class D 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 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. See also "*Change of counterparties*" below.

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

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

As highlighted above, the ratings assigned to the Rated Notes by each Rating Agency are based on, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Issuer Account Bank and the 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.

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 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 CRR, the AIFM Regulation and the Solvency II Regulation regarding the material net economic interest to be retained by the Retention Holder in the securitisation and (in respect of CRR only) certain requirements as to providing investor information in connection therewith, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the 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, (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 including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation, the CRA3 Requirements, the STS Regulation or regulations or official guidance in relation thereto or (vi) changing the base rate in respect of the Notes from LIBOR 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 Interim Servicer or after the Long-Term Servicer Effective Date, Long-Term Servicer on its behalf) to facilitate such change (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 shall, upon receipt of direction from the Certificateholders, be obliged, without any liability to any person for so doing, to enter into the form of Long-Term Servicing Agreement that has been agreed between the Long-Term Servicer and the Certificateholder following the Closing Date (which may be in accordance with the Commitment Letter entered into on the Closing Date by amongst others, the Issuer and Topaz Finance Limited or which may be in such alternative form as agreed with the Long-Term Servicer). However, the Security Trustee shall not be obliged to enter into the Long-Term Servicing Agreement, if in the sole opinion of the Security Trustee, the agreed form of Long-Term Servicing Agreement would have the effect of (i) exposing the Security Trustee 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 Security Trustee that were included in the form of Long-Term Servicing Agreement appended to the Commitment Letter entered into on the Closing Date.

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.

On the Closing Date the Issuer entered into a Commitment Letter with Topaz Finance Limited pursuant to which Topaz Finance Limited has agreed (subject to completion of satisfactory due diligence) to provide mortgage administration services on terms substantially similar to those set out in the draft Long-Term Servicing Agreement attached to the Commitment Letter, subject to such amendments and variations as may be agreed between the Long-Term Servicer and the Certificateholders and subject to the ability of the Issuer to decide to appoint a different entity to provide servicing on a long-term basis in relation to the Portfolio. In agreeing any amendments and variations with the Long-Term Servicer, the Certificateholders are not required to take into account the interests of any other Noteholder or any other party.

Risks related to the Mortgages

Claims against third parties

The Original Issuers have assigned their causes and rights of actions against solicitors and valuers to the Seller pursuant to the Seller Mortgage Sale Agreements, to the extent that they are assignable (the Original Issuer itself having been assigned such rights from the Originators). However the Original Issuers were not the originator of the related Loan, and the said rights may therefore not have been effectively assigned to the relevant Original Issuer by the original legal title holder. 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 Holder 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 Loans is held by the Current Legal Title Holders and will be transferred within a maximum period of 18 months from the Closing Date or such date as may be agreed by the Issuer and Legal Title Holders (such date of transfer, the "**Transfer Date**") to the New Legal Title Holder (the Current Legal Title Holders and the New 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 a Scottish declaration of trust in favour of the Issuer (a "**Scottish Declaration of Trust**") as the nominee of the Seller. By virtue of a 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 the Current Legal Title Holders as trustees thereunder for the benefit of the Issuer as a beneficiary (and as the nominee of the Seller). By virtue of a deed of assumption and resignation to be entered into between, *inter alia*, the Legal Title Holders on or prior to the Transfer Date (the "**Deed of Assumption and Resignation**") the New Legal Title Holder will become co-trustee under such Scottish Declaration of Trust. The holding of

a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales.

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 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 Interim Servicer or after the Long-Term Servicer Effective Date, the Long-Term Servicer and the New Legal Title Holder failed to take any or appropriate enforcement action against the relevant Borrower (in accordance with the 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 Current Legal Title Holders, the New Legal Title Holder and the Seller will undertake, pursuant to the Mortgage Sale 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.

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 the Current Legal Title Holders and on and after the Long-Term Servicer Effective Date, the New Legal Title Holder 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 Current Legal Title Holders and New Legal Title Holder (as applicable).

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 Current Legal Title Holders or New Legal Title Holder). 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, neither the Current Legal Title Holders nor New Legal Title Holder are 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 Interim Servicer as at the Portfolio Reference Date. The Provisional Portfolio as at the Portfolio Reference Date comprised of 1829 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 £144,429,937.60. 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 Interim Servicing Agreement provide for servicing in respect of the Loans to be transferred or migrated to the Long-Term Servicer (including an obligation on the Issuer to procure the establishment of a new collection account in the name of the New Legal Title Holder and for the New Legal Title Holder to declare a trust over such account in favour of among others, the Issuer) within nine calendar months from the Closing Date. In addition, during the period from the Closing Date to but not including the Transfer Date (the "**Interim Period**"), the Interim Servicer is required to cooperate with the Long-Term Service and Current Legal Title Holders in order to effect such a migration. However, no assurance can be given that the migration of primary servicing to the Long-Term Servicer will occur on or prior to the Transfer Date or at all.

In addition, 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 the 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.

During the Interim Period, the Interim Servicer will follow the policies and procedures that have been used to service the Loans while the servicing in relation to the Loans have been carried out by the Interim Servicer on behalf of the Original Issuers and the Current Legal Title Holders. Following the Long-Term Servicer Effective Date, the Long-Term Servicer will service the Loans in accordance with policies and procedures set by the New Legal Title Holder.

Any disruption to the servicing of the 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. If an Interim Servicer Termination Event occurs prior to the planned migration date of the Loans, the Issuer (prior to the service of an Enforcement Notice) or the Security Trustee (after the service of an Enforcement Notice) may by notice in writing to the Interim Servicer terminate the appointment of the Interim Servicer. Upon giving notice of termination of the appointment of the Interim Servicer, the Issuer shall use its reasonable endeavours to appoint a successor servicer in accordance with the Interim Servicing Agreement. To the extent the Long-Term Servicer is Topaz Finance Limited (or any other affiliate or subsidiary of Computershare Limited), the extent and impact of any disruption may be minimised given that the Interim Servicer and Long-Term Servicer are affiliates and indirect subsidiaries of the same parent company, Computershare Limited, an Australian global financial administration company, regulated by the Financial Conduct Authority. No assurance can be given that the Long-Term Servicer will be Topaz Finance Limited (or any other affiliate or subsidiary of Computershare Limited).

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

Breach of obligations of Long-Term Servicer

If default is made by the Long-Term Servicer in the performance or observance of any of its other covenants and obligations under the Long-Term 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 Long-Term Servicer becoming aware of such default and receipt by the Long-Term 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 Long-Term Servicer Termination Event will have occurred and the appointment of the Long-Term Servicer may be terminated by the Issuer. Additionally, a Long-Term Servicer Termination Event will (on or following the Long-Term Servicer Effective Date) trigger perfection of the legal title in the Loans and their Related Security to the Issuer (or its nominee). The occurrence of a Long-Term 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 Interim Servicer has agreed to service the Portfolio pursuant to the Interim Servicing Agreement, Topaz Finance Limited has agreed, pursuant to the Commitment Letter and subject to completion of satisfactory due diligence and the ability of the Issuer, acting on the directions of the Certificateholder to terminate the commitment of Topaz Finance Limited, to service the Portfolio pursuant to the Long-Term Servicing Agreement with effect from the Long-Term Servicer Effective Date, the Back-Up Servicer Facilitator has agreed to provide back-up servicer facilitator services in relation to the Portfolio pursuant to the Corporate Services Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

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

The Servicer

The Interim Servicer and with effect from the Long-Term Servicer Effective Date, the Long-Term 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 Interim Servicing Agreement or the Long-Term 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 Interim Servicing Agreement or the Long-Term Servicing Agreement (as applicable) and the Issuer and the Seller shall use their reasonable endeavours (with, following the end of the Interim Period, the assistance of the Back-Up Servicer Facilitator) 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 Interim Servicing Agreement or the Long-Term Servicing Agreement (as applicable) (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 Interim Servicing Agreement or the Long-Term Servicing Agreement (as applicable) or the services carried out by the relevant Servicer pursuant to the Interim Servicing Agreement or the Long-Term Servicing Agreement (as applicable) 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 Interim Servicing Agreement or the Long-Term Servicing Agreement (as applicable) and the relevant Servicer is liable to the Issuer for such acts or omissions pursuant to the terms of the Interim Servicing Agreement or the Long-Term Servicing Agreement (as applicable), any loss over and above the liability cap set out in the Interim Servicing Agreement or the Long-Term Servicing Agreement (as applicable) (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 Long-Term Servicer Termination Event occurs, there can be no assurance that a substitute servicer with sufficient experience of servicing the Loans and their Related Security would be found who would be willing and able to service the Loans and their Related Security on the terms, or substantially similar terms, set out in the Long-Term 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 Long-Term 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 Long-Term Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, will assist the Issuer in appointing a substitute servicer, 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 Interim Servicer, please see "*Summary of the Key Transaction Documents – Interim 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

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

MLI 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 MLI Parties would expect to earn fees and other revenues from these transactions.

The MLI 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 MLI 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 Current Legal Title Holder of the Loans.

The MLI Parties may act as lead manager, arranger, placement agent and/or initial purchaser or investment manager in other transactions involving issues of residential mortgage backed securities or other investment funds with assets similar to those of the Issuer, which may have an adverse effect on the price or value of the Notes. The MLI Parties 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 MLI Parties and employees or customers of the MLI 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 MLI 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 MLI 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 MLI 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 18.71 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. 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. 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.

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.

Extraction of information contained in this Prospectus

The information contained in the section of this Prospectus entitled "Characteristics of the Completion Portfolio" has been extracted from information provided by the Interim Servicer (which information has been subject to rounding). Investors should note that the accuracy of the information contained therein has not been verified. In particular, information relating to CCJs, Bankruptcy Orders or IVAs (in each case, including their Scottish equivalents) has not been subject to due diligence by means of an agreed upon procedure or other similar examination. The Interim Servicer is not providing any representations or warranties in respect of this information.

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

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

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

Declining property values

The value of the Related Security in respect of the Loans may be affected by, among other things, a decline in the residential property values in 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, 76.08 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 – 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 13 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 £1,583,546.76.

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 Current Legal Title Holders or the New Legal Title Holder (as applicable) and the Interim Servicer or the Long-Term Servicer (as applicable), 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

73.36 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.

Right to Buy Loans

2.27 per cent of the Loans in the Provisional Portfolio are 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

5.11 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 Interim Servicer or the Long-Term Servicer, as applicable, 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 Interim Servicer or the Long-Term Servicer, as applicable, 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 Interim Servicer or the Long-Term Servicer (as applicable) 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 30 April 2018 under two mortgage sale agreements, each of which was entered into on 29 March 2018 with an Original Issuer (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 Interim Servicer and the Long-Term Servicer will have limited obligations to monitor compliance with the Loan Warranties following the Closing Date. To the extent that either the Interim Servicer or the Long-Term 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 Interim Servicer, the Long-Term 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 the Loans 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 and the Class D 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). Subject to certain exemptions, entering into a Regulated Mortgage Contract as a lender, arranging Regulated Mortgage Contracts and advising in respect of or administering

Regulated Mortgage Contracts (or agreeing to do any of these things) are 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.

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 provides 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 (including, in Scotland, a first ranking standard security) (other than timeshare accommodation) in the United Kingdom, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. 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. 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.

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 (but 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, (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) (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.

Credit agreements which were originated before 21 March 2016, which were regulated by the CCA, and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 are 'consumer credit back book mortgage contracts' and are also therefore Regulated Mortgage Contracts (see "Regulation of residential secured lending (other than Regulated Mortgage Contracts)").

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 holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The 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 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 to administer these Loans 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 the FCA 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 may adversely affect the Issuer's ability to make payments on the Notes.

Regulation of residential secured lending (other than Regulated Mortgage Contracts)

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than the regime for consumer credit under which second charge lending fell. The UK government thought that there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is a first or subsequent charge. The European Mortgage Credit Directive (2014/17/EU) (the Mortgage Credit Directive) also follows this principle and makes no distinction between requirements for first charge and second (and subsequent) charge mortgage lending. The UK government concluded that it made sense to implement the changes to second (and subsequent) charge lending alongside the implementation of the Mortgage Credit Directive. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the regulated mortgage contract regime rather than keeping them within the consumer credit regime. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime of pre-2004 first charge loans regulated by the CCA. Mortgage regulation under FSMA began on 31 October 2004. Mortgages entered into before that date were regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not otherwise exempt. In November 2015, the UK government made legislation which meant that the administration of and other activities relating to those pre-October 2004 first charge mortgages which were regulated by the CCA became regulated mortgage activities from 21 March 2017. The move of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 (the Mortgage Credit Directive Order). The government has put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out are not removed retrospectively.

Credit agreements which were originated before 21 March 2016 which were regulated by the CCA and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 are defined by the Mortgage Credit Directive Order as "consumer credit back book mortgage contracts" and would also therefore be Regulated Mortgage Contracts. The main CCA consumer protection retained in respect of consumer credit back book mortgage contracts is the continuing unenforceability of the agreement if it was rendered unenforceable by the CCA prior to 21 March 2016. Unless the agreement was irredeemably unenforceable, the lender may enforce the agreement by seeking a court order or bringing any relevant period of non-compliance with the CCA to an end in the same manner as would have applied if the agreement was still regulated by the CCA. If a consumer credit back book mortgage contract was void as a result of section 56(3) of the CCA, that agreement or the relevant part of it will remain void. Restrictions on early settlement fees will also be retained. If interest was not chargeable under a consumer credit back book mortgage contract due to non-compliance with section 77A of the CCA (duty to serve an annual statement) or section 86B of the CCA (duty to serve a notice of sums in arrears (NOSIA)), once the consumer credit back book mortgage contract is regulated by FSMA under the Mortgage Credit Directive Order as of 21 March 2016, the sanction of interest not being chargeable under section 77A of the CCA and section 86D of the CCA ceases to apply, but only for interest payable under those loans after 21 March 2016. A consumer credit back book mortgage contract will also be subject to unfair relationship provisions described below. Certain provisions of MCOB are applicable to these consumer credit back book mortgage contracts. These include the rules relating to disclosure at the start of a contract and post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2).

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

Buy-to-let mortgages are excluded from the definition of "consumer credit back book mortgage contract". This means that if a buy-to-let mortgage was regulated by the CCA (because the amount of credit fell below the relevant financial limit in place at the time of origination and was not otherwise exempt), it will continue to be regulated by the CCA as it is not a "consumer credit back book mortgage contract".

This regulatory regime may result in adverse effects on the enforceability of certain Loans and consequently the Issuer's ability to make payment in full on the Notes when due.

Regulation of buy-to-let mortgages

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, as it has stated it is 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. The Mortgage Credit Directive Order 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. Each of the Interim Servicer and Long-Term Servicer is a consumer buy-to-let

mortgage firm registered as a lender and administrator in respect of consumer buy-to-let mortgages. In a HM Treasury consultation published in January 2015, the treasury gave a central estimate that CBTL would affect 11% of the buy-to-let mortgage market.

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, could 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 (see "Regulation of residential secured lending (other than Regulated Mortgage Contracts")), 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 regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the Mortgage Credit Directive Order.

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) published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and ii) it began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. 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 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 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 with 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 the 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 the 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 UTCCR (as defined below). The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA 2000, and guidance published by the FSA and, as of 1 April 2013, the FCA, on that principle and former guidance by the OFT on the unfair relationship test may also be relevant. Under the CCA, once the debtor alleges that an unfair relationship exists, then the burden of proof is on the creditor to prove the contrary.

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.

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 require firms that sold payment protection insurance ("PPI") to 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 were 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 FCA states that 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 pay historic interest 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.

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.

Non-disclosure of Broker Commissions

Certain of the Loans may also have been originated through such 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 procuration 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.

Mortgage Credit Directive

The Mortgage Credit Directive was published in the Official Journal of the European Union on 28 February 2014, and entered into force on 21 March 2014. The Mortgage Credit Directive had to be transposed into the national law of each member state of the European Union by 21 March 2016.

The Mortgage Credit Directive aims to create an EU-wide mortgage credit market with a high level of consumer protection and it applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building; and extends the Consumer Credit Directive (2008/48/EC) to (c) unsecured credit agreements the purpose of which is to renovate residential immovable property involving a total amount of credit above €75,000. The Mortgage Credit Directive does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The Mortgage Credit Directive requires (among other things): standard information in advertising; standard pre contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early

repayment of the credit agreement. The Mortgage Credit Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The UK government and the FCA consulted on the transposition and implementation of the Mortgage Credit Directive. In September 2014 the UK government published a consultation paper on the transposition of the Mortgage Credit Directive together with a draft impact assessment and draft Mortgage Credit Directive Order. The draft Mortgage Credit Directive Order contained amendments to legislation including the FSMA, CCA and the RAO. The final text of the draft Mortgage Credit Directive Order, together with a draft explanatory memorandum and draft transposition table, was published on legislation.gov.uk on 28 January 2015.

On 25 March 2015, the Mortgage Credit Directive Order was passed in order to make the necessary legislative changes to implement the Mortgage Credit Directive. Whilst certain provisions of the Mortgage Credit Directive Order came into force before 21 March 2016, the Mortgage Credit Directive Order took effect for most purposes on 21 March 2016. On 27 March 2015 the FCA published its Policy Statement PS15/9, which contained the final text of the sections of its handbook that are to give effect to the Mortgage Credit Directive. This handbook material contained extensive changes to MCOB. Lenders had the option to elect to apply these new requirements from 21 September 2015 onwards, but they became mandatory from 21 March 2016. On 5 June 2015 the FCA published its Policy Statement PS15/11, which contained further amendments to its handbook in order to give effect to the Mortgage Credit Directive, including the amendment to make CBTL mortgage business subject to the FCA's dispute resolution rules and within the Ombudsman's jurisdiction. On 31 July 2015 the FCA published a further Policy Statement (PS15/20), which set out further amendments to its handbook to implement the Mortgage Credit Directive, including amendments to MCOB and rules in the Consumer Credit sourcebook to set out the types of agreement that are regulated by each.

The mortgage market review changes to MCOB and any future changes to MCOB that are necessitated by the Mortgage Credit Directive and the Mortgage Credit Directive Order, may adversely affect the Loans, the Seller, the Issuer and/or the Servicer and their respective businesses and operations.

