

## IMPORTANT NOTICE

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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of the issuer in such jurisdiction.

By accessing this 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 this 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 e mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and (d) if you are a person in the United Kingdom, then you are a person who (i) is an investment professional within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**FPO**”) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

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## THRONES 2014-1 PLC

*(incorporated in England and Wales with limited liability under registered number 9107519)*

Notes	Initial Principal Amount Outstanding	Issue Price	Interest Reference Rate	Relevant Margin/ Fixed Rate	Portfolio Call/ Optional Redemption Date	Pre-Call Redemption Profile	Final Maturity Date	Ratings  (DBRS/S&P)
Class A Notes	£185,740,000	99.187%	Three-month Sterling LIBOR	0.850 per cent.	August 2019	Pass-through amortisation	November 2049	AAA(sf)/AAA(sf)
Class B Notes	£32,230,000	98.376%	Three-month Sterling LIBOR	1.000 per cent.	August 2019	Pass-through amortisation	November 2049	AA(sf)/AA(sf)
Class C Notes	£29,160,000	97.704%	Three-month Sterling LIBOR	1.250 per cent.	August 2019	Pass-through amortisation	November 2049	A(sf)/A(sf)
Class D Notes	£23,020,000	97.493%	Three-month Sterling LIBOR	1.500 per cent.	August 2019	Pass-through amortisation	November 2049	BBB(sf)/BBB(sf)
Class E Notes	£16,880,000	97.082%	Three-month Sterling LIBOR	2.000 per cent.	August 2019	Pass-through amortisation	November 2049	BB(sf)/BB(sf)
Class F Notes	£4,600,000	96.662%	Three-month Sterling LIBOR	2.250 per cent.	August 2019	Pass-through amortisation	November 2049	B(sf)/B(sf)

Prospectus dated 1 August 2014

**Arranger and Lead Manager**

**Citigroup**

<b>Issue Date</b>	The Issuer expects to issue the Notes described above on 7 August 2014.
<b>Standalone/ programme issuance</b>	Stand alone issuance.
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and interest received from a portfolio comprising mortgage loans originated by Edeus Mortgage Creators Limited (in liquidation) or Victoria Mortgage Funding Limited (dissolved) (each, an “<b>Originator</b>”) to borrowers secured on Properties in England, Wales, Scotland and Northern Ireland to be acquired by the Issuer from the Beneficial Title Seller on the Closing Date.</p> <p>See the section entitled “<i>The Mortgage Portfolio and the Mortgage Loans</i>” for further details.</p>
<b>Credit Enhancement</b>	<ul style="list-style-type: none"> <li>• Aggregate Principal Outstanding Balance of the Mortgage Loans on the Cut-Off Date will exceed the aggregate Principal Amount Outstanding of the Notes on the Closing Date by approximately £15,391,178.</li> <li>• Principal Losses will be allocated first to the OC Principal Deficiency Sub-Ledger, second to the Class F Principal Deficiency Sub-Ledger, third to the Class E Principal Deficiency Sub-Ledger, fourth to the Class D Principal Deficiency Sub-Ledger, fifth to the Class C Principal Deficiency Sub-Ledger, sixth to the Class B Principal Deficiency Sub-Ledger and lastly to the Class A Principal Deficiency Sub-Ledger.</li> <li>• General Reserve Fund will be initially funded by way of the Reserve Subordinated Loan, and thereafter from Available Revenue Funds, and applied to reduce or eliminate, among other things, any debit balance of the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger, the Class D Principal Deficiency Sub-Ledger, the Class E Principal Deficiency Sub-Ledger and the Class F Principal Deficiency Sub-Ledger.</li> <li>• Principal Reallocation Amounts will be applied to the Principal Deficiency Sub-Ledgers in reverse sequential order: first to the OC Principal Deficiency Sub-Ledger, second to the Class F Principal Deficiency Sub-Ledger, third to the Class E Principal Deficiency Sub-Ledger, fourth to the Class D Principal Deficiency Sub-Ledger, fifth to the Class C Principal Deficiency Sub-Ledger, sixth to the Class B Principal Deficiency Sub-Ledger and lastly to the Class A Principal Deficiency Sub-Ledger.</li> <li>• Revenue Reallocation Amounts will be credited to the sub-ledgers of the Principal Deficiency Ledger in sequential order in accordance with the Pre-Enforcement Revenue Payments Priorities: first to the Class A Principal Deficiency Sub-Ledger, second to the Class B Principal Deficiency Sub-Ledger, third to the Class C Principal Deficiency Sub-Ledger, fourth to the Class D Principal Deficiency Sub-Ledger, fifth to the Class E Principal Deficiency Sub-Ledger, sixth to the Class F Principal Deficiency Sub-Ledger and last to the OC Principal Deficiency Sub-Ledger.</li> <li>• Available Revenue Funds will be applied to replenish the General Reserve Fund and the Liquidity Reserve Fund on each Interest Payment Date in accordance with the applicable Payments Priorities.</li> <li>• At any time when the Notes remain outstanding and the Principal Outstanding Balance of the Mortgage Loans which have an arrears balance greater than three Monthly Subscriptions exceeds 15 per cent. of the Principal Outstanding Balance of all Mortgage Loans, Principal Addition Amounts will be applied as Available Principal Funds.</li> </ul> <p>See the section entitled “<i>Credit Enhancement and Liquidity Support</i>” for further details.</p>
<b>Liquidity Support</b>	<ul style="list-style-type: none"> <li>• Liquidity Reserve Fund will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (without taking into account any General Reserve</li> </ul>