Since the Mortgage Credit Directive was only implemented fully into UK law through the Mortgage Credit Directive Order on 21 March 2016, it remains to be seen what effect the Mortgage Credit Directive and the implementation of the directive into UK law will have on the Loans, the Seller, the Issuer and/or the Servicer and their respective businesses and operations. However, the UK's approach to implementation has been to minimise the impact of the Mortgage Credit Directive on the UK mortgage market by building on the existing UK regulatory regime (rather than copy out the directive into UK legislation).

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

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

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

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

Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and Consumer Rights Act 2015

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to agreements made on or after 1 July 1995 and before 1 October 2015 by a "consumer" within the meaning of the UTCCR, where the terms have not been individually negotiated. 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 UTCCR 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.

The guidance issued by the FSA (and, as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the 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. 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 term, or conversion to interest-only for a period, or a product switch, and (b) automatically capitalising a payment shortfall. 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 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 Current Legal Title Holder (or, as applicable, the New 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 the 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 the 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 assignations 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 following the Commencement Date then an application to record a Scottish Sasine Sub-Security in relation to Scottish Mortgages in the Portfolio (following the transfer of legal title to such Scottish Mortgages by way of a Scottish Sasine Transfer) could trigger a first registration in the Land Register of Scotland of the underlying Scottish Properties secured by the relevant Scottish Mortgages.

The impact of these changes to the Scottish land registration system is unlikely to be of material detriment to the Security Trustee or to the Noteholders for the following reasons: (i) 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 after the Commencement Date, the parties involved may still encounter increased legal and other third party costs relating to the first registration process and additional administrative burden.

As noted above, no indication has been given as to when or if the above provisions may be extended to other types of dealing with a standard security, such as assignments. However, if the General Register of Sasines becomes closed to assignments of standard securities under the same provisions at any time subsequent to the Closing Date then this would also have an impact on (a) the registration of the legal title transfers by the Current Legal Title Holders in favour of the New Legal Title Holder 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 7.40 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 Home (Wales) Act (the Renting Homes Act) received royal assent on 18 January 2016 but has not yet been brought 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 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 received Royal Assent on 22 April 2016 and 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). 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 further deteriorate (including as may be demonstrated by any relevant credit Rating Agency action, any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Seller, the 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.

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 the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances.

There are a number of areas of uncertainty in connection with the future of the UK and its relationship with the European Union and the negotiation of the UK's exit terms and related matters may take several years. Given this uncertainty and the range of possible outcomes, it is not currently possible to determine the

impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the 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 or liquidity of the Notes.

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. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. 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 "*EU Risk Retention 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.

It should be noted that the European authorities have adopted and finalised two new regulations related to securitisation (being Regulation (EU) 2017/2402 and Regulation (EU) 2017/2401) which will apply in

general from 1 January 2019. Amongst other things, the regulations 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 due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. There are material differences between the coming new requirements and the current requirements including with respect to the certain matters to be verified under the due diligence requirements, as well as with respect to the application approach under the retention requirements and the originator entities eligible to retain the required interest. Further differences may arise under the corresponding guidance which will apply under the new risk retention requirements, which guidance is to be made through new technical standards. However, securitisations established prior to the application date of 1 January 2019 that do not involve the issuance of securities (or otherwise involve the creation of a new securitisation position) from that date should remain subject to the current requirements and should not be subject to the new risk retention and due diligence requirements in general.

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 States¹;
- (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 Act²;

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.

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

² 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.

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).

Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by Moody's 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.

Effects of the Volcker Rule on the Issuer

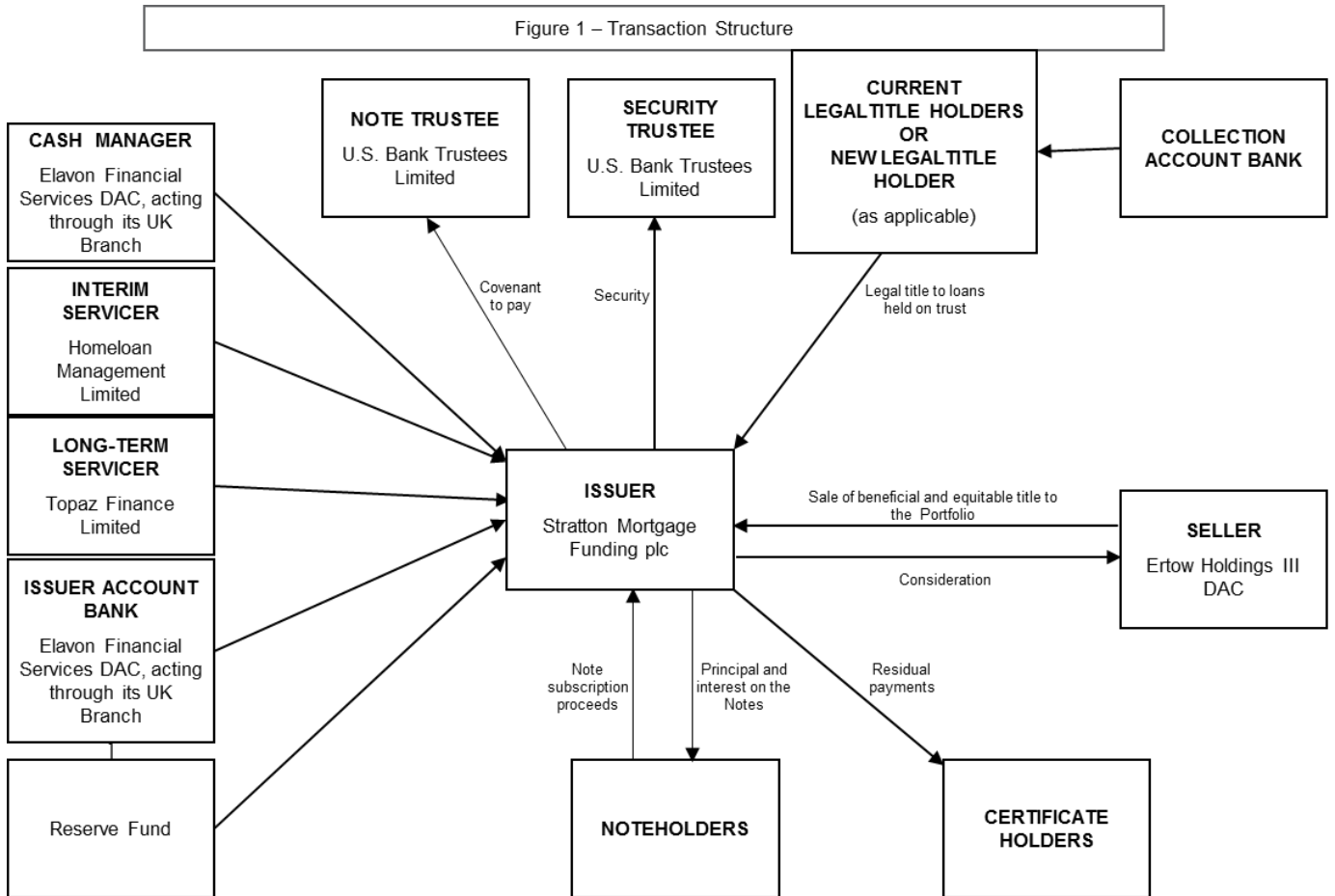
The Issuer is relying on an exclusion or exemption under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7). The Issuer is structured so as not to constitute a "covered fund" for purposes of the regulations adopted to implement Section 619 of the Dodd-Frank 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

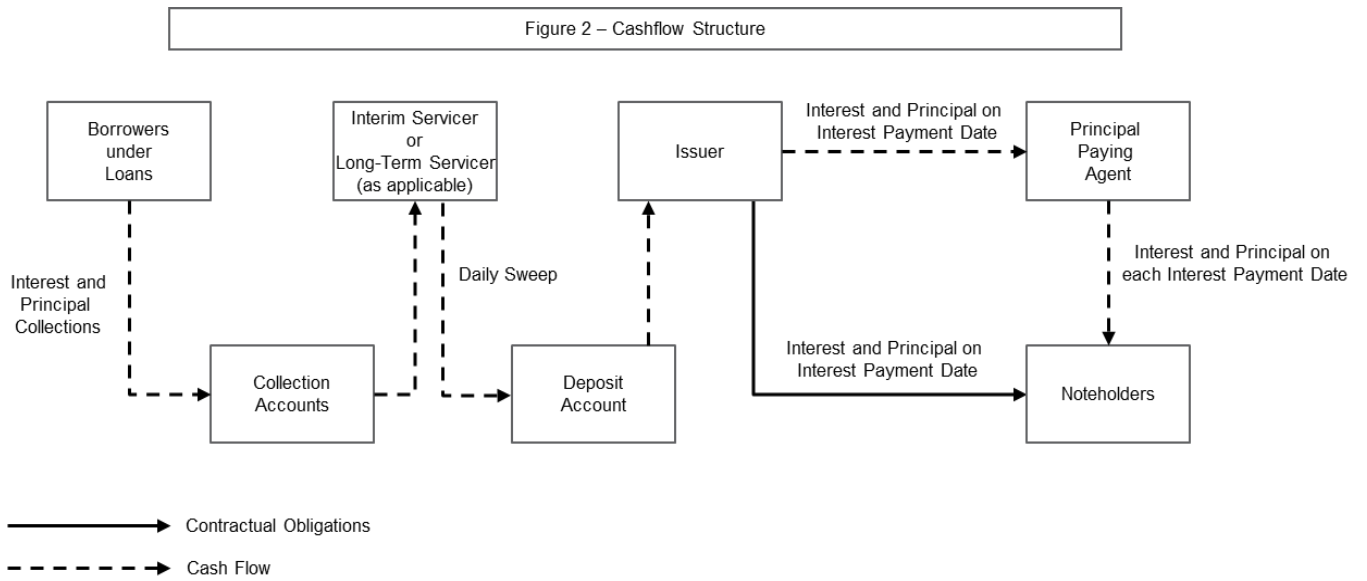
The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used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

STRUCTURE DIAGRAMS

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS



The Issuer will purchase the Portfolio on the Closing Date.

Collection Accounts held with Current Legal Title Holders or New Legal Title Holder, as applicable.

OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

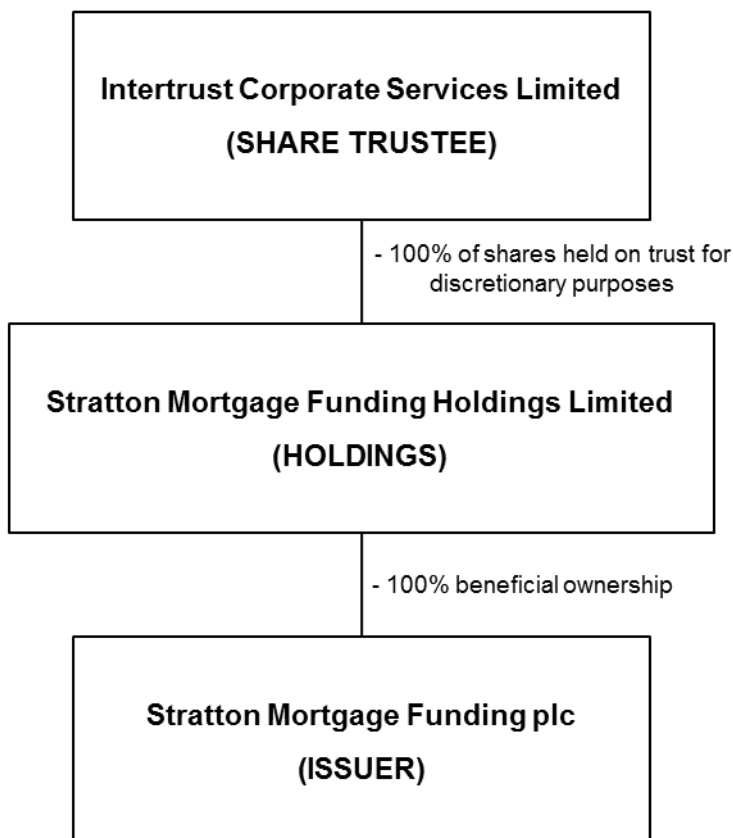


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- 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 Rated Notes discussed under "Risk Factors".

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

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

Party	Name	Address	Document under which appointed/Further Information
"Issuer"	Stratton Mortgage Funding plc	35 Great St. Helen's, London, EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
"Holdings"	Stratton Mortgage Funding Holdings Limited	35 Great St. Helen's, London, EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
"Seller"	Ertow Holdings III Designated Activity Company	The Anchorage, 17-19, Sir John Rogerson's Quay, Dublin 2, Ireland	See the sections entitled " <i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i> " and " <i>The Seller</i> " for further information.
"Retention Holder"	Burlington Loan Management Designated Activity Company	The Anchorage, 17-19, Sir John Rogerson's Quay, Dublin 2, Ireland	See the section entitled " <i>Retention Holder</i> " for more information.
"Interim Servicer"	Homeloan Management Limited	The Pavilions, Bridgwater Road, Bristol, Avon, BS13 8AE	Interim Servicing Agreement between, amongst others, the Issuer, the New Legal Title Holder, the Security Trustee and Current Legal Title Holders. See the section entitled " <i>Summary of the Key Transaction Documents – Interim Servicing Agreement</i> " and " <i>Interim Servicer</i> " for further information.

"Long-Term Servicer"	Topaz Finance Limited or any other entity appointed as such by the Issuer	The Pavilions, Bridgwater Road, Bristol, Avon, BS13 8AE	Commitment Letter in relation to a Long-Term Servicing Agreement between the Issuer, and the Long-Term Servicer. See the section entitled " <i>Summary of the Key Transaction Documents – Commitment Letter and Long-Term Servicing Agreement</i> "
"Back-Up Servicer Facilitator"	Intertrust Management Limited	35 Great St. Helen's, London, EC3A 6AP	The Long-Term Servicing Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Long-Term Servicing Agreement</i> " for further information.
"Current Legal Title Holders"	Mortgages 1 Limited Mortgages 2 Limited Mortgages 3 Limited Mortgages 4 Limited Mortgages 5 Limited Mortgages 6 Limited Mortgages 7 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 Current Legal Title Holders</i> " for further information.
"New Legal Title Holder"	The Long-Term Servicer, an affiliate of the Long-Term Servicer, or any other entity incorporated in the UK nominated by the Issuer acting at the direction of the Certificateholders		The Deed of Assignment of Legal Title and the Long-Term Servicing Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – The Deed of Assignment of Legal Title</i> ", " <i>Summary of the Key Transaction Documents – The Long-Term Servicing Agreement</i> " and " <i>The New Legal Title Holder</i> " for further information.
"Cash Manager"	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	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 Cash Manager</i> " for further information.

"Issuer Account Bank"	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	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.
"Interim Collection Account Bank"	Barclays Bank PLC	One Churchill Place, London E14 5HP	The Interim Collection Account Agreement between, amongst others, the Issuer and the Interim Collection Account Bank. See the section entitled " <i>Summary of the Key Transaction Documents – The Interim Collection Account Agreement</i> " for further information.
"Security Trustee"	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Deed of Charge. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
"Note Trustee"	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Trust Deed. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
"Principal Paying Agent" and "Agent Bank"	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Agency Agreement between, amongst others, the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
"Registrar"	Elavon Financial Services DAC	Building 8, Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	In respect of the Notes and Residual Certificates, the Agency Agreement, by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.

"Corporate Services Provider"	Intertrust Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings. See the section entitled " The Corporate Services Provider" for further information.
"Share Trustee"	Intertrust Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed by the Share Trustee.
"Arranger"	Merrill Lynch International	2 King Edward Street, London EC1A 1HQ	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 Mortgages No 6 plc and Mortgages No 7 plc (the "**Original Issuers**") under the Seller Mortgage Sale Agreements.

On the Closing Date, the Current Legal Title Holders will hold legal title to the loans on trust for the Issuer (including pursuant to each Scottish Declaration of Trust). On and from the Transfer Date, the New Legal Title Holder will (subject only (in certain appropriate cases) to registration or recording of such Mortgage at the Land Registry of England, Land Registers of Northern Ireland or Registers of Scotland (as applicable)) acquire the legal title in and to the Loans and their Related Security in the Portfolio from the Current Legal Title Holders and will hold the legal title on bare trust for the Issuer (or in the case of the Scottish Loans and their Related Security, on trust pursuant to a 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 a Scottish Declaration 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 the any existing Scottish trusts, which release is given effect under the terms of a separate global deed of termination.

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 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 Current Legal Title Holders or the New 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	73.36 per cent. by aggregate Outstanding Principal Balance
First time buyer Loans	12.62 per cent. by aggregate Outstanding Principal Balance
Right to Buy Loans	2.27 per cent. by aggregate Outstanding Principal Balance
Buy-To-Let	5.11 per cent. by aggregate Outstanding Principal Balance
Number of loans in the Provisional Portfolio	1829 (not including Shortfall Accounts)

	Average	Minimum	Maximum
Outstanding Principal Balance	78,966.61	173.83	500,000.00
	Weighted Average	Minimum	Maximum
Current LTV	67.94	0.23	119.99
Seasoning	13.02	12.33	19.49

(years)

Remaining Term (years)	9.78	0.00	21.08
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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 £143,715,953.96, 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, 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 (the "Mortgagee") in priority to any other charges registered against the relevant Property, save that in the event of there 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;
- (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) so far as the Seller is aware and at the time of origination thereof, the Property intended to be charged to secure the repayment of the Loan was of the kind permitted under the Lending Criteria then applied by the relevant Originator;
- (d) 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;

- (e) so far as the Seller is aware, prior to the relevant Originator making a Loan, the relevant Property was valued by a Royal Institute of Chartered Surveyors qualified surveyor from the panel of surveyors from time to time appointed by the Originators;
- (f) each Loan and its related Mortgage was made on the terms of the Originator's standard mortgage documentation (so far as applicable);
- (g) no agreement for any Loan, any Further Advance and/or Retention or any modification thereof is or includes a regulated consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- (h) 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 Originators took all reasonable steps to ensure that at the date of completion of each Mortgage the relevant Property was insured under a policy with an insurance company against fire and other commercial risks usually covered by a comprehensive buildings insurance policy for an amount not less than the full reinstatement value determined by a valuer approved by the Originators and either (I) that the relevant Originator was a joint insured with the relevant Borrower; or (II) the Originator's interest was noted thereon by the insurers.
- (i) no Loan has a final maturity beyond the date falling three years prior to the Final Maturity Date;
- (j) all Loans were originated by the Originators;
- (k) all Loans are Variable Rate Mortgages, Discount Mortgages or Fixed Rate Mortgages;
- (l) the Borrower under each Loan has made at least one full payment;
- (m) 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

- (n) 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.

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 Current Legal Title Holders or New Legal Title Holder (as applicable) 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 Mortgage Sale Agreement, prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer, the Current Legal Title Holders or New Legal Title Holder (as applicable) 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:

The Interim Servicer or Long-Term Servicer (as applicable) agrees to 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 Interim Servicer Termination Event or Servicer Termination Event occurs and is continuing (see "*Interim Servicer Termination Events*" and "*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 (provided that if and for so long as the Option Holder is the Seller the Option Holder will not be permitted to exercise the Call Option), 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 New Legal Title Holder (in its capacity as trustee under the 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 New Legal Title Holder 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 Rated Notes*" 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 X Notes	Class Z1 Notes	Class Z2 Notes	Residual Certificates
Principal Amount:	£122,500,000	£4,900,000	£4,900,000	£4,200,000	£3,900,000	£4,300,000	£2,900,000	N/A
Credit enhancement features:	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 an Enforcement Notice or on the Final Redemption Date all 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 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 an Enforcement Notice or on the Final Redemption Date all amounts standing to the credit of the Reserve Fund	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 (r) 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
Liquidity	Subordination in	Subordination in	Subordination in	Subordination in	Subordination in	Subordination in	Subordination in payment of the Residual	NA

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class X Notes	Class Z1 Notes	Class Z2 Notes	Residual Certificates
support features	payment of interest of the Class B Notes, the Class C Notes, the Class D 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	payment of the Class C Notes, the Class D 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	payment of the Class D 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	payment of 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	payment of the Residual Certificates and following the delivery of an Enforcement Notice, the amounts credited to the Reserve Fund	Certificates and following the delivery of an Enforcement Notice, the amounts credited to the Reserve Fund		
Issue Price:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	N/A
Reference Rate:*	Three Month LIBOR**	Three Month LIBOR. ** (capped at 8%)	Three Month LIBOR ** (capped at 8%)	Three Month LIBOR ** (capped at 8%)	Three Month LIBOR ** (capped at 8%)***	N/A	N/A	N/A
Margin:	0.80% per annum	1.15% per annum	1.80% per annum	2.75% per annum	2.75% per annum	N/A	N/A	N/A
Step-Up Margin (from the Optional Redemption Date):	1.20% per annum	1.725% per annum	2.70% per annum	3.75% per annum	N/A	N/A	N/A	N/A
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	N/A	N/A	N/A
Interest Payment Dates:	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year
First Interest Payment Date:	The Interest Payment Date falling in September 2018	The Interest Payment Date falling in September 2018	The Interest Payment Date falling in September 2018	The Interest Payment Date falling in September 2018	The Interest Payment Date falling in September 2018	The Interest Payment Date falling in September 2018	The Interest Payment Date falling in September 2018	The Interest Payment Date falling in September 2018
Final Maturity Date:	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class X Notes	Class Z1 Notes	Class Z2 Notes	Residual Certificates
Optional Redemption Date:	The Interest Payment Date falling in June 2021	The Interest Payment Date falling in June 2021	The Interest Payment Date falling in June 2021	The Interest Payment Date falling in June 2021	The Interest Payment Date falling in June 2021	The Interest Payment Date falling in June 2021	The Interest Payment Date falling in June 2021	The Interest Payment Date falling in June 2021
Application for Exchange Listing:	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	N/A
ISIN:	XS1815115594	XS1815116642	XS1815117376	XS1815117533	XS1815117707	XS1815117962	XS1815122459	XS1815115834
Common Code:	181511559	181511664	181511737	181511753	181511770	181511796	181512245	181511583
CFI:	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DAVXFR	DEXYRX
FISN:	STRATTON MORTGA/VARASST BKD 2200123	STRATTON MORTGA/VARASST BKD 2200123	STRATTON MORTGA/VARASST BKD 2200123	STRATTON MORTGA/VARASST BKD 2200123	STRATTON MORTGA/VARASST BKD 2200123	STRATTON MORTGA/VARASST BKD 2200123	STRATTON MORTGA/VARASST BKD 2200123	STRATTON MORTGA/ZERO CPNUT 22001231
Ratings (Moody's/S&P):	Aaa (sf) / AAA (sf)	Aa3 (sf) / AA+ (sf)	Baa1 (sf) / AA- (sf)	Ba3 (sf) / BBB+ (sf)	Ca (sf) / CCC (sf)	Not rated	Not rated	Not rated
Minimum Denomination:	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	N/A
Governing law:	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 2044 (the "**Class A Notes**");
- Class B Mortgage Backed Capped Rate Notes due 2044 (the "**Class B Notes**");
- Class C Mortgage Backed Capped Rate Notes due 2044 (the "**Class C Notes**");
- Class D Mortgage Backed Capped Rate Notes due 2044 (the "**Class D Notes**");
- Class X Mortgage Backed Capped Rate Notes due 2044 (the "**Class X Notes**");
- Class Z1 Mortgage Backed Notes due 2044 (the "**Class Z1 Notes**"); and
- Class Z2 Mortgage Backed Notes due 2044 (the "**Class Z2 Notes**")

and together, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are the "**Collateralised Rated Notes**". The Class Z1 Notes together with the Class Z2 Notes are the "**Class Z Notes**". The Class X Notes together with the Collateralised Rated Notes are the "**Rated Notes**". The Collateralised Rated Notes together with the Class Z1 Notes are the "**Collateralised Notes**". The Rated Notes together with the Class Z 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 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 Collateralised Rated Notes and (following enforcement) all payments due in respect of the Collateralised Rated 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 Collateralised Rated 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 Collateralised Rated Notes and (following enforcement) all payments due in respect of the Rated 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 Collateralised Rated Notes and the Class Z1 Notes and (following enforcement) all payments due in respect of the Rated 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 assignment in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Current Legal Title Holders and the New Legal Title Holder 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 the Collection Account Trusts (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 (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 March 2044 (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 Z1 Notes until they are repaid in full;
 - (f) sixth, 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. of the	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 10 per cent. of the

<p>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.</p>	<p>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 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.</p>
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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 13.22 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or Certificateholder, other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;
- to direct the Note Trustee to serve an Enforcement Notice;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to approve the appointment of a substitute Servicer in

circumstances where the Servicer has resigned and the appointment of the substitute Servicer in the opinion of the Security Trustee could have an adverse effect on the rating of the Rated Notes or if it is not clear to the Security Trustee whether the rating for the Rated Notes will be maintained as the rating before the termination of the Servicer;

- to authorise the Note Trustee, the Security Trustee and/or any Appointee to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee, Security Trustee and/or any Appointee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to appoint any persons as a committee to represent the interests of the Noteholders or the Certificateholders and to confer upon such committee any powers which the Noteholders or the Certificateholders could themselves exercise by Extraordinary Resolution; and
- to sanction any scheme or proposal for the exchange, sale, conversion or cancellation of the Notes or the Residual Certificates for or partly or wholly in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company or partly or wholly in consideration of cash; or
- to give any other authorisation or sanction which under the Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution.

See Condition 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 of the Noteholders to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document or enter into any new, supplemental or additional documents for the purposes of enabling the Issuer or any other Transaction Party to comply with the circumstances as set out in Condition 13.6.

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.

Entry into the Long-Term Servicing Agreement at the direction of the Certificateholders

On the Closing Date, the Issuer and Topaz Finance Limited have entered into a Commitment Letter pursuant to which, amongst other things, Topaz Finance Limited will agree (subject to completion of satisfactory due diligence) to enter into the Long-Term Servicing Agreement on terms substantially similar to the form of Long-Term Servicing Agreement attached to the Commitment Letter subject to such changes or modifications as agreed between Topaz Finance Limited and the Certificateholders and subject to the ability of the Issuer to decide to appoint a different entity to provide servicing on a long-term basis in relation to the Portfolio. Where the Certificateholders and the Long-Term Servicer agree to such changes or a form of the Long-Term Servicing Agreement that is alternative to that attached to the Commitment Letter, the Issuer, the New Legal Title Holder and the Security Trustee (if it is directed to do so by the Certificateholders and without any liability to any person for so doing) are bound to agree to such terms and execute the Long-Term Servicing Agreement accordingly. However, the Security Trustee shall not be obliged to enter into the Long-Term Servicing Agreement, if in the sole opinion of the Security Trustee, the agreed form of Long-Term Servicing Agreement would have the effect of (i) exposing the Security Trustee 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 Security Trustee that were included in the form of Long-Term Servicing Agreement appended to the Commitment Letter entered into on the Closing Date.

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

Prospective investors should note that the Seller, the Retention Holder

related entity as Noteholder or Certificateholder:

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**"), detailing *inter alia* certain aggregated loan file data in relation to the Portfolio. The Investor Report will be published on the website at usbank.com/abs. 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 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 (p) of the Pre-Enforcement Revenue Priority of Payments;
- (f) amounts determined to be applied as Available Revenue Receipts in accordance with item (i) 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; and
- (i) any amount required to be retained by the Collection Account Bank as a DD Retained Balance.

"**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) and (o) 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*".

Pre-Enforcement Revenue Priority of Payments:

Pre-Enforcement Redemption Priority of Payments:

Post-Enforcement Priority of Payments:

- | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> (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 (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 Interim Servicer, the | <ul style="list-style-type: none"> (a) Principal Addition Amounts (subject to the application of the Liquidity Availability Conditions) to be applied towards the reduction of any Revenue Deficit (b) 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 | <ul style="list-style-type: none"> (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 (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 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

	<p>Long-Term Servicer, the Legal Title Holders, the Back-Up Servicer Facilitator, 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</p>	<p>Class of Notes no amount shall be applied pursuant to this provision should there be a debit entry on the Class A Principal Deficiency 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</p>	<p>Bank, the Registrar, the Principal Paying Agent, the Cash Manager, the Interim Servicer, the Long-Term Servicer, the Legal Title Holders, the Back-Up Servicer Facilitator, the Corporate Services Provider, the Issuer Account Bank and (and the Collection Account Bank, in each case including all fees, costs, liabilities and expenses together with (if payable) VAT thereon</p>	
(c)	<p><i>Pro rata</i> and <i>pari passu</i> to pay Third Party Expenses and Transfer Costs (if any)</p>		(c) To pay Transfer Costs (if any)	
(d)	<p>Issuer Profit Amount</p>		(d) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due on the Class A Notes	
(e)	<p><i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes</p>	(c)	<p><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</p>	(e) <i>Pro rata</i> and <i>pari passu</i> to the amounts of principal due and payable on the Class A Notes
(f)	<p>Amounts to be credited to the Class A Principal Deficiency Sub-Ledger</p>	<p><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</p>	(f) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due and payable on the Class B Notes	
(g)	<p><i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class B Notes</p>	(d)	<p><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</p>	(g) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class B Notes
(h)	<p>On or prior to the Senior Note Redemption Date, to credit the Reserve Fund up to the Reserve Fund Required Liquidity Amount</p>	<p><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</p>	(h) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due and payable on the Class C Notes	
(i)	<p>Amounts to be credited to the Class B Principal Deficiency Sub-Ledger</p>	(e)	<p><i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class C Notes</p>	(i) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class C Notes
(j)	<p><i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class C Notes</p>		(j) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest due and payable on the Class D Notes	
(k)	<p>Amounts to be credited to the Class C Principal Deficiency Sub-Ledger</p>	(f)	<p><i>Pro rata</i> and <i>pari passu</i> to the principal amounts due</p>	(k) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due
(l)	<p><i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class D Notes</p>			
(m)	<p>Amounts to be credited to</p>			

	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 Z1 Notes until the Principal Amount Outstanding on the Class Z1 Notes has been reduced to zero		and payable on the Class D Notes
(n)	to credit the Reserve Fund up to the Reserve Fund Required Amount			(l)	<i>Pro rata</i> and <i>pari passu</i> to the amounts of unpaid interest due and payable on the Class X Notes
(o)	Amounts to be credited to the Junior Principal Deficiency Sub-Ledger			(m)	<i>Pro rata</i> and <i>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
(p)	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	(h)	<i>Pro rata</i> and <i>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	(n)	in or towards repayment, <i>pro rata</i> and <i>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
(q)	<i>Pro rata</i> and <i>pari passu</i> , interest due and payable on the Class X Notes	(i)	Any excess amounts to be applied as Available Revenue Receipts		
(r)	<i>Pro rata</i> and <i>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			(o)	in or towards repayment, <i>pro rata</i> and <i>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
(s)	Payments on a <i>pari passu</i> basis due on the Residual Certificates			(p)	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
				(q)	Issuer Profit Amount
				(r)	Payments on a <i>pari passu</i> 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 (n) 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) 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 D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (c) *third*, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (d) *fourth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; (e) *fifth*, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. 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:
Issuer Account Bank:	<p>A short-term unsecured, unsubordinated and unguaranteed debt rating of at least A-1 by S&P (if a short-term rating is assigned by S&P) and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by S&P, or should the Issuer Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-1 from S&P, a long term unsecured, unsubordinated and unguaranteed debt rating of at least A+ by S&P, and a short-term deposit rating of at least P-1 by Moody's and a long-term deposit rating of at least A-2 by Moody's 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 "Account Bank Rating" and together, the "Account Bank Ratings").</p>	<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">(a) close the Deposit Account with such Issuer Account Bank and use all reasonable endeavours to open replacement accounts with a financial institution (i) having all of the Account Bank Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007, and procure that the amounts standing to the credit of the Deposit Account and all Ledgers on the Deposit Account are transferred forthwith to the replacement Deposit Account;(b) obtain a guarantee of the obligations of such Issuer Account Bank under the Bank Account Agreement from a financial institution which has all of the Account Bank Ratings; or(c) take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes, <p>in each case as prescribed in the Bank Account Agreement.</p>
Collection Account Bank	<p>A short-term, unsecured, unsubordinated and unguaranteed debt rating of A-2 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of BBB or (should the Collection Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-2 by S&P) BBB+ by S&P, and a short-term deposit rating of at least P-2 by Moody's or a long-term deposit rating of at</p>	<p>If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings,</p> <ul style="list-style-type: none">(A) prior to the Transfer Date, the Issuer and the Current Legal Title Holders shall use all reasonable endeavours to (at the sole cost and expense of the Issuer); or(B) from the Transfer Date, the Issuer will and the Long-Term Servicer shall use all

least Baa3, 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**").

reasonable endeavours to (at 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 30 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 Holder 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) on or following the Long-Term Servicer Effective Date, the occurrence of any Long-Term Servicer Termination Event in respect of the Long-Term Servicer in circumstances where all applicable grace periods have expired and:
 - (A) no replacement Long-Term Servicer has been appointed; or
 - (B) any replacement Long-Term Servicer that has been or is to be appointed is not the New Legal Title Holder;
- (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;
- (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
- (f) where the Long-Term Servicer and the New Legal Title Holder are the same entity, default is made by the New Legal Title Holder in the performance or observance of any of its covenants and obligations under the Long-Term 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 New Legal Title Holder becoming aware of such default and receipt by the New Legal Title Holder of written notice from the Issuer or (following delivery of an Enforcement Notice) the Security Trustee, as appropriate, requiring the same to be remedied.

**Long-Term
Termination Events:**

Servicer Pursuant to the term of the form of the Long-Term Servicing Agreement appended to the Commitment letter, if any of the following events (each a "**Long-Term Servicer Termination Event**") shall occur:

- (a) default is made by the Long-Term Servicer in the payment on the due date of any payment due and payable by it under the Long-Term Servicing Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 15 Business Days after the earlier of the Long-Term Servicer becoming aware of such default and receipt by the Long-Term Servicer of written notice from the Issuer or (following service of an Enforcement Notice) the Security Trustee requiring the same to be remedied;
- (b) default is made by the Long-Term Servicer in the performance or observance of any of its other covenants and obligations under the Long-Term Servicing Agreement or any other Transaction Document to which it is a party, which is 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 Long-Term Servicer becoming aware of such default and receipt by the Long-Term Servicer of written notice from the Issuer or (following delivery of an Enforcement Notice) the Security Trustee, as appropriate, requiring the same to be remedied;

- (c) the Long-Term Servicer ceasing to be an authorised person under FSMA or failure by the Long-Term Servicer to obtain or maintain the necessary licences, registrations or regulatory approvals enabling it to continue servicing the Loans;
- (d) an Insolvency Event in respect of the Long-Term Servicer; or
- (e) a Perfection Event where the Long-Term Servicer and the New Legal Title Holder are the same entity,

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 Long-Term Servicer on becoming aware of the relevant Long-Term Servicer Termination Event to terminate the Long-Term 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 Long-Term Servicer's appointment as Long-Term Servicer under the Long-Term Servicing Agreement with immediate effect), provided that the Long-Term 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 Long-Term Servicer as servicer under the Long-Term Servicing Agreement, the Issuer (with the assistance of the Back-Up Servicer Facilitator) shall each use its reasonable endeavours to appoint a Successor Servicer which satisfies certain conditions set out in the Servicing Agreement within 30 days following the delivery of the written notice to terminate Long-Term Servicer's appointment.

Noteholders should note that the above Long-Term Servicer Termination Events are based on the form of the Long-Term Servicing Agreement attached to the Commitment Letter entered into between amongst others, the Long-Term Servicer and the Issuer on the Closing Date and is subject to changes and modifications as agreed between the Long-Term Servicer and the majority of the Certificateholders.