Drawing or Principal Reallocation Amounts) to pay Interest Amounts in respect of the Most Senior Class.

- General Reserve Fund will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (after the application of any Liquidity Reserve Drawing in respect of the Class A Notes and Class B Notes but without taking into account Principal Reallocation Amounts) to pay Interest Amounts in respect of all Classes of Notes.
- Available Principal Funds will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (after the application of any General Reserve Drawing and Liquidity Reserve Drawing) (i) to pay Interest Amounts in respect of the Class A Notes and, if the debit balance on the Class B Principal Deficiency Sub-Ledger is less than or equal to 80 per cent. of the Principal Amount Outstanding of the Class B Notes on the relevant Interest Payment Date, the Class B Notes, or (ii) after the redemption in full of the Class A Notes, to pay Interest Amounts in respect of the Most Senior Class.
- Available Revenue Funds will be applied to replenish the General Reserve Fund and the Liquidity Reserve Fund on each Interest Payment Date in accordance with the applicable Payments Priorities.

See the section entitled “*Credit Enhancement and Liquidity Support*” for further details.

#### **Redemption Provisions**

Repayment of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (the “**Notes**”) with Available Principal Funds. Available Principal Funds includes, among other things, principal receipts from any disposal of the Mortgage Portfolio. Redemption to occur no later than the Final Maturity Date.

See the sections entitled “*Summary of the Terms and Conditions of the Notes*” and Note Condition 8 (*Final Redemption, Mandatory Redemption in part and Cancellation*).

#### **Credit Rating Agencies**

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the “**CRA Regulation**”) unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Each of DBRS and S&P is a credit rating agency established in the European Community and registered under the CRA Regulation.

The European Securities and Markets Authority (“**ESMA**”) is obliged to maintain on its website, [www.esma.europa.eu](http://www.esma.europa.eu), a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA’s adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Each of DBRS and S&P are included on the list of registered and certified credit rating agencies that is maintained by ESMA.

#### **Credit Ratings**

Ratings are expected to be assigned to the Notes as set out above on or before the Closing Date.

The ratings assigned by DBRS for the Notes address the likelihood of (a) the timely payment of interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class F Notes on each Interest Payment Date and ultimate payment of interest on the Class D Notes and the Class E Notes and (b) full payment of principal by a date that is not later

than the Final Maturity Date for all Classes of Notes.

The ratings assigned by S&P to the Notes address the likelihood of full and timely payment to the holders of the Class A Notes of: (i) interest due on each Interest Payment Date and (ii) principal on a date that is not later than the Final Maturity Date. The ratings assigned by S&P to the Notes address the likelihood of payment to the holders of the Notes except Class A Notes of ultimate interest and full principal on a date that is not later than the Final Maturity Date.

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

#### **Listing**

This document comprises a prospectus (the “**Prospectus**”), for the purpose of Directive 2003/71/EC as amended (the “**Prospectus Directive**”). The Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to The Irish Stock Exchange p.l.c. (the “**Stock Exchange**”) for the Notes to be admitted to the Official List (the “**Official List**”) and trading on its regulated market. The regulated market (the “**Main Securities Market**”) of the Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes.

Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Stock Exchange or other regulated markets for the purposes of the Markets in Financial Instruments Directive or which are to be offered to the public in any Member State of the European Economic Area.

#### **Eurosystem Eligibility**

The Notes at issuance are not intended to be held in a manner which will allow Eurosystem eligibility.

#### **Obligations**

The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of any Seller, their affiliates or any other party named in the Prospectus.