Interim Servicer Termination Events:

If any of the following events (each an "**Interim Servicer Termination Event**") shall occur:

- (a) default is made by the Interim Servicer in the performance or observance of any of its covenants and obligations under the Interim Servicing Agreement which, in the opinion of the Security Trustee, is materially prejudicial to the interests of the Noteholders and Certificateholders 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 Interim Servicer;
- (c) the Interim 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 Interim 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 Interim 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 Interim Servicer or in relation to the whole or any substantial part of the undertaking or assets of the Interim Servicer or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Interim 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 Interim 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 Interim Servicer or any other similar proceedings or arrangements by which the assets of the Interim Servicer are submitted to the control of its creditors is applied for, ordered or declared or if the Interim 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 Interim Servicer is materially prejudicial to the interests of the Noteholders and Certificateholders,

then the Issuer (with the consent of the Security Trustee) or the Security

Trustee may by notice in writing to the Interim Servicer terminate the appointment of the Interim Servicer under the Interim 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
Interim Servicing fees.	<p>(i) In relation to Loans under pool number MLA00006 (the M6 Loans) an amount calculated at the rate of 20 basis points per annum on the aggregate Current Balance of all M6 Loans administered by the Interim Servicer under the Interim Servicing Agreement (calculated for each M6 Loan by reference to the Outstanding Principal Balance of that M6 Loan at the end of the month in question); and</p> <p>(ii) In relation to Loans under pool number MLA00007 (the M7 Loans) calculated at the rate of 22 basis points per annum on the aggregate Current Balance of all M7 Loans administered by the Interim Servicer under the Interim Servicing Agreement (calculated for each M7 Loan by reference to the Outstanding Principal Balance of that M7 Loan at the end of the month in question).</p> <p>The Interim 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 "Shortfall" 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.</p>	Ahead of all Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date.
Long-Term Servicing fees	An amount which shall be commercially agreed between parties in the agreed form of the Long-Term Servicing Agreement.	Ahead of all Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at £115,000 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 Notes.	Estimated at €10,241.20 (exclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.

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

EU RISK RETENTION REQUIREMENTS

The Retention Holder, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation, will retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) in accordance with the text of each of Article 405 of the Capital Requirements Regulation, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (which, in each case, does not take 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, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II 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: usbank.com/abs.

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 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (the "**Minimum Required Interest**");
- (b) to retain the Minimum Required Interest by holding an indirect exposure in the first loss tranche in the securitisation in accordance with each of paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFM Regulation and paragraph (d) of Article 254(2) of the Solvency II 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;
- (c) not to change the manner or form in which it retains the Minimum Required Interest, except as permitted under each of the CRR, the AIFM Regulation and the Solvency II Regulation;
- (d) not to dispose of, assign or transfer its rights, benefits or obligations under the PPL except as permitted under each of the CRR, the AIFM Regulation and the Solvency II Regulation;
- (e) 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 each of the CRR, the AIFM Regulation and the Solvency II Regulation;
- (f) to comply with the applicable disclosure obligations under Article 409 of the CRR as if the Retention Holder were an "institution" subject to the requirements of Article 409 of the CRR, subject always to any requirement of law, provided that the Retention Holder will not be in breach of this paragraph (f) if it fails to so comply due to events, actions or circumstances beyond its control; 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 the Rated 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 CRR, the AIFM Regulation and the Solvency II 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 Class Z 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 CRR, Solvency II Regulation or AIFM 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 each of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51), Chapter VIII of Title I of the Solvency II Regulation (including Article 254) 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, (ii) should have any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation or any other applicable legal, regulatory or other requirements, or (iii) shall have any obligation (other than the obligations in respect of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation undertaken by the Retention Holder and the Seller in the Risk Retention Letter) to enable compliance with the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of Title I of the Solvency II Regulation or any other applicable legal, regulatory or other requirements.

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

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 £144,429,937.60 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 30 April 2018;
- (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 three month LIBOR is equal to 0.75 per cent.;
- (i) that the Bank Base Rate is equal to 0.50 per cent.;
- (j) that the Standard Variable Rate is equal to 2.65 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 (l) and (m) above), interest rate as of the Portfolio Reference Date and remaining term (calculated using the Portfolio Reference Date and the maturity of each Loan);
- (o) subject to paragraph (q) below, that fees in respect of the Portfolio are equal to the sum of:
 - (i) variable fees equal to 0.20 per cent. per annum of the aggregate Outstanding Principal Balance of the Loans as at the first day of the relevant Collection Period; and
 - (ii) fixed fees of £28,750 per Interest Payment Date;
- (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 are calculated based on the actual number of days in the period and a year of 365 days provided that in the case of (i), (ii) and (iii) below such amounts are calculated based on a month of 30 days and a year of 360 days:
 - (i) amortisation of the Loans calculated pursuant to paragraph (a) above;
 - (ii) accrual of interest on the Loans; and
 - (iii) accrual of fees referred to in paragraph (o)(i) above;
- (r) that each Interest Payment Date falls on 12th of June, September, December or March (or the following Business Day if the Interest Payment Date falls on weekend or bank holiday), with the first Interest Payment Date falling on 12th of September 2018;
- (s) that, as of the Closing Date, the Principal Amount Outstanding of (i) the Class A Notes represents exactly 87.00%, (ii) the Class B Notes represents exactly 3.50%, (iii) the Class C Notes represents exactly 3.50%, (iv) the Class D Notes represents exactly 3.00%, (v) the Class X Notes represents exactly 2.75%; (vi) the Class Z1 Notes represents exactly 3.00%; (vii) the Class Z2 Notes represents exactly 2.00%, 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) no interest is earned on the Issuer Account;
- (u) that remaining term is 1 month 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; and
- (v) that there are no recoveries from the Shortfall Accounts.

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 X Notes
0%	2.85	3.13	3.13	3.13	0.93
5%	2.62	3.13	3.13	3.13	0.96
6%	2.57	3.13	3.13	3.13	0.97
7%	2.53	3.13	3.13	3.13	0.98
8%	2.48	3.13	3.13	3.13	0.99
9%	2.44	3.13	3.13	3.13	0.99
10%	2.40	3.13	3.13	3.13	1.00
15%	2.19	3.13	3.13	3.13	1.05
20%	2.00	3.13	3.13	3.13	1.11

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 X Notes
0%	7.95	12.63	12.63	12.63	0.93
5%	5.80	12.37	12.45	12.63	0.96
6%	5.46	12.26	12.39	12.63	0.97
7%	5.13	12.10	12.38	12.58	0.98
8%	4.82	11.96	12.32	12.38	0.99
9%	4.54	11.77	12.24	12.38	0.99
10%	4.28	11.59	12.08	12.38	1.00
15%	3.26	9.53	10.93	11.81	1.05
20%	2.60	7.62	8.84	10.26	1.11

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 New Legal Title Holder transfers legal title, to the Option Holder, a Third Party Purchaser or any nominee of the Option Holder specified as such in the Exercise Notice (as identified in the Exercise Notice, the "**Legal Title Transferee**").

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, the Servicer, 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 New Legal Title Holder, the Servicer, 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 New Legal Title Holder has confirmed in writing that it 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 (q) (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 New Legal Title Holder 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, together with any minimum required amount that has been retained in the Collection Account, 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 New Legal Title Holder transfers 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 New Legal Title Holder 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, the New Legal Title Holder, 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 (q) (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, the Legal Title Holder 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, together with any minimum required amount that has been retained in the Collection Account, 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 (q) (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 (c) 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 New Legal Title Holder (in its capacity as trustee under the 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 New Legal Title Holder to assist the Issuer in the sale of (i) the beneficial title and (ii) the right to require the New Legal Title Holder 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 New Legal Title Holder 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 sale

If a Market Bid Notice is received, the Issuer and the New Legal Title Holder 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 New Legal Title Holder has 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 Account, 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 (q) (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 Moody's and S&P. 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.

Class of Notes	Moody's	S&P
Class A Notes	Aaa (sf)	AAA (sf)
Class B Notes	Aa3 (sf)	AA+ (sf)
Class C Notes	Baa1 (sf)	AA- (sf)
Class D Notes	Ba3 (sf)	BBB+ (sf)
Class X Notes	Ca (sf)	CCC (sf)
Class Z1 Notes	Not rated	Not rated
Class Z2 Notes	Not rated	Not rated

The ratings assigned to the Rated Notes by Moody's 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 due to the holders of the Class C Notes, Class D Notes and Class X Notes, respectively, by a date that is not later than the Final Maturity 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 Rated Notes by S&P address, *inter alia*:

- the likelihood of full and timely payments due to the holders of the Class A Notes, the Class B Notes and the Class X 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 and the Class D Notes (where the Class C Notes and the Class D 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) and Class D Notes (where the Class D 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.

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 11 April 2018 (registered number 11305190) 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 2018.

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:

Name	Business Address	Business Occupation
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:

Name	Business Address	Principal Activities
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Neil Townson	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	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 11 April 2018 (registered number 11305168) 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:

Name	Business Address	Business Occupation
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:

Name	Business Address	Principal Activities
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Neil Townson	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	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 2018.

Holdings has no employees.

THE SELLER

Ertow Holdings III Designated Activity Company (the "**Seller**") is a designated activity company limited by shares incorporated in Ireland on 20 December 2017 (registration number 617733 and registered address at The Anchorage, 17-19 Sir John Rogerson's Quay, Dublin 2 Ireland) in order to acquire the beneficial title to certain mortgage loans from the Original Issuers pursuant to the Seller Mortgage Sale Agreements on 30 April 2018.

The Seller entered into a profit participating loan agreement with the Retention Holder on 30 April 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 "*EU Risk Retention Requirements*".

THE LONG-TERM SERVICER

Topaz Finance Limited (Topaz) is a private company with limited liability incorporated under the laws of England and Wales with registered number 5946900 and with its registered address at The Pavilions, Bridgwater Road, Bristol, BS13 8AE.

Topaz, which operates a number of consumer facing brands, is a subsidiary of Computershare Limited, an Australian global financial administration company, and is regulated by the Financial Conduct Authority (FCA Number 461671) with permissions to, among other things, originate, hold legal title to and service commercial and residential mortgage loans in the United Kingdom for its own account and on behalf of third parties.

The information in the preceding two paragraphs has been provided solely by Topaz for use in this Prospectus. Except for the foregoing two paragraphs, Topaz and its affiliates do not accept any responsibility for this Prospectus.

THE INTERIM 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 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 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 The Anchorage, 17-19, Sir John Rogerson's Quay, Dublin 2, 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 2016, the total assets of the Retention Holder were USD 6,933,762,369.

THE CASH MANAGER AND ISSUER ACCOUNT BANK

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

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

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than USD4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of more than 50 U.S.-based offices and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with USD462 billion in assets as of December 31, 2017, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,067 banking offices in 25 states and 4,771 ATMs, and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

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

U.S. Bank Trustees limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services DAC (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association, (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than USD4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of more than 50 U.S.-based offices and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with USD462 billion in assets as of December 31, 2017, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,067 banking offices in 25 states and 4,771 ATMs, and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

THE CURRENT LEGAL TITLE HOLDERS

The Originators are special purpose companies which were established solely for the purpose of advancing (or acquiring) residential mortgage loans to borrowers in England, Wales, Northern Ireland and Scotland.

THE CORPORATE SERVICES PROVIDER AND BACK-UP SERVICER FACILITATOR

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, and to provide back-up servicer facilitator services to the Issuer.

Intertrust Management Limited has served and is currently serving as corporate service provider and back-up servicer facilitator 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 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.

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 31 December 2017 (the "**Portfolio Reference Date**") and the Closing Date.

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 Mortgages 1 Limited ("**ML1**"), Mortgages 2 Limited ("**ML2**"), Mortgages 3 Limited ("**ML3**"), Mortgages 4 Limited ("**ML4**"), Mortgages 5 Limited ("**ML5**"), Mortgages 6 Limited ("**ML6**") and Mortgages 7 Limited ("**ML7**") (the "**Originators**").

Characteristics of the Loans

Repayment Terms

The Loans have different repayment methods, as described as follows:

- (a) *Repayment*: a Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Loan (a "**Repayment Loan**") the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.
- (b) *Interest-only*: a Loan under the terms of which the Borrower is only obliged to pay interest during the term of that Loan (an "**Interest-only Loan**") with the entire principal amount being payable only upon the relevant maturity date. As the principal amount associated with an Interest-only Loan is repayable only upon the maturity of the 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 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 Loan) and such policies are not charged by way of collateral security.
- (c) *Part Repayment and Part Interest Only*: a 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 Loan**") are comprised of the interest due on both portions of the Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal.

22.71 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Repayment Loans, 76.08 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Interest-Only Loans and 1.21 per cent. of the Provisional Portfolio by aggregate Outstanding Principal Balance of the Loans are Part and Part Loans. As of the Portfolio Reference Date, there are 14 mortgage loans (13 of which are Interest-only 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 £1,584,297.38 (constituting 1.10 per cent. of the Provisional Portfolio)

Interest Rate Setting for Loans

The applicable rate of interest accruing under each 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 standard rate (the "**Standard Variable Rate**" or "**SVR**") which will be set at the Bank of England's base rate ("**Bank Base Rate**" or "**BBR**") from time to time plus 2.15 per cent. (the "**Standard Variable Rate Mortgages**");
- (b) mortgage loans under the terms of which the interest rate payable is linked to the Bank Base Rate plus a margin and is reset in accordance with changes in the Bank of England's base rate ("**BBR Mortgages**" and, together with the Standard Variable Rate Mortgages, the "**Variable Rate Mortgages**");
- (c) 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 Mortgages**"). "**Rolling Discount**" Loans and Discount Mortgages will have a reduced margin payable over the relevant base rate for either a preestablished 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 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 Mortgages 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
- (d) mortgage loans under the terms of which the interest rate payable is fixed for a certain period ("**Fixed Rate Mortgages**" and, together with the Variable Rate Mortgages and the Discount Mortgages, the "**Mortgages**"). The period during which the rate is fixed is known as the "**Fixed Rate Period**". Fixed Rate Mortgages 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 Mortgages 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 Loan, the Borrower is also obliged to pay a compensation payment if the Loan is redeemed within three years (or in the case of 2 Year Fixed Rate Loans, two years) of the date of the advance to the Borrower (a "**Mortgage Early Redemption Amount**"). If a Loan is redeemed after this period but before the maturity of the Loan, the Borrower is required to give one months' notice of such redemption or pay compensation of one months' scheduled interest if such notice is not given. The compensation payment which a Borrower pays is determined on the basis specified in the particular mortgage offer upon which the Borrower's Loan was based.

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 Portfolio.

Lending Criteria

The following lending criteria (the "**Lending Criteria**") is a summary consolidating each of the lending criteria applied in relation to the Loans originated by the Originators. This information has been taken from lending criteria set out in the prospectus for each of the Original Issuers and has not been separately confirmed or verified by any of the Relevant Parties or the Issuer. Capitalised terms used in this section are used in respect of the Lending Criteria only, unless the context otherwise requires.

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 (or residential property held on such tenure as replaced the feudal tenure system following the coming into effect of the Abolition of Feudal Tenure etc (Scotland) Act 2000) (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 Mortgages, the Scottish Mortgages and the English Mortgages are collectively defined as the "**Mortgages**" and 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 (where entered into prior to 1 December 2017) or a private residential tenancy (where entered into on or after 1 December 2017) (in relation to English Property, Scottish Property or Northern Irish Property) under a tenancy agreement which would be acceptable to a Prudent Mortgage Lender, is acceptable. A Property which may be let as a holiday home is not acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC or an architect's certificate, Foundation 15 or Zurich New Building Certificate.
- (d) The following types of property are deemed unacceptable as security:
 - (i) Ex local authority flats or maisonettes (except cottage flats in Scotland and subject to some exceptions including a minimum valuation of £100,000, a maximum LTV of 80 per cent. and the Property being detached, semi-detached or terraced housing);

- (ii) Freehold or heritable flats and maisonettes (other than residential flats and maisonettes (which, are not ex local authority) held on a feudal title in Scotland or long leasehold residential property having an unexpired term of at least 35 years longer than the mortgage term and located in Scotland or residential property held on such tenure as replaced the feudal tenure system following the coming into effect of the Abolition of Feudal Tenure etc (Scotland) Act 2000);
 - (iii) Flats where there are more than five storeys in the block, except in London and the South East where they can be referred to the Credit Committee;
 - (iv) 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;
 - (v) Properties with high alumina cement construction;
 - (vi) Properties containing mundic block materials;
 - (vii) Properties of 100 per cent. timber construction;
 - (viii) Properties with restrictions as to occupancy;
 - (ix) Steel frame construction unless built after 1990;
 - (x) Prefabricated buildings;
 - (xi) Properties underpinned within the last five years (such properties may be acceptable upon receipt of guarantees, etc.);
 - (xii) Properties with shared ownership/equity where the Borrower or Borrowers own less than 100 per cent. of the Property;
 - (xiii) Flying freehold (elements of flying freehold can be considered providing the relevant valuer confirms that the flying freehold is less than 20 per cent. of the total property and providing title insurance is applied in all cases);
 - (xiv) Pre-cast concrete panel construction; and
 - (xv) Concrete constructions.
- (e) Each Property offered as security will have been valued by a Royal Institution of Chartered Surveyors qualified surveyor chosen from a panel of valuation firms approved by Mortgages plc.
- (f) At the time of completion, the relevant Property must either have been insured under a Block Buildings Policy (as defined in "**Administration, Servicing and Cash Management of the Mortgage Pool — Insurance Contracts**" below) in the name of the Originator, or by the Borrower with the Originator's interest noted on, a buildings policy in relation to the relevant Property. Any property that cannot be insured is deemed an unacceptable security.
- (g) Life cover is not required for Loans.

Loan Amount

The Loan at the time of completion must be at least £25,001 (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 £1,500,000 (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 and the purchase price of the Property.
- (b) On the date of the initial advance, any Further 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 95 per cent. (inclusive of any arrangement fee which may be added to the Loan).
- (c) There has been no revaluation of any of the properties for the purposes of the issue and the valuations quoted are as at the later of the date of the original initial mortgage loan origination or the date of any Further Advance made prior to the Closing Date.

Term

The maximum term is 30 years subject to full repayment of the total advance by the applicant's 75th birthday and there being at least 35 years left on a lease at the end of the term in the case of leasehold security. There are however, 3 loans in the Provisional Portfolio where the term of the loans have been extended to beyond the maximum term of 30 years.

Borrowers

- (a) Borrowers must be individuals, and must have been at least 18 years of age (or, in the case of Buy to Let Loans, 21 years of age) prior to receipt of the Loan application.
- (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 or proof of residency;
 - (iii) References from current employers;
 - (iv) Accountant's certificate;
 - (v) References from current lenders;
 - (vi) References from current landlords; and/or
 - (vii) Last 3 months pay slips and P60.
- (d) Where a County Court Judgment (or its Scottish or Northern Irish equivalent) (a "**CCJ**") registered by a preferred creditor and relating to a Borrower has been revealed by the credit reference search, instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a Bankruptcy Order or its Scottish or Northern Irish equivalent (a "**BO**") or an Individual Voluntary Arrangement (or its Scottish equivalent) (an "**IVA**"), explanations must have been provided (except in the case of CCJs unless such judgment relates to preferred creditors). No explanation is required for arrears.
- (e) Where satisfaction of CCJs (or the Northern Irish or Scottish equivalent) is a condition precedent to the making of the Loan, a certificate of satisfaction must have been provided.

- (f) Borrowers who were the subject of a BO must have provided a certificate of discharge (or its Scottish equivalent). Borrowers who were the subject of an IVA must have provided a confirmation of satisfactory conduct of the IVA where appropriate.
- (g) Occupiers of the relevant Property aged 18 or over at the date of implementation of the Loan must complete a deed of consent. This requirement does not apply under Scots law.
- (h) In relation to Scottish Property, spouses of the Borrower must complete a deed of consent or, where a sole Borrower, the Borrower must complete a written declaration.

Income and Affordability

Owner Occupied Loans

- (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 Mortgages plc.
- (b) In the vast majority of cases the principal amount advanced will not exceed three and one-half times the assessed income of the primary Borrower plus one times the assessed income of any second, third or fourth Borrower(s), or three times the combined assessed incomes of the primary and secondary Borrowers plus one times the assessed income of any third or fourth Borrowers. However, since 1 February 2005, Mortgages PLC introduced, on a restricted distribution basis, a new affordability mortgage product where the principal amount advanced to a Borrower varies on the basis of what they can actually afford. This individual approach takes verified income for all applicants (after tax and national insurance), and deducts household expenses, verified loan and credit card commitments, the revert mortgage payment (capital & interest plus an interest rate shock) together with childcare arrangements. These Loans comprise a small percentage of the Portfolio.

Solicitors

The firm of solicitors acting on behalf of the Originator on the making of each Loan must have at least two practising partners. Licensed conveyancers are not acceptable.

Further Advances

Further Advances are governed by the same criteria as initial advances with the following additions:

- (i) At least six months must have elapsed since completion of the initial advance; and
- (ii) Repayments on the Loan must be up-to-date.

For the avoidance of doubt, the above additional criteria applicable to Further Advances shall not apply to any Retentions.

Following the Closing Date, no Further Advances will be made in relation to the Portfolio.

Right to Buy

- (a) Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 as amended by the Housing (Scotland) Act 2001 and the Housing (Northern Ireland) Order 1983 as amended by the Housing (Northern Ireland) Order 1986 and the Housing (Northern Ireland) Order 1992.
- (b) Certain of the Loans ("**Right to Buy Loans**") have been made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under Section 156 of the Housing Act 1985, Part III of the Housing (Scotland) Act 1987 as amended by Chapter 2 of the Housing (Scotland) Act 2001 or under the Northern Ireland Housing Executive House Sales Scheme as provided for by the Housing (Northern Ireland) Order 1983 as amended by the Housing (Northern Ireland) Orders 1986 and 1992, as the case may be.
- (c) Properties sold under the "**Right to Buy**" scheme of the Housing Act 1985 are sold by the Local Authority at a discount to market value calculated in accordance with the Housing Act 1985. A purchaser under this scheme must repay the whole of the discount if he sells the property within one year of acquiring it from the Local Authority, two-thirds if he does so within two years, and one-third if within three years. The Local Authority obtains a statutory charge over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. This statutory charge ranks senior to other charges including that of any mortgage lenders, unless (i) the mortgage lender is an approved lending institution for the purposes of the Housing Act 1985 and has extended the mortgage loan to the purchaser for the purpose of enabling him to exercise the right to buy or (ii) the relevant Local Authority issues a deed of postponement postponing its statutory charge to that of a mortgage lender.
- (d) Properties sold under the "**Right to Buy**" provisions of the Housing (Scotland) Act 1987 as amended by Chapter 2 of the Housing (Scotland) Act 2001 are sold by a local authority or other landlord to which the provisions apply at a discount to market value calculated in accordance with the Housing (Scotland) Act 1987 (as amended). A person who has purchased a property in exercise of a right to buy and who, subject to certain exceptions, before the expiry of the discount period sells or otherwise disposes of the property is liable to repay 100 per cent. of the discount where the disposal occurs within the first year after the date of service of notice, 66 per cent. where it occurs in the second such year and 33 per cent. where it occurs in the third such year. Where the local authority or other landlord to which the provisions apply secures the liability to make repayment of the discount, this security will have priority immediately after (a) any standard security granted in security of a loan either for the purchase or for the improvement of the house and any interest, present or future due thereon (including any such interest which has accrued or may accrue) and any expenses or outlays (including interest thereon) which may be, or may have been, reasonably incurred in the exercise of any power conferred on the lender by the deed expressing the said standard security and (b) if the local authority or other landlord to which the provisions apply consents, a standard security over the house granted in security of any other loan and in relation thereto any such interest, expenses or outlays, as aforesaid.
- (e) In Northern Ireland, a similar Right to Buy scheme operates through the Northern Ireland Housing Executive (the "**NIHE**"), although certain differences apply regarding repayment of discount. In particular, a purchaser must repay the entirety of the discount if he sells the property at any time within five years of acquiring it. Furthermore, the NIHE acquires an option to purchase the property from the owner for the time being in the event of the owner wishing to sell the property within ten years of the date of acquisition. The deed transferring the property to the first owner charges the property with payment of any sums due under the discount covenant and with any damages which may become due from the owner in respect of any breach of the obligations imposed by the option to purchase.

- (f) The discount covenant charge and the charge over damages for breach of the obligations imposed by the option to purchase which are created under the standard terms of the NIHE scheme take priority immediately after any mortgage securing any amount left outstanding by the purchaser and advanced to him by a lending institution for the purpose of buying his house or further advanced to him.
- (g) In relation to any subsequent charge granted to any lending institution other than the institution which provided the initial loan to buy the house, NIHE has a discretion to postpone its charge to this subsequent charge. Such a subsequent charge would include a charge in favour of a new or subsequent lender if the purchaser were to transfer his initial mortgage to a new or subsequent lender within a period of five years after purchase of the house (being the period during which the NIHE may recoup discount pursuant to the discount covenant charge). The discretion is rarely exercised by the NIHE.

Considerations in respect of application of the money for approved purposes do not apply in Northern Ireland.

Buy to Let Loans

Loans to Borrowers who wish to purchase or remortgage residential property for the purpose of letting to third parties ("**Buy to Let Loans**") are governed by the same, or at times stricter, lending criteria than the Lending Criteria, including:

- (h) that the Borrower be at least 21 years of age at the date of the application;
- (i) that the maximum LTV of each Loan is 85 per cent. (exclusive of any arrangement fee which may be added to the Loan);
- (j) 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 mortgage payment under the Loan after expiry of any initial discount allowance; and
- (k) a more limited adverse credit history on the Borrower.

TERMS AND CONDITIONS

Further Advances

The Originators could advance additional funds to Borrowers ("**Further Advances**") on the security of the Mortgages. Such Further Advances are subject to additional criteria set out in *The Loans - Lending Criteria* above. From the Closing Date, neither the Issuer nor the Current Legal Title Holder nor the New Legal Title Holder will make any Further Advances.

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.

Credit Risk Mitigation

The Retention Holder has via the Seller entered into contracts in relation to the purchase, on-sale and servicing of the portfolio. As a consequence there are in place policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation.

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

- (a) it is not anticipated that Further Advances will be granted under the Loans and the Seller has represented and warranted that the Loans and their related Mortgages contain no obligation on the part of the Seller or the relevant Legal Title Holder to make any Further Advance. ;
- (b) the relevant Servicer, on behalf of the Issuer and the relevant Legal Title Holder, will have in place systems to administer and monitor the various credit-risk bearing portfolios and exposures (as to which it should be noted that the Portfolio will be serviced in line with the servicing procedures of the Servicer – please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Interim Servicing Agreement*" and "*Summary of the Key Transaction Documents –Long-Term Servicing Agreement*");
- (c) the Retention Holder entered into a profit participating loan agreement with the Seller on 30 April 2018, the proceeds of which the Seller used to acquire the Portfolio from the Original Issuers, having regard to the diversification of the Portfolio based on its credit strategy (as to which, in relation to the Portfolio, please see the section of this Prospectus headed "*Characteristics of the Provisional Portfolio*"); and
- (d) the relevant Servicer on behalf of the Issuer and the relevant Legal Title Holder has policies and procedures in relation to risk mitigation techniques (as to which, please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Interim Servicing Agreement*" and "*Summary of the Key Transaction Documents –Long-Term Servicing Agreement*").

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Portfolio of £144,429,937.60 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

Portfolio Reference Date	31/12/2017
Total Outstanding Principal Balance (£)	144,429,937.60
Total original balance (£)*	175,672,399.50
Number of loans	1,829
Number of borrowers	1,828
Average Outstanding Principal Balance per loan (£)	78,966.61
WA current interest rate (%)	3.59
WA seasoning (years)	13.02
WA remaining term (years)	9.78
WA OLTV (%) **	75.70
WA CLTV (%) ***	67.94
WA Indexed LTV (%) ****	50.58
Interest Only (%)	76.08
Buy-to-let (%)	5.11
Self-certified (%)	73.36
CCJs (%)	18.38
Bankruptcy or IVA (%)	2.06
Loans 1 month or more in arrears (%)	18.71
Loans 3 months or more in arrears (%)	12.26

*Original advance plus released amounts

**Original balance divided by original valuation and weighted by Outstanding Principal Balance.

*** Outstanding Principal Balance divided by original valuation and weighted by Outstanding Principal Balance.

**** Outstanding Principal Balance divided by original valuation indexed using Nationwide index and weighted by Outstanding Principal Balance.

Outstanding Principal Balance

Outstanding Principal Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
<= 24,999.99	3,730,542.89	2.58	255	13.94
25,000.00 to 49,999.99	16,738,091.90	11.59	447	24.44
50,000.00 to 74,999.99	23,215,739.91	16.07	375	20.50
75,000.00 to 99,999.99	21,405,164.74	14.82	247	13.50
100,000.00 to 149,999.99	38,986,504.65	26.99	320	17.50
150,000.00 to 199,999.99	16,417,039.67	11.37	97	5.30
200,000.00 to 249,999.99	9,524,836.18	6.59	43	2.35
250,000.00 to 499,999.99	13,912,017.66	9.63	44	2.41
500,000.00 >=	500,000.00	0.35	1	0.05
Total.....	144,429,937.60	100	1,829	100

Average: 78,966.61

Minimum: 173.83

Maximum: 500,000.00

Original Balance

Original Balance (£)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
25,000.00 to 49,999.99	7,211,563.73	4.99	306	16.73
50,000.00 to 74,999.99	22,353,881.12	15.48	492	26.9
75,000.00 to 99,999.99	25,825,703.19	17.88	383	20.94
100,000.00 to 149,999.99	42,450,222.94	29.39	408	22.31
150,000.00 to 199,999.99	20,928,265.59	14.49	140	7.65
200,000.00 to 249,999.99	9,684,151.43	6.71	46	2.52
250,000.00 to 499,999.99	15,333,856.76	10.62	52	2.84
500,000.00 >=	642,292.84	0.44	2	0.11
Total.....	144,429,937.60	100	1,829	100

Average: 96,048.33

Minimum: 25,001.00

Maximum: 602,821.00

Original Loan-to-Value

Original Loan to Value (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 to 49.99	7,346,541.26	5.09	169	9.24
50.00 to 59.99	9,255,633.36	6.41	182	9.95
60.00 to 69.99	22,996,782.54	15.92	321	17.55
70.00 to 74.99	14,697,661.13	10.18	202	11.04
75.00 to 79.99	19,210,198.51	13.30	232	12.68
80.00 to 84.99	26,793,687.52	18.55	284	15.53
85.00 to 89.99	26,404,405.15	18.28	268	14.65
90.00 to 94.99	16,113,647.55	11.16	152	8.31
95.00 to 99.99	1,611,380.58	1.12	19	1.04
Total	144,429,937.60	100	1,829	100
Weighted Average: 75.70				
Minimum: 17.02				
Maximum: 95.18				

Current Loan-to-Value

Current Loan to Value (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 to 49.99	27,473,725.67	19.02	725	39.64
50.00 to 59.99	15,160,044.92	10.50	222	12.14
60.00 to 69.99	21,816,896.97	15.11	223	12.19
70.00 to 74.99	14,476,046.68	10.02	137	7.49
75.00 to 79.99	14,762,213.38	10.22	132	7.22
80.00 to 84.99	20,464,124.22	14.17	161	8.80
85.00 to 89.99	18,624,528.39	12.90	143	7.82
90.00 to 94.99	10,535,407.51	7.29	77	4.21
95.00 to 99.99	824,889.89	0.57	7	0.38
100.00 >=	292,059.97	0.20	2	0.11
Total	144,429,937.60	100	1,829	100
Weighted Average: 67.94				
Minimum: 0.23				
Maximum: 119.99				

Indexed Loan To Value (%)

Indexed Loan To Value (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 to 49.99	70,312,340.41	48.68	1,115	60.96
50.00 to 59.99	28,476,901.79	19.72	284	15.53
60.00 to 69.99	24,935,281.50	17.26	235	12.85
70.00 to 74.99	9,319,625.45	6.45	87	4.76
75.00 to 79.99	6,481,527.62	4.49	65	3.55
80.00 to 84.99	3,642,379.29	2.52	32	1.75
85.00 to 89.99	689,978.62	0.48	7	0.38
90.00 to 94.99	571,902.92	0.40	4	0.22
Total	144,429,937.60	100	1,829	100
Weighted Average: 50.58				
Minimum: 0.08				
Maximum: 92.90				

The above table shows the range of current indexed loan-to-value ratios, or LTV ratios, which express the Outstanding Principal Balance of a mortgage loan, as of the Portfolio Reference Date, divided by the indexed value of the mortgaged property securing that mortgage loan, as of the same date (calculated using the Nationwide Regional Quarterly Indices (Post '73) as available at www.nationwide.co.uk/about/house-price-index).

All information contained in this Prospectus in respect of the Nationwide Regional Quarterly Indices (Post '73) has been reproduced from information published by Nationwide Building Society. The Issuer confirms that all information in this Prospectus in respect of the Nationwide Regional Quarterly Indices (Post '73) has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information. Anyone relying on the information does so at their own risk.

Origination Year

Origination Year	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
1998	194,293.23	0.13	10	0.55
1999	338,195.05	0.23	17	0.93
2000	1,117,670.21	0.77	32	1.75
2003	8,080,968.54	5.60	112	6.12
2004	45,635,765.57	31.60	598	32.70
2005	89,063,045.00	61.67	1,060	57.96
Total	144,429,937.60	100	1,829	100

Current Original Term (years)

<u>Current Original Term (years)</u>	<u>Outstanding Principal Balance (£)</u>	<u>Outstanding Principal Balance (%)</u>	<u>Number of loans</u>	<u>Number of loans (%)</u>
<= 9.99	54,389.00	0.04	1	0.05
10.00 to 14.99	4,753,352.12	3.29	54	2.95
15.00 to 19.99	19,700,894.98	13.64	299	16.35
20.00 to 22.49	26,601,409.17	18.42	361	19.74
22.50 to 24.99	8,938,195.28	6.19	119	6.51
25.00 to 27.49	76,952,888.42	53.28	906	49.54
27.50 to 29.99	297,757.10	0.21	5	0.27
30.00 >=	7,131,051.53	4.94	84	4.59
Total	<u>144,429,937.60</u>	<u>100</u>	<u>1,829</u>	<u>100</u>
Weighted Average: 22.79				
Minimum: 9.00				
Maximum: 34.00				

Remaining Term (years)

<u>Remaining Term (years)</u>	<u>Outstanding Principal Balance (£)</u>	<u>Outstanding Principal Balance (%)</u>	<u>Number of loans</u>	<u>Number of loans (%)</u>
0.00 to 1.99	9,339,921.63	6.47	132	7.22
2.00 to 3.99	5,819,333.93	4.03	112	6.12
4.00 to 5.99	8,178,285.27	5.66	113	6.18
6.00 to 7.99	23,338,224.21	16.16	320	17.50
8.00 to 9.99	7,102,660.79	4.92	103	5.63
10.00 to 11.99	38,010,149.60	26.32	452	24.71
12.00 to 13.99	45,036,607.00	31.18	506	27.67
14.00 to 15.99	853,519.01	0.59	11	0.60
16.00 to 17.99	6,539,392.46	4.53	77	4.21
18.00 >=	211,843.70	0.15	3	0.16
Total	<u>144,429,937.60</u>	<u>100</u>	<u>1,829</u>	<u>100</u>
Weighted Average: 9.78				
Minimum: 0.00				
Maximum: 21.08				

The remaining term was calculated as 0 years 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.

Seasoning (years)

Seasoning (years)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
12.00 to 12.99	89,063,045.00	61.67	1,060	57.96
13.00 to 13.99	45,635,765.57	31.6	598	32.7
14.00 to 14.99	8,080,968.54	5.60	112	6.12
17.00 to 17.99	1,117,670.21	0.77	32	1.75
18.00 to 18.99	338,195.05	0.23	17	0.93
19.00 to 19.99	194,293.23	0.13	10	0.55
Total	144,429,937.60	100	1,829	100

Weighted Average: 13.02

Minimum: 12.33

Maximum: 19.49

Repayment Type

Repayment Type	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Interest Only	109,886,074.36	76.08	987	53.96
Capital and Interest	32,800,174.47	22.71	815	44.56
Part & Part	1,743,688.77	1.21	27	1.48
Total	144,429,937.60	100	1,829	100

Current Loan Index

Current Loan Index	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
SVR	122,988,645.00	85.15	1,569	85.78
BBR	21,441,292.60	14.85	260	14.22
Total	144,429,937.60	100	1,829	100

Current Interest Rate

Current Interest Rate (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
2.00 to 2.49	2,528,139.55	1.75	49	2.68
2.50 to 2.99	24,838,244.57	17.20	357	19.52
3.00 to 3.49	39,519,053.03	27.36	486	26.57
3.50 to 3.99	43,559,226.81	30.16	486	26.57
4.00 to 4.49	16,824,748.73	11.65	224	12.25
4.50 to 4.99	11,202,817.71	7.76	134	7.33
5.00 >=	5,957,707.20	4.12	93	5.08
Total	144,429,937.60	100	1,829	100

Weighted Average: 3.59

Minimum: 2.45

Maximum: 6.40

Current Margin over BBR

Current Margin over BBR (%)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
1.50 to 1.99	2,528,139.55	1.75	49	2.68
2.00 to 2.49	24,838,244.57	17.2	357	19.52
2.50 to 2.99	39,519,053.03	27.36	486	26.57
3.00 to 3.49	43,559,226.81	30.16	486	26.57
3.50 to 3.99	16,824,748.73	11.65	224	12.25
4.00 to 4.49	11,202,817.71	7.76	134	7.33
4.50 to 4.99	4,762,776.32	3.30	69	3.77
5.00 >=	1,194,930.88	0.83	24	1.31
Total	144,429,937.60	100	1,829	100
Weighted Average: 3.09				
Minimum: 1.95				
Maximum: 5.90				

Current margin over BBR was calculated as current interest rate minus 0.5 per cent.