#### **Retention Undertaking**

Pursuant to Articles 404 to 410 of Regulation (EU) No. 575/2013, referred to as the Capital Requirements Regulation (“**CRR**”) and Article 51 of Regulation (EU) No. 231/2013 (“**Article 51**”) referred to as the Alternative Investment Fund Managers Regulation (“**AIFMR**”), the Beneficial Title Seller will undertake to the Issuer and the Trustee, for the benefit of the Noteholders, that it will retain at all times until the redemption of the last of the Notes, a material net economic interest of not less than 5 per cent. in the nominal value of the securitised exposures in accordance with the text of Article 405 of the CRR and Article 51 of the AIFMR. As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as contemplated by Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMR. Such holding will be achieved by the overcollateralisation of the Notes and by holding a sufficient amount of Certificates. The overcollateralisation of the Notes will satisfy the requirements of Article 405(1)(d) as it acts as a “first loss” cushion protecting the Notes against the credit risk of the first losses on the securitised exposures, i.e. the Mortgage Loans. The Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date was £307,021,178, while the initial Principal Amount Outstanding of the Notes on the Closing Date will be £291,630,000. Therefore, the Principal Outstanding Balance of the Mortgage Loans that is referable to overcollateralisation of the Notes will, as at the Closing Date, be higher than 5 per cent. of the aggregate of the Principal Outstanding Balance of all Mortgage Loans to be sold by the Beneficial Title Seller to the Issuer. The Beneficial Title Seller holding the Certificates will satisfy the requirements of Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMR since the Certificates are the first loss tranche since: (a) the Certificates are the lowest

ranking instrument in the Pre-Enforcement Revenue Payments Priorities and (b) no payments may be made in respect of the Certificates under the Pre-Enforcement Principal Payments Priorities until all Notes have been redeemed in full. The Trustee shall have the benefit of certain protections contained in the Trust Deed in relation to the compliance of the Beneficial Title Seller with such undertaking. For more information please refer to the Risk Factor entitled “*The Trustee is Not Obligated to Act in Certain Circumstances*”.

If the Certificates are disposed of pursuant to an enforcement under the STID, the Beneficial Title Seller will not be able to comply with Article 401(1)(d) of the CRR and Article 51(1)(d) of the AIFMR and therefore may not be able to comply with its undertaking to retain a material net economic interest of not less than 5 per cent. of the securitised exposure.

See the sections entitled “*Regulatory Disclosure*” and “*Regulatory Initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*”.

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

## IMPORTANT NOTICE

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (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.

Raphael Mortgages Limited (the “**Beneficial Title Seller**”) accepts responsibility for the information set out in the sections headed “*The Mortgage Portfolio and the Mortgage Loans*”, “*Characteristics of the Provisional Mortgage Portfolio*”, and “*Description of the Beneficial Title Seller*”. To the best of the knowledge and belief of the Beneficial Title 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.

Mars Capital Finance Limited (the “**Legal Title Holder**” and the “**Servicer**”) accepts responsibility for the information set out in the sections headed “*Description of the Legal Title Holder and Cash Manager*” and “*Description of the Servicer*”. To the best of the knowledge and belief of Mars Capital Finance Limited (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.

Target Servicing Limited (the “**Sub-Servicer**”) accepts responsibility for the information set out in the section headed “*Description of the Sub-Servicer*”. To the best of the knowledge and belief of Target Servicing Limited (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.

Homeloan Management Limited (the “**Back-Up Servicer**”) accepts responsibility for the information set out in the section headed “*Description of the Back-Up Servicer*”. To the best of the knowledge and belief of Homeloan Management Limited (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.

Citigroup Global Markets Limited is acting exclusively for the Issuer and no one else in relation to the offer of the Notes (the “**Offer**”). Citigroup Global Markets Limited will not regard any other person as its client in relation to the Offer and will not be responsible to any person, other than the Issuer, for providing the protections afforded to clients or for the giving of advice in relation to the contents of this document or the Offer or any transaction, arrangement or other matter referred to herein.

The distribution of this Prospectus or any part hereof, and any offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by any Transaction 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 any Transaction 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 all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and Citigroup Global Markets Limited (the “**Arranger**” and “**Lead Manager**”) to inform themselves about and to observe any such restriction. For a further description of certain restrictions on offers and sales of the Notes and distribution of this document (or any part hereof), see the section entitled “*Subscription and Sale*” below.

Neither the delivery of this Prospectus nor any sale or allotment made in connection with any offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained in this Prospectus since the date of this Prospectus.

**None of the Arranger, the Lead Manager, the Trustee, the Beneficial Title Seller, the Legal Title Holder, the Corporate Services Provider, the Servicer or the Sub-Servicer makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes, other than as expressly set out above. None of the Arranger, the Lead Manager, the Trustee, the Beneficial Title Seller, the Legal Title Holder, the Corporate Services Provider, the Servicer or the Sub-Servicer accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes, other than as expressly set out above. Each potential purchaser of Notes should determine the relevance of the information contained in this Prospectus or part hereof and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. None of the Arranger, the Lead Manager, the Trustee, the Beneficial Title Seller, the Legal Title Holder, the Corporate Services Provider, the Servicer or the Sub-Servicer undertakes or shall undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to their attention (other than as expressly required by the Transaction Documents).**

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and the Notes are subject to U.S. tax law requirements. The Notes may not be sold or delivered, directly or indirectly, in the United States or to any U.S. persons (see the section entitled “*Subscription and Sale*” below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

None of the Issuer, the Trustee, the Arranger, the Lead Manager, the Beneficial Title Seller, the Legal Title Holder, the Corporate Services Provider, the Servicer or the Sub-Servicer 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.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee, the directors of the Issuer, the Arranger or the Lead Manager.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. No action has been taken by the Issuer, the Arranger or the Lead Manager other than as set out in the paragraph headed “*Listing*” on page iv of this Prospectus that would permit a public offer of the Notes in any country or 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 part hereof nor any other prospectus, form of application, advertisement or other offering material may be issued, distributed or published in any country or



jurisdiction (including the United Kingdom and Ireland), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

Each Class of Note will be represented initially by a temporary global note in bearer form, without Coupons (a “**Temporary Global Note**”), which will be deposited with a common depositary (the “**Common Depositary**”) for Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) and Euroclear Bank SA / NV (“**Euroclear**”) on the Closing Date. Each Temporary Global Note will be exchangeable not earlier than 40 days after the Closing Date (provided that certification of non-U.S. beneficial ownership has been received) for interests in a permanent global note in bearer form, without Coupons, for the relevant Class (each, a “**Permanent Global Note**” and, together with each Temporary Global Note, the “**Global Notes**”). The Permanent Global Notes will also be deposited with the Common Depositary.

References in this Prospectus to “£” or “**Sterling**” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

### **Forward Looking Statements and Statistical Information**

Certain matters contained in this Prospectus 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 Mortgage Loans, and reflect significant assumptions and subjective judgments 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. 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 Issuer, the Arranger or the Lead Manager has attempted to verify any forward-looking statements or Statistical Information, 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 Issuer, the Arranger or the Lead Manager 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.

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

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (without limitation):

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of assets of the type comprising the Mortgage Portfolio, the market for securities of the type represented by the Notes, and the financial markets generally; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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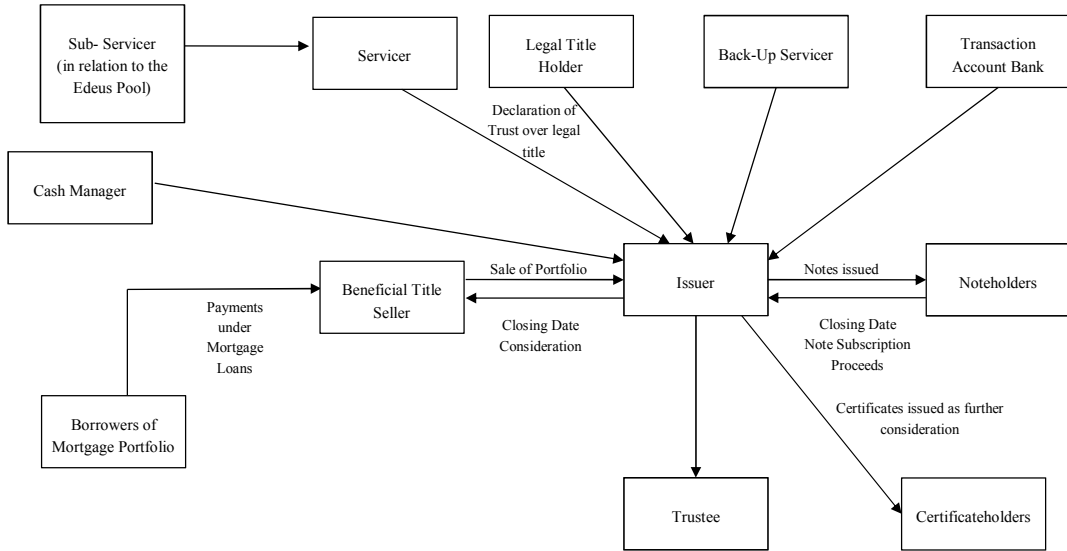
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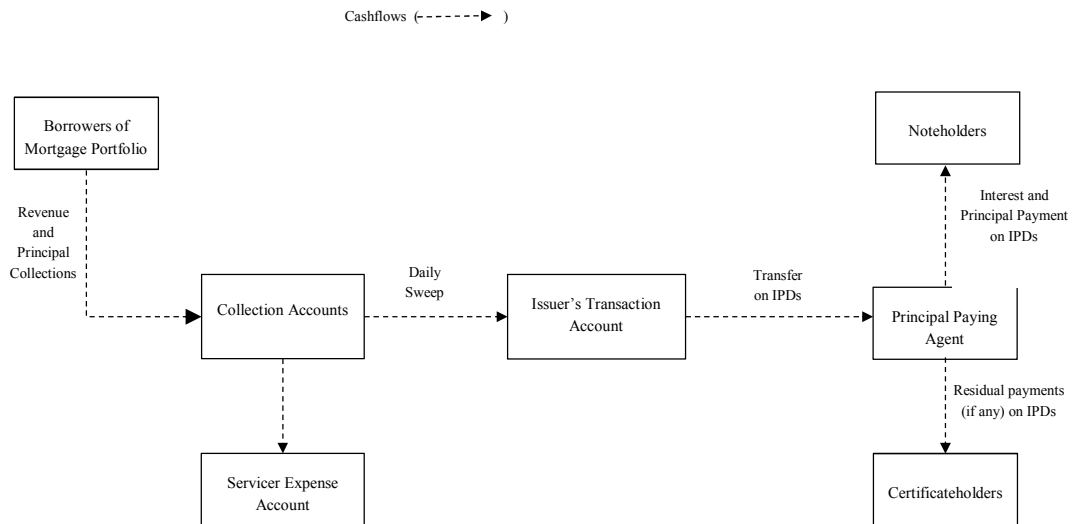
## OVERVIEW

The information set out below is an overview of various aspects of the transaction. This overview does not purport 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.