Loan Purpose

Loan Purpose	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Remortgage	94,757,041.60	65.61	1,233	67.41
Purchase	49,672,896.00	34.39	596	32.59
Total	144,429,937.60	100	1,829	100

Property Occupancy

Buy-to-Let	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Owner-occupied	137,045,723.35	94.89	1,738	95.02
Buy-to-let	7,384,214.25	5.11	91	4.98
Total	144,429,937.60	100	1,829	100

Arrears Multiple

Arrears Multiple	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0.00 to 0.99	117,403,254.74	81.29	1,551	84.8
1.00 to 1.99	5,521,660.43	3.82	67	3.66
2.00 to 2.99	3,799,482.57	2.63	40	2.19
3.00 to 3.99	3,472,646.33	2.40	36	1.97
4.00 to 4.99	1,535,589.44	1.06	21	1.15
5.00 to 5.99	1,282,104.93	0.89	15	0.82
6.00 >=	11,415,199.16	7.90	99	5.41
Total	144,429,937.60	100	1,829	100

Arrears multiple was calculated as arrears balance divided by monthly payment due.

Right to Buy

Right to Buy	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
No	141,146,655.11	97.73	1,738	95.02
Yes	3,283,282.49	2.27	91	4.98
Total	144,429,937.60	100	1,829	100

First Time Buyer

First Time Buyer	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
No	126,206,082.97	87.38	1,589	86.88
Yes	18,223,854.63	12.62	240	13.12
Total	144,429,937.60	100	1,829	100

Income Verification for Primary Borrower

Income Verification for Primary Borrower	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Self Certified	105,951,440.37	73.36	1,209	66.10
Verified	38,478,497.23	26.64	620	33.90
Total	144,429,937.60	100	1,829	100

Region

Region	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Greater London	20,749,322.20	14.37	138	7.55
North West	20,020,740.13	13.86	310	16.95
West Midlands	14,807,942.05	10.25	182	9.95
Yorkshire & Humberside	12,649,816.54	8.76	208	11.37
Outer South East	11,257,365.31	7.79	103	5.63
Scotland	10,694,139.55	7.40	179	9.79
Outer Metropolitan	10,456,322.63	7.24	89	4.87
North	9,809,625.21	6.79	159	8.69
East Midlands	8,785,216.14	6.08	123	6.72
South West	8,319,310.82	5.76	72	3.94
Wales	7,580,739.83	5.25	107	5.85
Northern Ireland	5,396,177.88	3.74	114	6.23
East Anglia	3,903,219.31	2.70	45	2.46
Total	144,429,937.60	100	1,829	100

Original Valuation Method

Original Valuation Method	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
Full Valuation	144,429,937.60	100	1,829	100
Total.....	144,429,937.60	100	1,829	100

County Court Judgements (CCJs)

County Court Judgements (CCJs)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
0	117,878,348.38	81.62	1,460	79.83
1	18,165,262.63	12.58	251	13.72
2	5,598,391.97	3.88	79	4.32
3	1,689,983.35	1.17	22	1.20
4	559,657.78	0.39	7	0.38
5	337,452.31	0.23	7	0.38
6	86,773.11	0.06	2	0.11
7	114,068.07	0.08	1	0.05
Total.....	144,429,937.60	100	1,829	100

Prior Bankruptcy or Individual Voluntary Arrangement (IVA)

Prior Bankruptcy or Individual Voluntary Arrangement (IVA)	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of loans	Number of loans (%)
No	141,461,606.93	97.94	1,790	97.87
Yes	2,968,330.67	2.06	39	2.13
Total.....	144,429,937.60	100	1,829	100

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 a Scottish Declaration 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 £143,715,953.96, 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) on or following the Long-Term Servicer Effective Date, the occurrence of any Long-Term Servicer Termination Event in circumstances where all applicable grace periods have expired and:
 - (A) no replacement Long-Term Servicer has been appointed;
 - (B) any replacement Long-Term Servicer that has been or is to be appointed is not the New Legal Title Holder;
- (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;
- (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
- (f) where the Long-Term Servicer and the New Legal Title Holder are the same entity, default is made by the New Legal Title Holder in the performance or observance of any of its covenants and obligations under the Long-Term 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 New Legal Title Holder becoming aware of such default and receipt by the New Legal Title Holder of written notice from the Issuer or (following delivery of an Enforcement Notice) the Security Trustee, as appropriate, requiring the same to be remedied.

(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 New Legal Title Holder, 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, 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 (the "Mortgagee") in priority to any other charges registered against the relevant Property, save that in the event of there 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;

- (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) so far as the Seller is aware and at the time of origination thereof, the Property intended to be charged to secure the repayment of the Loan was of the kind permitted under the Lending Criteria then applied by the relevant Originator;
- (d) 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;
- (e) so far as the Seller is aware, prior to the relevant Originator making a Loan, the relevant Property was valued by a Royal Institute of Chartered Surveyors qualified surveyor from the panel of surveyors from time to time appointed by the Originators;
- (f) each Loan and its related Mortgage was made on the terms of the Originator's standard mortgage documentation (so far as applicable);
- (g) no agreement for any Loan, any Further Advance and/or Retention or any modification thereof is or includes a regulated consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- (h) 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 Originators took all reasonable steps to ensure that at the date of completion of each Mortgage the relevant Property was insured under a policy with an insurance company against fire and other commercial risks usually covered by a comprehensive buildings insurance policy for an amount not less than the full reinstatement value determined by a valuer approved by the Originators and either (I) that the relevant Originator was a joint insured with the relevant Borrower; or (II) the Originator's interest was noted thereon by the insurers.

- (i) no Loan has a final maturity beyond the date falling three years prior to the Final Maturity Date;
- (j) all Loans were originated by the Originators;
- (k) all Loans are Variable Rate Mortgages, Discount Mortgages or Fixed Rate Mortgages;
- (l) the Borrower under each Loan has made at least one full payment;
- (m) 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
- (n) 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.

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 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 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 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 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) 23 April 2018.

"**Collection Period End Date**" means the last calendar day of February, May, August and November, with the first Collection Period End Date ending on (and including) 31 August 2018.

"**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 Current 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 23 April 2018.

"**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.

"**Insurance Policies**" means insurance contracts which relate to the Properties over which the Loans in the Portfolio are secured, and "**Insurance Policy**" means any one of them.

"**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 Original Issuers or the 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 Original Issuers or the Legal Title Holder from the Borrower (including all capitalised sums) which is secured or intended to be secured by the related Mortgage comprised in the Portfolio.

"**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) 23 April 2018.

"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.

"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 Enforcement Procedures in relation to a Loan, the Outstanding Principal Balance of such Mortgage 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 and Scotland 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 to the New Legal Title Holder

Under the Deed of Assignment of Legal Title to be entered into among others, by the Issuer, and the Originators on the Closing Date, each Originator agrees (severally and separately in respect of the Loans and Related Security to which it holds legal title) to sell and assign to the New Legal Title Holder, (subject to the subsisting rights of redemption of the Borrowers) all rights, title, interest and benefit of such Originator (both present and future) in, to and under the Loans and Related Security, for the New Legal Title Holder to hold on bare trust for the Issuer (pursuant, in the case of each Scottish Loan and their Related Security, to the Scottish Declaration of Trust).

Undertakings by each Current Legal Title Holder

Each Current Legal Title Holder undertakes to the Issuer that, pending perfection of the assignments or assignments (as appropriate) contemplated by the Deed of Assignment of Legal Title, such Current 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 Portfolio;
- (b) shall not create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over the the Loans or their Related Security (other than such encumbrances or other security interests as arise under or pursuant to the Deed of Assignment of Legal Title or the other 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 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 Current 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 porting request or agree to any other amendment or modification of the 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 Current Legal Title Holder's or the Issuer's title to any relevant 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 Current 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 Current Legal Title Holder's or the Issuer's title to or interest in any relevant Loan or its Related Security provided that the relevant Current 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).

Interim Servicing Agreement

Prior to the Long-Term Servicer Effective Date, the Interim Servicer is required to administer the Portfolio on behalf of the Issuer and the Security Trustee (to the extent of their respective interests) under the Interim Servicing Agreement. The duties of the Interim Servicer include:

- (a) maintaining the loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Loan and sending each Borrower an account statement annually;
- (b) collecting the scheduled monthly payments due on the relevant Loans. Payments due on the majority of the relevant Loans are settled by direct debit. The Interim Servicer is, therefore, required to process and administer direct debits in accordance with BACS Rules and Regulations. The payments due from Borrowers collected by direct debits are credited automatically to the Collection Account

and then swept, on a daily basis, to the Deposit Account. Payments that are collected through other methods (such as cheque, cash and standing orders) are also credited by the Interim Servicer to the Collection Account and then swept on a daily basis to the Deposit Account;

- (c) notifying Borrowers of changes in their scheduled monthly payments;
- (d) arranging annual renewal of buildings insurance where a Borrower maintains such insurance through a block policy;
- (e) dealing with the administrative aspects of redemption of each applicable Loan; and
- (f) dealing with enquiries and requests from Borrowers.

The Interim Servicer will be obliged under the Interim Servicing Agreement to act upon the instructions of the Current Legal Title Holders in relation to certain aspects of the administration of the Loans and the related Mortgages. The Current Legal Title Holders shall exercise such discretion as is vested in it for the purpose of administering the Portfolio as would be exercised by a Reasonable, Prudent Residential Mortgage Lender.

The Interim Servicer is entitled to charge a fee for its services under the Interim Servicing Agreement, payable on each Interest Payment Date (subject to the relevant Priority of Payments) being:

- (i) in relation to Loans under pool number MLA00006 (the **M6 Loans**) an amount calculated at the rate of 20 basis points per annum on the Outstanding Principal Balance of all M6 Loans administered by the Interim Servicer under the Interim Servicing Agreement (calculated for each M6 Loan by reference to the Outstanding Principal Balance of that M6 Loan at the opening and closing of the month in question); and
- (ii) in relation to Loans under pool number MLA00007 (the **M7 Loans**) calculated at the rate of 22 basis points per annum on the Outstanding Principal Balance of all M7 Loans administered by the Interim Servicer under the Interim Servicing Agreement (calculated for each M7 Loan by reference to the Outstanding Principal Balance of that M7 Loan at the opening and closing of the month in question),

together with costs and expenses incurred by the Interim Servicer in accordance with the Interim Servicing Agreement.

The Interim 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 "**Shortfall**" 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.

The appointment of HML as Interim 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 Interim Servicer in the performance or observance of any of its covenants and obligations under the Interim Servicing Agreement which, in the opinion of the Security Trustee, is materially prejudicial to the interests of the Noteholders and Certificateholders 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 Interim Servicer;

- (c) the Interim 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 Interim 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 Interim 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 Interim Servicer or in relation to the whole or any substantial part of the undertaking or assets of the Interim Servicer or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Interim 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 Interim 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 Interim Servicer or any other similar proceedings or arrangements by which the assets of the Interim Servicer are submitted to the control of its creditors is applied for, ordered or declared or if the Interim 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 Interim Servicer is materially prejudicial to the interests of the Noteholders and Certificateholders.

Operation of collection account after the Transfer Date

On or prior to the Transfer Date, the Issuer shall procure that a new collection account shall be established, to be held in the name of New Legal Title Holder in respect of the Loans transferred pursuant to the Mortgage Sale Agreement. The Issuer shall further procure that the New Legal Title Holder shall declare a trust over such account in favour of, among others, the Issuer.

Governing Law

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

Commitment Letter and Long-Term Servicing Agreement

Commitment Letter

The Issuer and Topaz Finance Limited have entered into, on or around the Closing Date a commitment letter (the "**Commitment Letter**") pursuant to which it will agree, subject to the completion of satisfactory due diligence, to enter into a Long-Term Servicing Agreement to service the Loans and their Related Security with effect from the earlier of:

- (i) the date that is 18 months (or such earlier date as may be agreed between the parties) from the Closing Date; and
- (ii) the date on which the transfer of legal title to the loans constituting the Portfolio to the new legal title occurs as may be agreed between the Issuer and Long-Term Servicer,

(the "**Long-Term Servicer Effective Date**") on terms substantially similar to those set out in the draft Long Term Servicing Agreement, attached to the Commitment Letter, subject to such amendments and variation as may be agreed between the Long Term Servicer and the Certificateholders. The Commitment Letter provides for the Issuer, as directed by the Certificateholders, to be able to terminate the commitment of Topaz Finance Limited and to appoint an experienced provider of residential mortgages services as Long-Term Servicer. If this is the case the Certificateholders shall negotiate the Long-Term Servicing Agreement with the Long-Term Servicer. The Issuer, the Security Trustee and the New Legal Title Holder shall enter into the Long-Term Servicing Agreement in the form agreed between the Long-Term Servicer and the Certificateholders on or prior to the Long-Term Servicer Effective Date, provided that the Security Trustee shall not be obliged to enter into the Long-Term Servicing Agreement, if in the sole opinion of the Security Trustee, the agreed form of Long-Term Servicing Agreement would have the effect of (i) exposing the Security Trustee 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 Security Trustee that were included in the form of Long-Term Servicing Agreement appended to the Commitment Letter entered into on the Closing Date.

Long-Term Servicing Agreement

The services to be provided by the Long-Term Servicer are set out in the Long-Term Servicing Agreement, the form of which, as at the date hereof is appended to the Commitment Letter or which may be negotiated between the Certificateholders and the Long-Term Servicer at a future date, and may include any services incidental thereto as may be agreed to in writing by the Issuer, the New Legal Title Holder, the Security Trustee and the Long-Term Servicer (the "**Long-Term Services**"). The description of the Long-Term Servicing Agreement in this section is based on the form of Long-Term Servicing Agreement appended to the Commitment Letter and is subject to changes and modifications as agreed between the Long-Term Servicer and the majority of the Certificateholders.

With effect from the Long-Term Servicer Effective Date, the Long-Term Servicer will be appointed by the Issuer and the New Legal Title Holder (including in its capacity as a trustee of the trust declared and created by the Scottish Declaration of Trust pursuant to the Deed of Assumption and Resignation (the "**Scottish Trust**")) to be its agent to service the Loans and their Related Security. The Long-Term Servicer must comply with any proper directions and instructions from the New Legal Title Holder or, following the Security Trustee notifying the Long-Term Servicer that an Enforcement Notice has been served, the Security Trustee may from time to time give to it in accordance with the provisions of the Long-Term Servicing Agreement.

The Long-Term Servicer will service the Loans and their Related Security in accordance with the terms of the Long-Term Servicing Agreement (including the procedures set out therein) and its actions in doing so are binding on the Issuer and (where applicable) the New Legal Title Holder.

"**Long-Term Servicing Agreement**" means an agreement to be entered into between, amongst others, the Issuer and the Long-Term Servicer pursuant to which the Long-Term Servicer will be appointed to service the Loans and their Related Security.

Appointment

The Long-Term Servicer will be appointed:

- (a) to service and manage the Loans in accordance with the applicable provisions of the administration, arrears and enforcement policies and procedures which are applied from time to time to the Loans and the security for their repayment and which may be amended by the New Legal Title Holder from time to time subject to the terms of the Long-Term Servicing Agreement (the "**New Legal Title Holder's Policies**") which shall be those of a Reasonable, Prudent Residential Mortgage Lender (as such may be amended from time to time by the New Legal Title Holder in its sole discretion acting as a Reasonable, Prudent Residential Mortgage Lender);
- (b) to provide the services set out in the Long-Term Servicing Agreement in relation to the Loans and their Related Security sold by the Seller to the Issuer and any other services which are necessary, convenient or incidental to the management and administration of the Loans and their Related Security, including the management of cash receipts from Borrowers;
- (c) to exercise the Issuer's rights, powers and discretions under and in relation to the Loans and their Related Security;
- (d) to perform the other management and administration services imposed on the Long-Term Servicer by the Long-Term Servicing Agreement; and
- (e) to perform any other functions imposed on the Long-Term Servicer, in such capacity, by any other Transaction Document to which it is a party.

Undertakings and Covenants by the Long-Term Servicer

The Long-Term Servicer will undertake and covenant, among other things, to:

- (a) administer the relevant Loans and their Related Security in accordance with all Applicable Laws and the New Legal Title Holder's Policies as they apply to the Loans from time to time;
- (b) comply with all Applicable Laws in respect of the administration, enforcement and servicing of the Loans;
- (c) maintain all approvals, authorisations, permissions, consents and licences required by the Long-Term Servicer in connection with the performance of the Long-Term Services and to prepare and submit on a timely basis all necessary applications and requests for any further approvals, authorisations, permissions, consents and licences required by Long-Term Servicer in connection with the performance of the Long-Term Services;
- (d) comply with any reasonable and proper directions, orders and instructions which the New Legal Title Holder and/or Issuer and/or the Security Trustee may from time to time give to it in relation to the Long-Term Services in accordance with the provisions of the Long-Term Servicing Agreement;
- (e) make all payments required to be made by it pursuant to the Long-Term Servicing Agreement on or before the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such due date without set-off or deduction (including, without limitation, in respect of any fees owed to it) or counterclaim, but subject to any deductions required by law;

- (f) transfer an amount equal to the Daily Mortgage Loan Amount from the Collection Account into the Deposit Account no later than the next Business Day after that Daily Mortgage Loan Amount is identified as received in the Collection Account; and
- (g) provide the Services in such manner and with the same level of skill, care and diligence as would a Prudent Mortgage Servicer.