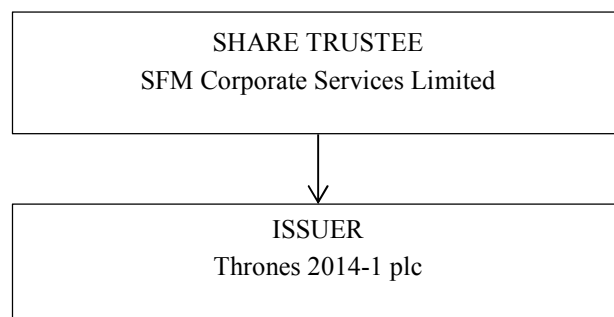
### (A) DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



### (B) DIAGRAMMATIC OVERVIEW OF ON-GOING CASH FLOW



(C) OVERVIEW OF THE OWNERSHIP STRUCTURE



The entire issued share capital of the Issuer is held on trust by SFM Corporate Services Limited as share trustee (the “**Share Trustee**”) under the terms of a discretionary trust, established for the benefit of non-U.S. charitable institutions.

(D) TRANSACTION PARTIES AND OTHER RELATED PARTIES ON THE CLOSING DATE

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Issuer</b>	Thrones 2014-1 plc	35 Great St. Helen’s London EC3A 6AP	N/A See the section entitled “ <i>The Issuer</i> ”
<b>Legal Title Holder</b>	Mars Capital Finance Limited (the “ <b>Legal Title Holder</b> ”)	Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY	Mortgage Sale Agreement. See the section entitled “ <i>Description of the Legal Title Holder</i> ”
<b>Beneficial Title Seller</b>	Raphael Mortgages Limited (the “ <b>Beneficial Title Seller</b> ”)	53 Merrion Square Dublin 2 Ireland	Mortgage Sale Agreement. See the section entitled “ <i>Description of the Beneficial Title Seller</i> ”
<b>Reserve Subordinated Loan Provider</b>	Raphael Mortgages Limited	53 Merrion Square Dublin 2 Ireland	Subordinated Loan Agreement
<b>Originators</b>	Edeus Mortgage Creators Limited (in liquidation)	KPMG LLP One Snowhill Queensway Birmingham B4 6GH	N/A See the section entitled “ <i>Description of the Originators</i> ”
	Victoria Mortgage Funding Limited (dissolved)	N/A	

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Servicer</b>	Mars Capital Finance Limited	Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY	Servicing Agreement. See the section entitled “ <i>Description of the Servicer</i> ”
<b>Sub-Servicer</b>	Target Servicing Limited	Target House Cowbridge Road East Cardiff CF11 9AU	Sub-Servicing Agreement. See the section entitled “ <i>Description of the Sub-Servicer</i> ”
<b>Back-Up Servicer</b>	Homeloan Management Limited	The Bailey Skipton North Yorkshire BD23 1DN	Back-Up Servicing Agreement. See the sections entitled “ <i>Description of the Back-Up Servicer</i> ” and “ <i>Servicing of the Mortgage Portfolio</i> ”
<b>Market Portfolio Purchase Agent</b>	Mars Capital Finance Limited	Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY	Market Portfolio Purchase Agreement See the section entitled “ <i>Description of the Market Portfolio Purchase Agent</i> ”
<b>Cash Manager</b>	Mars Capital Finance Limited	Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY	Cash Management Agreement. See the section entitled “ <i>Description of the Transaction Account Bank and the Cash Manager</i> ”
<b>Collection Account Bank</b>	Barclays Bank PLC	1 Churchill Place London E14 5HP	Collection Account Agreement. See the section entitled “ <i>Description of the Collection Account Bank</i> ”

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Transaction Account Bank</b>	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Transaction Account Agreement. See the sections entitled “ <i>Description of the Transaction Account Bank and the Cash Manager</i> ” and “ <i>Credit Structure and Liquidity Support</i> ”
<b>Trustee</b>	Citicorp Trustee Company Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Trust Deed. See the sections entitled “ <i>Description of the Trustee</i> ” and “ <i>The Trust Deed</i> ”
<b>Principal Paying Agent / Agent Bank</b>	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Agency Agreement.
<b>Registrar</b>	Citigroup Global Markets Deutschland AG	Reuterweg 16, 60323, Frankfurt, Germany	Agency Agreement.
<b>Corporate Services Provider</b>	Structured Finance Management Limited	35 Great St. Helen’s, London EC3A 6AP	Corporate Services Agreement. See the section entitled “ <i>The Issuer</i> ”
<b>Competent Authority for the purposes of the Prospectus Directive</b>	Central Bank of Ireland	Iveagh Court Block D Harcourt Road Dublin 2 Ireland	N/A
<b>Listing Authority and Stock Exchange</b>	The Irish Stock Exchange p.l.c.	28 Anglesea Street Dublin 2 Ireland	N/A
<b>Clearing Systems</b>	Euroclear Bank SA/ NV	1, Boulevard du Roi Albert II B-1210 Brussels Belgium	N/A
	Clearstream Banking, <i>société anonyme</i>	42 Avenue JF Kennedy L-1855 Luxembourg	N/A



<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Rating Agencies</b>	DBRS Ratings Limited	10 <sup>th</sup> Floor 1 Minster Court Mincing Lane London EC3R 7AA	N/A
	Standard & Poor's Credit Market Services Europe Limited	20 Canada Square Canary Wharf London E14 5LH	N/A

## **RISK FACTORS**

*The following is a summary of the principal risks (including all material risks of which the Issuer is presently aware) associated with an investment in the Notes about which prospective investors should be aware. It is not intended to be exhaustive as to all the matters about which prospective investors should be aware.*

*All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In evaluating whether to purchase the Notes, prospective investors should not only consider the risk factors set out in this summary, but should also ensure that they carefully review this Prospectus in full and seek professional advice as each investor deems necessary.*

### **Risks Related to the Notes**

#### **Obligations of Issuer only**

The Notes represent obligations of the Issuer, and do not constitute obligations or responsibilities of, or guarantees by, any other person.

#### **Limited source of funds**

The ability of the Issuer to meet its obligations to pay (a) amounts under the Notes and (b) its operating and administrative expenses will be dependent solely on the extent of monies received or recovered by or on behalf of the Issuer. Such monies consist solely of (i) monies received or recovered on the Mortgage Loans (whether by way of monthly payments, enforcement, disposal of the Mortgage Loans or otherwise), (ii) amounts of interest received from the Transaction Account Bank under the Transaction Account Agreement and (iii) amounts available in the General Reserve Fund and the Liquidity Reserve Fund. Other than the foregoing, the Issuer will not have any other funds available to it to make payments under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Payments Priorities. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Payments Priorities. Other than as provided in the Mortgage Sale Agreement, the Issuer and the Trustee will have no recourse to the Beneficial Title Seller, the Legal Title Holder or any other entity (see “*Risks Related to the Mortgage Loans – Warranties and Limitation of Sellers’ Liability*” below).

#### **Deferral of interest payments on certain Classes of Notes**

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of each Class of Notes other than the Most Senior Class after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Payments Priorities, then that amount shall not be due and payable and the Issuer will be entitled under Note Condition 7.10 (*Interest Deferred*) to defer payment of that amount (to the extent of the insufficiency) until the earlier of (a) the first Interest Payment Date thereafter on which funds are available to the Issuer to make such payments in accordance with the Note Conditions, (b) the Final Maturity Date, (c) the date on which such Class of Notes is redeemed in full and (d) the date on which amounts cease to be payable by the Issuer following the application of the Post-Enforcement Payments Priorities. Such deferral shall not constitute an Event of Default.

#### **Limited recourse**

The Notes will be limited recourse obligations of the Issuer. If, and to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the applicable

Payments Priorities, the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Issuer to the Noteholders in full for any reason, the amounts will cease to be due and payable by the Issuer.

### **Credit risk**

The Issuer is subject to the risk of default in payment by the Borrowers and the risk of failure by the Servicer or the Sub-Servicer (or, if at any time applicable, the Back-Up Servicer) on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Mortgage Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Mortgage Loans. This risk may affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Credit Enhancement and Liquidity Support*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

### **Liquidity risk**

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of various reasons including (i) payments being made late by Borrowers after the end of the relevant Calculation Period, (ii) contractual interest rates of the Mortgage Loans being lower than required by the Issuer in order to meet its commitments to pay interest on the Notes, and (iii) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes. This risk may adversely affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by the provision of liquidity from alternative sources as described in the section entitled "*Credit Enhancement and Liquidity Support*".

### **Subordination**

Pursuant to the Pre-Enforcement Revenue Payments Priorities, (a) the Class B Notes are subordinated in right of payment of interest to the payment of interest under the Class A Notes, (b) the Class C Notes are subordinated in right of payment of interest to the payment of interest under the Class A Notes and the Class B Notes, (c) the Class D Notes are subordinated in right of payment of interest to the payment of interest under the Class A Notes, the Class B Notes and the Class C Notes, (d) the Class E Notes are subordinated in right of payment of interest to the payment of interest under the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, (e) the Class F Notes are subordinated in right of payment of interest to the payment of interest under the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and (f) the Certificates are subordinated in right of any payment to the payment of interest under the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes. See the section entitled "*Cashflows*".