"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;

Setting of Interest Rates on the Loans

Subject to the terms of the Long-Term Servicing Agreement and the Mortgage Conditions and the restrictions set out therein, the Long-Term Servicer will (on and from the Long-Term Servicer Effective Date) apply the Standard Variable Rate. The Issuer and the New Legal Title Holder will grant the Long-Term Servicer full right, liberty and authority in accordance with the relevant Mortgage Conditions to apply the Standard Variable Rate applicable to the Loans in accordance with the forms of the Long-Term Servicing Agreement, the relevant Mortgage Conditions and Applicable Law.

Subject to the terms of the Long-Term Servicing Agreement and the restrictions set out therein (as to which, see below), the New Legal Title Holder and the Issuer will grant the Long-Term Servicer full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions and Applicable Law, to change the non-SVR interest rate(s) applicable to the Loans in accordance with the relevant Mortgage Conditions (including as a result of a change in the Bank of England Base Rate) in each case as may be undertaken in accordance with the standards of a Prudent Mortgage Servicer.

Further Advances and Porting

The Long-Term Servicer shall not agree to pay or make any Further Advance to a Borrower.

During the Interim Period and subject to the Mortgage Conditions, the Current Legal Title Holders may agree to a porting request from a Borrower.

Replacement of Collection Account Bank

Following (i) the occurrence of an Insolvency Event in relation to the Collection Account Bank, or (ii) the Collection Account Bank ceasing to have the Collection Account Bank Rating, (x) the Issuer will and (z) the Long-Term Servicer shall use reasonable endeavours to:

- (a) 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;
- (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 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 30 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 New Legal Title Holder shall provide such assistance as the Issuer and the Long-Term Servicer may reasonably require to carry out the foregoing.

Termination of the appointment of the Long-Term Servicer

If any of the following events (each a "**Long-Term Servicer Termination Event**") shall occur:

- (a) default is made by the Long-Term Servicer in the payment on the due date of any payment due and payable by it under the Long-Term Servicing Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 15 Business Days after the earlier of the Long-Term Servicer becoming aware of such default and receipt by the Long-Term Servicer of written notice from the Issuer or (following service of an Enforcement Notice) the Security Trustee requiring the same to be remedied;
- (b) default is made by the Long-Term Servicer in the performance or observance of any of its other covenants and obligations under the Long-Term Servicing Agreement or any other Transaction Document to which it is a party, which is 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 Long-Term Servicer becoming aware of such default and receipt by the Long-Term Servicer of written notice from the Issuer or (following delivery of an Enforcement Notice) the Security Trustee, as appropriate, requiring the same to be remedied;
- (c) the Long-Term Servicer ceasing to be an authorised person under FSMA or failure by the Long-Term Servicer to obtain or maintain the necessary licences, registrations or regulatory approvals enabling it to continue servicing the Loans;
- (d) an Insolvency Event in respect of the Long-Term Servicer; or
- (e) a Perfection Event where the Long-Term Servicer and the New Legal Title Holder are the same entity,

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 Long-Term Servicer on becoming aware of the relevant Long-Term Servicer Termination Event to terminate the Long-Term 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 Long-Term Servicer's appointment as Long-Term Servicer under the Long-Term Servicing Agreement with immediate effect), provided that the Long-Term 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 Long-Term Servicer as servicer under the Long-Term Servicing Agreement, the Issuer (assisted by the Back-Up Servicer Facilitator) shall each use its reasonable endeavours to appoint a Successor Servicer which satisfies certain conditions set out in the Long-Term Servicing Agreement within 30 days following the delivery of the written notice to terminate Long-Term Servicer's appointment.

Voluntary Resignation

The appointment of the Long-Term Servicer under the Long-Term Servicing Agreement may be terminated by the Long-Term Servicer upon the expiry of not less than 12 months' written notice of termination given by the Long-Term Servicer to the Issuer with a copy to the Seller and the Security Trustee (or by such shorter period of notice as may be agreed between the Long-Term Servicer, the Issuer, the Seller and the Security Trustee) provided that:

- (a) the Issuer and Security Trustee consent in writing to such termination, such consent to be given by the Security Trustee on receipt by the Security Trustee of a certificate signed by two authorised signatories of the Issuer certifying the conditions set out in the Long-Term Servicing Agreement have been satisfied in respect of the Successor Servicer; and
- (b) a Successor Servicer shall be appointed in accordance with the terms of the Long-Term Servicing Agreement, such appointment to be effective not later than the date of such termination and the Long-Term Servicer shall notify the Issuer with a copy to the Security Trustee in writing of the identity of such Successor Servicer.

Delivery of documents and records

If the appointment of the Long-Term Servicer is terminated or the Long-Term Servicer resigns, the Long-Term Servicer must deliver to the Issuer (or as the Issuer shall direct), *inter alia*, the Title Deeds and Loan Files relating to the Loans and their Related Security in its possession.

Enforcement Procedures

The Long-Term Servicer shall, in relation to any default by any Borrower under or in connection with a Loan or its Related Security, comply with the Enforcement Procedures, or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, comply with the usual procedures undertaken by a Reasonable Prudent Mortgage Lender in connection with defaults of a similar nature provided that:

- (a) the Long-Term Servicer shall only become obliged to comply with the Enforcement Procedures (to the extent applicable) or to take action as aforesaid after it has become aware of the default; and
- (b) it is acknowledged by the Issuer that mortgage lenders generally exercise discretion in pursuing their respective enforcement procedures and that the Long-Term Servicer may exercise such discretion as would a Reasonable Prudent Mortgage Lender in applying the Enforcement Procedures to any particular defaulting Borrower or in taking action as aforesaid, provided that in exercising such discretion the interests of the Issuer in the Portfolio are not materially prejudiced and, in particular but without limitation, the ability of the Issuer to claim for breach of warranty under the Mortgage Sale Agreement is not prejudiced.

"Enforcement Procedures" means the exercise by the relevant Servicer on behalf of the Issuer and the relevant Legal Title Holder of the rights and remedies of the Issuer and the relevant 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 Loan or Related Security in accordance with the procedures described in the relevant Servicer's client manual or such other procedures as may be taken by the relevant Servicer acting in accordance with the standards of a Reasonable, Prudent Residential Mortgage Lender in connection with defaults of a similar nature.

The Long-Term Servicer shall procure that if, upon completion of the Enforcement Procedures, an amount in excess of all sums due by the relevant Borrower is recovered or received by the Long-Term Servicer, the

balance, after discharge of all sums due by the Borrower, is paid to the relevant Borrower or the person or persons entitled thereto or, if such person cannot be found, is paid into court.

Issuer's Liability

The Issuer shall indemnify and hold harmless the Long-Term Servicer against any loss, damage, charge, award, claim, demand, judgment, decree, action, proceedings, fine, penalty, cost, expense or other liability (including properly incurred legal and other professional fees and expenses) ("**Liability**") incurred or suffered by the Long-Term Servicer after the date of the Long-Term Servicing Agreement as a result of, or in connection with, servicing the Loans and the Related Security by the Long-Term Servicer in accordance with the Long-Term Servicing Agreement, provided that the Issuer shall not be liable for any Liability to the extent that such Liabilities arise from the gross negligence, wilful default or fraud of the Long-Term Servicer.

Limit to Long-Term Servicer's Liability

The aggregate liability of the Long-Term Servicer under the Long-Term Servicing Agreement and for breach of Data Protection Legislation is limited to a capped amount as may be agreed between the Long-Term Servicer and the Certificateholders which is expected to be not less than the fees payable to the Long-Term Servicer in the prior calendar year.

Back-Up Servicer Facilitator

If the Long-Term Servicer's appointment is terminated, the Issuer (assisted by the Back-Up Servicer Facilitator) shall use its reasonable endeavours to appoint a Successor Servicer in accordance with the Long-Term Servicing Agreement.

Governing Law

The Long-Term 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 trust declared by the Current Legal Title Holders and New 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 the Collection Account Trusts (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 Current Legal Title Holders, the New Legal Title Holder (when appointed), the Interim Servicer, the Long-Term Servicer (when appointed), the Back-Up Servicer Facilitator, the Cash Manager, the Issuer 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 the Interim Servicing Agreement, the Long-Term Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Interim Collection Account Agreement, the Deed of Assignment of Legal Title, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, any Scottish Trust Security, a share trust deed dated 26 April 2018 (the "**Share Trust Deed**"), the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the "**Issuer Power of Attorney**"), the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, 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**"), any Scottish Declaration of Trust, the Deed of Assumption and Resignation, the powers of attorney granted by the Current Legal Title Holders and the New Legal Title Holder in favour of the Issuer and the Security Trustee on the Closing Date (the "**Current Legal Title Holder Power of Attorney**" and "**New Legal Title Holder Power of Attorney**" respectively), the powers of attorney granted by the Issuer in favour of the Interim Servicer and Long-Term Servicer on the Closing Date (the "**Interim Servicer Power of Attorney**" and "**Long-Term Servicer Power of Attorney**" respectively), the Trust Deed, the Deed Poll and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and/or the Residual Certificates.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among other events, service of an Enforcement Notice, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of an administrative receiver or receiver or upon commencement of the winding-up of the Issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of

any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Redemption Priority of Payments

Prior to the Note Trustee serving an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) 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 and the Security Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

Governing Law

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

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer 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 (p) 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 (n) 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**"); and
 - (E) 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 and Bloomberg 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 second 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 usbank.com/abs by 5.00 p.m. on each Reporting Date; and
- (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.

Cash Manager and Directions from the Security Trustee

The Cash Manager will act upon the direction of the Security Trustee (given in accordance with the terms and provisions of the Deed of Charge) upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer.

Remuneration of Cash Manager

The Cash Manager will be paid a cash management fee for its cash management services under the Cash Management Agreement. Such fees will be determined under a separate fee letter between the Issuer and the Cash Manager. Any sum (or other consideration) payable (or provided) by the Issuer to the Cash Manager in respect of that fee shall be deemed to be exclusive of VAT, if any, chargeable on any supply for which the cash management fee is the consideration (in whole or in part) for VAT purposes. The cash management fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.

Termination of Appointment and Replacement of Cash Manager

If any of the following events ("**Cash Manager Termination Events**") shall occur:

- (a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (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;
- (d) it becomes unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document; or
- (e) the Cash Manager is prevented from complying with its obligations under the Cash Management Agreement for 15 calendar days as a result of electricity power cuts, failure of international or domestic clearing or payment systems (where such failure arose out of the circumstances beyond its control and other than where such failure is specific to the Cash Manager), strikes, lock outs, sit ins, industrial disturbances (other than strikes, lock outs, sit ins and industrial disturbances which are specific to the Cash Manager lasting more than five days), earthquakes, storms, fire, flood, acts of God, insurrections, riots, epidemics, war, civil disturbances, governmental directions or regulations, or any other circumstances beyond the control of the Cash Manager,

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 Back-Up Servicer Facilitator, 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.

The Issuer will appoint the Back-Up Servicer Facilitator in accordance with the Corporate Services Agreement to assist the Issuer in appointing a Successor Servicer upon and following the termination of the appointment of the Long-Term Servicer.

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 Interim Collection Account Agreement

On the Closing Date, the Current Legal Title Holders and others entered into an interim collection account agreement which includes, *inter alia*, a declaration of trust over the Originator Collection Accounts 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 ML1, ML2 and ML7 with the Interim Collection Account Bank, including all amounts standing to the credit of the Originator Collection Accounts, absolutely for the beneficiaries in the manner specified in the Interim Collection Account Agreement.

Governing Law

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

"**Collection Account Bank**" means Barclays Bank PLC, acting as Interim Collection Account Bank or such other person as may from time to time be appointed as Collection Account Bank at which the Collection Accounts are maintained.

"**Collection Accounts**" means the Originator Collection Accounts and any other replacement or additional collection account in respect of which amounts are received in respect of the Loans and their Related Security in the Portfolio.

"**ML1 Collection Account**" means the account entitled "the Mortgages No 1 Limited (Mortgages No. 7 plc) Operational Account" with account number 80923028 and held with Barclays Bank plc.

"**ML2 Collection Account**" means the account entitled "Mortgages 2 Limited (Mortgages No 6 plc) Collection Account" with account number 50627054 and held with Barclays Bank plc.

"**ML7 Collection Account**" means the account entitled "Mortgages 7 Limited (Mortgages No 6 plc) Collection Account" with account number 60300551 and held with Barclays Bank plc .

"**Originator Collection Accounts**" means the ML1 Collection Account, the ML2 Collection Account and the ML7 Collection Account.

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 (r) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders at item (s) 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 (m) (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 (q) (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 Collateralised 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 Collateralised 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 Collateralised Rated Notes.

Following the Senior Note Redemption Date, all amounts standing to the Reserve Fund shall provide liquidity support to all Classes of Collateralised 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 (n) 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) and/or (l) 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) and (l) 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 £2,802,800.00; and thereafter on any Interest Payment Date an amount equal to the lesser of:

- (a) 2.20% 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 £2,816,000.00.

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 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 D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes;
- (c) *third*, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes;
- (d) *fourth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and
- (e) *fifth*, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes.

Investors should note that realised Losses in any period will be calculated after applying any recoveries 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 Collateralised 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 (p) of the Pre-Enforcement Revenue Priority of Payments;
- (f) amounts determined to be applied as Available Revenue Receipts in accordance with item (i) 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; and
- (i) any amount required to be retained by the Collection Account Bank as a DD Retained Balance.

"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 Interim Servicing Agreement or the Long-Term 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;
- (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; and
- (f) amounts to remedy any overdraft in relation to the Collection Account or to pay any amounts due to the Collection Account Bank.

"DD Retained Balance" means an amount retained by the Collection Account Bank in the Collection Account 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) or (l) 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 and expenses then due to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;

- (iii) any amounts then due and payable to the Interim Servicer and the Current Legal Title Holders and any fees, costs, charges, liabilities and expenses then due under the provisions of the Interim Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Long-Term Servicer and the New Legal Title Holder and any fees, costs, charges, liabilities and expenses then due under the provisions of the Long-Term Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amount then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Long-Term Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (vi) 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;
 - (vii) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein; and
 - (viii) 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 Relevant 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 Interim Servicing Agreement or the Long-Term 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 credit the Reserve Fund Ledger up to the Reserve Fund Required Amount;
- (o) *fifteenth*, 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);
- (p) *sixteenth*, 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;
- (q) *seventeenth*, 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;
- (r) *eighteenth*, 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;
- (s) *nineteenth*, 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 Collateralised 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 June 2021.

"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) and (o) 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 Z1 Notes until the Principal Amount Outstanding of the Class Z1 Notes has been reduced to zero;
- (h) *eighth*, 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
- (i) *ninth*, 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 and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

- (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Interim Servicer and the Current Legal Title Holders and any fees, costs, charges, liabilities and expenses then due under the provisions of the Interim Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Long-Term Servicer and the New Legal Title Holder and any fees, costs, charges, liabilities and expenses then due under the provisions of the Long-Term Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Long-Term Servicing Agreement together with (if payable) VAT thereon as provided therein;
 - (vi) 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;
 - (vii) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein; and
 - (viii) 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 Relevant 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 Interim Servicing Agreement or Long-Term 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 X Notes;
- (m) *thirteenth*, 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;
- (n) *fourteenth*, 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;
- (o) *fifteenth*, 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
- (p) *sixteenth*, 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;
- (q) *seventeenth*, to pay the Issuer Profit Amount;
- (r) *eighteenth*, 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 Elavon Financial Services DAC, acting through its UK Branch (the "**Principal Paying Agent**"), on behalf of the Issuer to the order of the Common Safekeeper or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

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

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

Information Regarding Euroclear and Clearstream, Luxembourg

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

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

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

Redemption

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

Cancellation

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

Transfers and Transfer Restrictions

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

Issuance of Registered Definitive Notes

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

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

Not later than 10 days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions set out in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above with respect to soliciting instructions from their respective

Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Notices

Whilst the Notes are represented by Global Notes the Issuer may, at its option, send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Noteholders for communication by Euroclear and Clearstream, Luxembourg to the Noteholders. Alternatively, such notices regarding the Notes may instead be published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom; provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders, publication in such newspaper shall not be required with respect to such information so long as the rules of 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.

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 £122,500,000 Class A mortgage backed floating rate notes due 2044 (the "**Class A Notes**"), the £4,900,000 Class B mortgage backed capped rate notes due 2044 (the "**Class B Notes**"), the £4,900,000 Class C mortgage backed capped rate notes due 2044 (the "**Class C Notes**"), the £4,200,000 Class D mortgage backed capped rate notes due 2044 (the "**Class D Notes**") and together with the Class A Notes, the Class B Notes and the Class C Notes the "**Collateralised Rated Notes**"), the £3,900,000 Class X capped rate notes due 2044 (the "**Class X Notes** ") and together with the Collateralised Rated Notes, the "**Rated Notes**", the £4,300,000 Class Z1 notes due 2044 and the £2,900,000 Class Z2 notes due 2044 (the "**Class Z Notes**") and together with the Rated Notes, the "**Notes**"), in each case of Stratton Mortgage Funding plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 30 April 2018 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the "**Conditions**") to a "**Class**" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class 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 U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services DAC, acting through its UK Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agent**"), Elavon Financial Services DAC as registrar (in such capacity, the "**Registrar**") and Elavon Financial Services DAC, acting through its UK Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

2. INTERPRETATION

2.1 Definitions

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

2.2 Interpretation

These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

3. FORM, DENOMINATION AND TITLE

3.1 Form and Denomination

Each Class of Notes will initially be represented by a global note certificate in registered form (a "**Global Note**").

For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of a common 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 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 Collateralised Rated Notes and (following enforcement) all payments due in respect of the Collateralised Rated 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 Collateralised Rated 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 Collateralised Rated Notes (so long as any Collateralised Rated Notes remain outstanding).
- (f) 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 Collateralised Rated Notes and (following enforcement), the Rated Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class Z1 Notes (the "**Class Z1 Noteholders**") will be subordinated to the interests of the holders of the

Collateralised Rated Notes and the Class X Notes (so long as any Collateralised Rated Notes and/or Class X Notes remain outstanding).