Pursuant to the Pre-Enforcement Principal Payments Priorities, (a) the Class B Notes are subordinated in right of payment of principal to the Class A Notes, (b) the Class C Notes are subordinated in right of payment of principal to the Class A Notes and the Class B Notes, (c) the Class D Notes are subordinated in right of payment of principal to the Class A Notes, the Class B Notes and the Class C Notes, (d) the Class E Notes are subordinated in right of payment of principal to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, (e) the Class F Notes are subordinated in right of payment of principal to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. See the section entitled "*Cashflows*".

Pursuant to the Post-Enforcement Payments Priorities, (a) the Class B Notes are subordinated in right of payment of principal and interest to the Class A Notes, (b) the Class C Notes are subordinated in right of payment of principal and interest to the Class A Notes and the Class B Notes, (c) the Class D Notes are subordinated in right of payment of principal and interest to the Class A Notes, the Class B Notes and the

Class C Notes, (d) the Class E Notes are subordinated in right of payment of principal and interest to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, (e) the Class F Notes are subordinated in right of payment of principal and interest to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. See the section entitled “*Cashflows*”.

To the extent that the Issuer does not have sufficient funds to satisfy its obligations to all its creditors, the holders of the lower ranking Notes will be the first to see their claims against the Issuer unfulfilled. However, there is no assurance that these subordination provisions will protect the holders of the higher ranking Notes from all or any risk of loss.

### **Yield and Prepayment Considerations**

The yield to maturity of the Notes will depend on, among other things, the extent and timing of payments of principal (including full and partial prepayments, proceeds of disposal of Mortgage Loans or proceeds of enforcement of Mortgage Loans) on the Mortgage Loans and the price paid by the Noteholders for the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans.

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Subject to the terms and conditions of the Mortgage Loans, a Borrower may “overpay” or prepay principal at any time. No assurance can be given as to the level of prepayments that the Mortgage Portfolio will experience. Accelerated prepayments will lead to a reduction in the average weighted life of the Notes. See also the section entitled “*The Mortgage Portfolio and the Mortgage Loans*”.

Pursuant to the Deed Poll, the Portfolio Option Holder has the option to purchase the Mortgage Portfolio and its Related Security at any time in the period from the Business Day falling 15 Business Days prior to the Optional Redemption Date until the date on which the Issuer has completed the Market Portfolio Purchase for a purchase price which shall be the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Certificate Portfolio Purchase Completion Date, and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Notes as at the Certificate Portfolio Purchase Completion Date plus an amount not less than the amount required to satisfy items (a) to (o) (excluding items (f), (h), (j), (l) and (n)) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Certificate Portfolio Purchase Completion Date, less the credit balance of the General Reserve Fund and the Liquidity Reserve Fund.

If the option referred to above is not exercised by the Portfolio Option Holder prior to the Optional Redemption Date, the Issuer will, subject to conditions, direct the Market Portfolio Purchase Agent to seek offers to purchase the Mortgage Portfolio for a purchase price not less than the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Market Portfolio Purchase Completion Date, and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Notes as at the Market Portfolio Purchase Completion Date plus (A) an amount not less than the amount required to satisfy items (a) to (o) (excluding items (f), (h), (j), (l) and (n)) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Market Portfolio Purchase Completion Date, less the credit balance of the General Reserve Fund and the Liquidity Reserve Fund and (B) an amount equal to all fees, costs and expenses payable to the Market Portfolio Purchase Agent under the Market Portfolio Purchase Agreement. The occurrence of the Certificate Portfolio Purchase or the Market Portfolio Purchase will lead to a reduction in the average weighted life of the Notes. See also the section entitled “*Early redemption of Notes*”.

### **Conflicts between Classes of Noteholders and Noteholders and Certificateholders**

In respect of the interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of all the Classes of Notes as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) and, to the extent of any conflict between the interests of any Classes of Noteholders, requiring the Trustee, other than in relation to a Reserved Matter, to have regard only to the interests of the Most Senior Class. There may be circumstances, however, where the interests of one Class of Noteholders conflict with the interests of another Class or Classes of the Noteholders. In general, the Trustee will give priority to the interests of the holders of the Most Senior Class such that:

- (a) the Trustee is to have regard only to the interests of the Class A Noteholders in the event of a conflict between the interests of the Class A Noteholders on the one hand and the other Noteholders on the other hand;
- (b) (if there are no Class A Notes outstanding) the Trustee is to have regard only to the interests of the Class B Noteholders in the event of a conflict between the interests of the Class B Noteholders on the one hand and the other Noteholders on the other hand;
- (c) (if there are no Class B Notes outstanding) the Trustee is to have regard only to the interests of the Class C Noteholders in the event of a conflict between the interests of the Class C Noteholders on the one hand and the other Noteholders on the other hand;
- (d) (if there are no Class C Notes outstanding) the Trustee is to have regard only to the interests of the Class D Noteholders in the event of a conflict between the interests of the Class D Noteholders on the one hand and the other Noteholders on the other hand;
- (e) (if there are no Class D Notes outstanding) the Trustee is to have regard only to the interests of the Class E Noteholders in the event of a conflict between the interests of the Class E Noteholders on the one hand and the other Noteholders on the other hand;
- (f) (if there are no Class E Notes outstanding) the Trustee is to have regard only to the interests of the Class F Noteholders in the event of a conflict between the interests of the Class F Noteholders on the one hand and the Certificateholders on the other hand.