- (g) 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 Collateralised Rated Notes and Class Z1 Notes and following enforcement, the Rated 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 and the Class Z1 Notes (so long as any Rated Notes and/or Class Z1 Notes remain outstanding). The Class Z1 Noteholders together with the Class Z2 Noteholders are the "**Class Z Noteholders**").
- (h) 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.
- (i) 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 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 Z Notes.

"**Interest Payment Date**" means the 12th day of March, June, September and December or, if such day is not a Business Day, the immediately following Business Day with the first Interest Payment Date falling in September 2018.

Interest shall accrue in the case of a Class of the Rated Notes, from (and including) an Interest Payment Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Interest Payment Date, (each such period above, an "**Interest Period**").

No interest will be payable for 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 any Interest Period, determined on the basis of the following provisions:
 - (A) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three month Sterling deposits (or, in respect of the first Interest Period

for the Notes, the linear interpolation of LIBOR for three and six months deposit in Sterling) in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of:

I. in respect of the Collateralised Rated Notes:

- (i) from (and including) the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin; and
- (ii) from (and including) the Optional Redemption Date, 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, the Relevant Margin; and
- (ii) from (and including) the Optional Redemption Date, zero per cent.;

III. in respect of the Collateralised Rated Notes, the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three month or in respect of the first Interest Period the linear interpolation of three and six monthly Sterling deposits expressed as a percentage rate (rounded upwards, if necessary, to five decimal places));

IV. in respect of the Class X Notes,

- (i) from (and including) the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three month or in respect of the first Interest Period the linear interpolation of three and six monthly Sterling deposits expressed as a percentage rate (rounded upwards, if necessary, to five decimal places)); and
- (ii) from (and including) the Optional Redemption Date, zero per cent.; and

(B) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (A) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks

provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph (A) shall have applied but taking into account, (i) in the case of the Collateralised Rated Notes, the application of from (and including) the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin, and from (and including) the Optional Redemption Date, the Relevant Step- Up Margin and (ii) in the case of the Class X Notes, the application, from (and including) the Closing Date to (but excluding) the Optional Redemption Date, of the Relevant Margin, and from (and including) the Optional Redemption Date, zero per cent.;

provided that, if there has been a public announcement of the permanent or indefinite discontinuation of the Relevant Screen Rate or the relevant base rate that applies to the Notes at that time, the Issuer (or the relevant Servicer on its behalf) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 13.6 (*Additional Right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6.3; and

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.

- (b) In respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class X Notes only, if the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the Alternative Screen Rate) is greater than eight per cent., the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the Alternative Screen 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) "**Alternative Screen Rate**" means the rate used by the Agent Bank in accordance with Condition 6.3(a) to determine the Rates of Interest where the Relevant Screen Rate is unavailable;
 - (ii) "**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London;
 - (iii) "**Interest Determination Date**" means the first day 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) "**LIBOR**" means the London Interbank Offered Rate for Sterling deposits;
- (vi) "**Reconciliation Amount**" means in respect of any Collection Period (a) the actual Redemption Receipts as determined in accordance with the available Servicer Reports, less (b) the Calculated Redemption Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods;
- (vii) "**Reference Banks**" means the principal London office of each of the five major banks engaged in the London interbank market selected by the Agent Bank (in consultation with the Issuer), provided that, once a Reference Bank has been selected by the Agent Bank (in consultation with the Issuer), that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
- (viii) "**Relevant Margin**" means:
 - (A) in respect of the Class A Notes, 0.80 per cent. per annum;
 - (B) in respect of the Class B Notes, 1.15 per cent. per annum;
 - (C) in respect of the Class C Notes, 1.80 per cent. per annum;
 - (D) in respect of the Class D Notes, 2.75 per cent. per annum; and
 - (E) in respect of the Class X Notes, 2.75 per cent. per annum.
- (ix) "**Relevant Screen Rate**" means, in respect of the Rated Notes, the arithmetic mean of offered quotations for three month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for three and six month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01 or LIBOR2 (or any replacement Reuters page that displays that rate);
- (x) "**Reporting Date**" means the day falling four Business Days prior to the 12th day of each calendar month provided that where the 12th 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 12th day of that calendar month;
- (xi) "**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 Interim Servicing Agreement or Long-Term Servicing Agreement (as applicable) and detailing, *inter alia*, the information relating to the Portfolio necessary to produce the Investor Report;
- (xii) "**Step-Up Margin**" means,

- (A) in respect of the Class A Notes, 1.20 per cent. per annum;
- (B) in respect of the Class B Notes, 1.725 per cent. per annum;
- (C) in respect of the Class C Notes, 2.70 per cent. per annum; and
- (D) in respect of the Class D Notes, 3.75 per cent. per annum.

6.4 **Determination of Rates of Interest and Interest Amounts**

(a) **Rates of Interest**

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on the Interest Determination Date falling in such Interest Period, but in no event later than the third Business Day thereafter, determine the Sterling amount (the "**Interest Amounts**") payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall, in respect of a Class of Rated Notes, be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Rated Notes and multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the figure downwards to the nearest penny.

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 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 Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer

or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, or if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 6 (*Interest*).

6.8 **Agent Bank**

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an agent bank for the purposes of the Notes. The Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank and shall, in the event of the appointed office of any bank being unable or unwilling to continue to act as the agent bank or failing duly to determine the Rate of Interest or the Interest Amounts in respect of any Class of Notes for any Interest Period, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed 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 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) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined above) as follows:

- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Redemption Receipts (with a corresponding debit of the Revenue Ledger); and
- (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Redemption Ledger, as Available Revenue Receipts (with a corresponding debit of the Redemption Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Redemption Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

7. PAYMENTS

7.1 Payment of Interest and Principal

Subject to paragraph 2 of Condition 3.1 (*Form and Denomination*), payments of any amount in respect of a Note, including principal and interest, shall be made by 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 (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

7.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continue 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 X 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 March 2044 (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 Z1 Notes until they are each repaid in full; and thereafter
 - (vi) 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 Main Securities 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 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 (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 subparagraph (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 £122,500,000, in respect of the Class B Notes of £4,900,000, in respect of the Class C Notes of £4,900,000, in respect of the Class D Notes of £4,200,000, in respect of the Class Z1 Notes of £4,300,000, in respect of the Class Z2 Notes of £2,900,000, in respect of the Class X Notes of £3,900,000, 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 having 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 Back-Up Servicer Facilitator, 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 Collateralised Rated Notes then outstanding, the Class X Notes, or, if there are no Rated 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 (i) such Noteholders and 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 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) any change to the definition of a Basic Terms Modification, or (viii) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons holding or representing in the aggregate not less than (i) 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) 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 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 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 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 complying with any changes in the requirements of Article 405 of the CRR, Article 51 of the AIFM Regulation or Article 254 of the Solvency II Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFM Regulation or the Solvency II Regulation or any other risk retention 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,

(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(e) above being a "**Modification Certificate**"), or

- (f) for the purpose of changing the Screen 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 judgment 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) a material disruption to LIBOR, an adverse change in the methodology of calculating LIBOR or LIBOR ceasing to exist or be published or the LIBOR administrator having used a fallback methodology for calculating LIBOR for a period of at least 30 calendar days;
 - (B) the insolvency or cessation of business of the LIBOR administrator (in circumstances where no successor administrator has been appointed)
 - (C) a public statement by the LIBOR administrator that it will cease publishing LIBOR permanently or indefinitely (in circumstances where no successor LIBOR administrator has been appointed that will continue publication of LIBOR) with effect from a date no later than 6 months after the proposed effective date of such Base Rate Modification;
 - (D) a public statement by the supervisor of the LIBOR administrator that LIBOR has been or will be permanently or indefinitely discontinued or there will be a material change in the methodology of calculating LIBOR with effect from a date no later than 6 months after the proposed effective date of such Base Rate Modification;
 - (E) a public statement by the supervisor of the LIBOR administrator that means LIBOR will be prohibited from being used or that its use is subject to restrictions or adverse consequences with effect from a date no later than 6 months after the proposed effective date of such Base Rate Modification;
 - (F) a change in the generally accepted market practice in the publicly listed asset backed floating rate notes market to refer to an Alternative Base Rate endorsed in a public statement by the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Reference Rates, despite the continued existence of LIBOR; or
 - (G) it having become unlawful and/or impossible and/or impracticable for any Payment Agent, the Issuer or the Cash Manager to calculate any payments due to be made to any Noteholder using the Applicable Base Rate; or
 - (H) the reasonable expectation of the Issuer (or the relevant Servicer on its behalf) that any of the events specified in sub-paragraphs (A) to (G) 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 with an equivalent term to LIBOR as published, endorsed, approved or recognised as a replacement to LIBOR by the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Reference Rates (which, for the avoidance of doubt, may be an alternative Base Rate together with specified adjustment factor which may increase or decrease the relevant alternative Base Rate); or

- (B) a base rate with an equivalent term utilised in a material number of publicly-listed new issues of asset backed floating rate notes denominated in sterling in the six months prior to the proposed effective date of such Base Rate Modification; or
- (C) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate) or any rate which is derived from, based upon or otherwise similar to either of the foregoing); or
- (D) a base rate utilised is a publicly-listed new issue of Sterling-denominated asset backed floating rate notes where the originator of the relevant assets is Mortgages plc or an Affiliate thereof; or
- (E) 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 Conditions 13.6(f)(ii)(A) - (D) 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(f) are satisfied;

- (g) 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(f) above (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document provided that:
 - (A) in respect of an amendment under Condition 13.6(f), the same Alternative Base Rate will be applied to all Classes of Notes (where such Notes bear interest);
 - (B) at least 30 days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
 - (C) 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;
 - (D) the 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);
 - (E) 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;

- (F) 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 have been satisfied in relation to the request for such Rating Agency Confirmation with respect to the Non-Responsive Rating Agency; and
- (G) 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 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 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 Condition 13 (*Meetings of 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.

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 Security Trustee shall, upon receipt of direction from the Certificateholders, be obliged, without any liability to any person for so doing, to enter into the form of Long Term Servicing Agreement that has been agreed between the Long Term Servicer and the Certificateholder following the Closing Date (which may be in accordance with the Commitment Letter entered into on the Closing Date by the Issuer and Topaz Finance Limited or which may be in an alternative form as agreed with the Long Term Servicer, provided that the Security Trustee shall not be obliged to enter into the Long-Term Servicing Agreement, if in the sole opinion of the Security Trustee, the agreed form of Long-Term Servicing Agreement would have the effect of (i) exposing the Security Trustee 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 Security Trustee that were included in the form of Long-Term Servicing Agreement appended to the Commitment Letter entered into on the Closing Date.
- 13.9 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 13.9 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.
- 13.10 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*).
- 13.11 Any modification to the Transaction Documents and the Conditions shall be notified by the Issuer in writing to the Rating Agencies.
- 13.12 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.
- 13.13 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.
- 13.14 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.

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

13.16 "**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.

13.17 "**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.

- 13.18 "**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.
- 13.19 "**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.
- 13.20 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:
- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
 - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
 - (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
 - (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
 - (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes

attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:

- (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
- (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.21 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.

13.22 **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 13.22, 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 its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. REPLACEMENT OF NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange requirements. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

16. NOTICE TO NOTEHOLDERS

16.1 Publication of Notice

- (a) Subject to Condition 16.1(d), any notice to Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by (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

- (a) 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 Collateralised 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*) 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)
- (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 security documents supplemental thereto relate to the Scottish Loans, such provisions and documents shall be governed by Scots law.

21. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

The following are the terms and conditions of the Residual Certificates in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)

1. GENERAL

The 100 residual certificates (the "**Residual Certificates**") of Stratton Mortgage Funding plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 30 April 2018 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the registered holders for the time being of the Residual Certificates (the "**Certificateholders**") (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 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 U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services DAC, acting through its UK Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agent**") Elavon Financial Services DAC as registrar (in such capacity, the "**Registrar**") and Elavon Financial Services DAC, acting through its UK Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of amounts in respect of the Residual Certificates.

The statements in these Residual Certificates Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

2. INTERPRETATION

2.1 Definitions

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

2.2 Interpretation

These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

3. FORM AND TITLE

3.1 Form and Denomination

Each Residual Certificate will initially be represented by a global residual certificate in registered form (a "**Global Residual Certificate**").

For so long as any of the Residual Certificates are represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in such Global Residual Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. The Global Residual Certificate will be deposited with and registered in the name of a nominee of a common 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; or

- (k) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

6. RESIDUAL PAYMENTS

6.1 Right to Residual Payments

Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of deferred consideration for the purchase by the Issuer of the 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 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 (r) 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 (q) of the Post-Enforcement Priority of Payments on that date.
- (d) "**Residual Payment Amount**" means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Residual Payment for that date, divided by the number of Residual Certificates then in issue.

6.3 Determination of Residual Payment

The Cash Manager shall on each Calculation Date determine the Residual Payment payable on the immediately following Interest Payment Date and the Residual Payment Amount payable in respect of each Residual Certificate on such Interest Payment Date.

6.4 Publication of Residual Payment and Residual Payment Amount

The Cash Manager shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*) as soon as possible after their determination

and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date.

6.5 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Cash Manager defaults at any time in its obligation to determine the Residual Payment and Residual Payment Amount (if any) in accordance with the above provisions and the Note Trustee has been notified of this default, determine or cause to be determined the Residual Payment and Residual Payment Amount (if any), in the manner provided in this Residual Certificates Condition 6.5. Any such determination shall be deemed to be a determination made by the Cash Manager.

6.6 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 6.6, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar, the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence 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 (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Certificateholders will not be charged commissions or expenses on payments.

7.3 Change of Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents, provided that 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 Collateralised Rated Notes then outstanding, the Class X Notes, or, if there are no Rated 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 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 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 complying with any changes in the requirements of Article 405 of the CRR, Article 51 of the AIFM Regulation or Article 254 of the Solvency II Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFM Regulation or the Solvency II Regulation or any other risk retention 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,

(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(d) above being a "**Modification Certificate**"), or

- (e) for the purpose of changing the Screen Rate or the base rate that then applies in respect of the Notes to an Alternative Base Rate and making such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the relevant Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**"), in each case in accordance with Condition 13.6(f) of the Notes.
- (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:
 - (A) in respect of an amendment under Condition 13.6(f), the same Alternative Base Rate will be applied to all Classes of Notes (where such Notes bear interest);
 - (B) at least 30 days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
 - (C) 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;

- (D) the 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);
- (E) 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;
- (F) 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 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
- (G) 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 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 Security Trustee shall, upon receipt of direction from the Certificateholders, be obliged, without any liability to any person for so doing, to enter into the form of Long Term Servicing Agreement that has been agreed between the Long Term Servicer and the Certificateholders following the Closing Date (which may be in accordance with the Commitment Letter entered into on the Closing Date by the Issuer and the Topaz Finance Limited or which may be in such alternative form as agreed with the Long-Term Servicer, provided that the Security Trustee shall not be obliged to enter into the Long-Term Servicing Agreement, if in the sole opinion of the Security Trustee, the agreed form of Long-Term Servicing Agreement would have the effect of (i) exposing the Security Trustee 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 Security Trustee that were included in the form of Long-Term Servicing Agreement appended to the Commitment Letter entered into on the Closing Date.
- 12.9 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 12.9 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.
- 12.10 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*).
- 12.11 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.12 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.

12.13 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 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.

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

12.15 "**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.

12.16 "**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.

12.17 "**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.

12.18 "**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.

12.19 "**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; and

- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
 - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
 - (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

12.20 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.

12.21 **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 12.21, 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 security documents supplemental thereto relate to Scottish Loans, such provisions and documents shall be governed by Scots law.

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 Main Securities 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 1 January 2019 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 30 April 2018 between, amongst others, the Seller (as **Note Purchaser**), Bank of America Merrill Lynch (which is the trading name of Merrill Lynch International) ("**BAML**", the "**Arranger**") and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

- (i) £122,500,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes; and
- (ii) £4,900,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes;
- (iii) £4,900,000 of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes;
- (iv) £4,200,000 of the Class D Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class D Notes;
- (v) £3,900,000 of the Class X Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class X Notes;
- (vi) £4,300,000 of the Class Z1 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z1 Notes;
- (vii) £2,900,000 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
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) 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 Main Securities 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:

- (a) it will not underwrite the issue of, or place, the Notes 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, including, without limitation, Parts 3, 4, and 7 thereof 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 with respect to anything done by them in relation to the Notes;
- (b) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Central Bank Acts 1942-2015, 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) it will not underwrite the issue of, or place, or do anything in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended, and any rules issued under Section 1363 of the Companies Act 2014, as amended, by the Central Bank of Ireland;
- (d) it will not underwrite the issue of, or place, or do anything in respect of the Notes 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) to the extent applicable it has complied with, and it will not underwrite the issue of, or place, or do anything in respect of the Notes 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 Main Securities 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 Main Securities Market will be granted on or around 30 April 2018.
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 11 April 2018 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2018. So long as the Notes are admitted to trading on Euronext Dublin's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List of Euronext Dublin and to trading on Euronext Dublin's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 11 April 2018 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the board of directors of the Issuer passed on 27 April 2018.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

Class of Notes/Residual Certificates	ISIN	Common Code
Class A Notes	XS1815115594	181511559
Class B Notes	XS1815116642	181511664
Class C Notes	XS1815117376	181511737
Class D Notes	XS1815117533	181511753
Class X Notes	XS1815117707	181511770
Class Z1 Notes	XS1815117962	181511796
Class Z2 Notes	XS1815122459	181512245
Residual Certificates	XS1815115834	181511583

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 Main Securities 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 (i) below, at the

specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

- (i) the memorandum and articles of association of each of the Issuer and Holdings;
 - (ii) 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 Corporate Services Agreement;
 - (viii) the Bank Account Agreement;
 - (ix) the Interim Collection Account Agreement;
 - (x) the Long-Term Servicing Agreement (when entered into);
 - (xi) the Commitment Letter;
 - (xii) the Interim Servicing Agreement;
 - (xiii) the Share Trust Deed;
 - (xiv) Risk Retention Letter; and
 - (xv) 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 Main Securities Market), the Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan file data in relation to the Portfolio. 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 usbank.com/abs. Investor Reports will also be made available to the Issuer, the relevant Servicer, the Security Trustee, the Rating Agencies and Bloomberg. In addition, information on the Loans in the Portfolio will be published on the website at usbank.com/abs. 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 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 Main Securities Market of Euronext Dublin.
13. Any website referred to in this document does not form part of the Prospectus.

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