In respect of the interests of the Certificateholders, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Trustee and requiring the Trustee, other than in limited circumstances, to have regard only to the interest of the Noteholders, so long as there are any Notes outstanding.

### **Interest Rate Setting Risk**

Following concerns raised by a number of regulators that some of the member banks surveyed by the British Bankers' Association (the "BBA") in connection with the calculation of the London inter-bank offered rate ("LIBOR") across a range of maturities and currencies may have been manipulating the inter-bank lending rate, a review of LIBOR was conducted at the request of the UK Government. Following this review, a report setting out a number of recommendations for changes with respect to LIBOR (including the introduction of statutory regulation of LIBOR, replacing the BBA as administrator of LIBOR with an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting) was published in September 2012.

Many of the recommendations made by the review have been enacted into law as part of the Financial Services Act 2012 (which came into effect on 1 April 2013). Pursuant to the Financial Services Act 2012 (and any secondary legislation which may be created thereunder), the Financial Conduct Authority (the "FCA")

will be the independent regulator responsible for administration of LIBOR. The FCA's approach towards administration of LIBOR remains to be ascertained. It is not possible to ascertain whether such approach would have the effect of a sudden or prolonged increase or decrease in LIBOR or whether such approach could have an adverse impact on the value of the Notes and any payments linked to LIBOR thereunder.

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

If the Sterling Screen Rate is not available, there can be no guarantee that the Issuer shall be able to appoint one or more Reference Banks to provide quotations in order to determine the Sterling Reference Rate. If the Sterling Reference Rate is unavailable and the Issuer is unable to appoint one or more Reference Banks to provide quotations, the Sterling Reference Rate in respect of such Interest Payment Date will be determined to be the most recent Sterling Reference Rate that was determined by reference to the Sterling Screen Rate or through deposit rate quotations provided by four major banks. To the extent interest amounts in respect of the Notes are determined by reference to a previously calculated Sterling Reference Rate, Noteholders may be adversely affected. In such circumstances, neither the Agent Bank nor the Trustee shall have any obligation to determine a Note Rate on any other basis.

#### **Failure in performance of the repurchase obligation by the Beneficial Title Seller**

If the Legal Title Holder breaches its undertaking not to accept a request from a Borrower for, or issue an offer of, a Further Advance or Cash Flow Port prior to the repurchase of a Mortgage Loan by the Beneficial Title Seller, the Legal Title Holder will not have any recourse for additional funds to be advanced to the relevant Borrower against the Issuer and shall only have recourse to the Beneficial Title Seller. However if the Borrower does not receive those funds and sets-off any payment to the Legal Title Holder against the Legal Title Holder's obligation to advance amounts, the rate of repayment of the Mortgage Portfolio may be affected which in turn may adversely affect the average weighted life of the Notes and their yield to maturity.

#### **Certain material interests**

Certain of the advisers and other parties to the transaction have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer and the Sellers 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 also could have a potential conflicting interest.

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

A rating issued by a Rating Agency is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by one or both of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant such revision, suspension or withdrawal of the rating of the Notes.

In cases where DBRS does not maintain a public rating of a specific third party institution, DBRS provides an internal assessment of the relevant institution (which will be monitored over the life of the transaction), and will notify the relevant institution if any such ongoing internal assessment results in a downgrade that breaches the applicable rating triggers, so that such institution can decide which of the applicable remedies to implement. In certain cases, DBRS may rely on public ratings assigned and monitored by other credit rating

agencies. At any time, a Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Notes may be lowered. A qualification, downgrade or withdrawal of any of the ratings mentioned above may adversely impact the market value of the Notes.

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

### **Ratings confirmation in relation to the Notes in respect of certain actions**

The terms of certain Transaction Documents require that certain action proposed to be taken by the Issuer and/or the Trustee may only occur if the Rating Agencies confirm that such proposed action will not have an adverse effect on the then current rating of the Notes (a “**Rating Confirmation**”).

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

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

### **Risks Associated with Rising Mortgage Rates**

The Mortgage Rate payable under the Bank of England Base Rate-Linked Mortgage Loans is calculated by reference to the Bank of England base rate. The Mortgage Rate payable under the LIBOR-Linked Mortgage Loans is calculated by reference to the London inter bank offered rate (“**LIBOR**”). Both the Bank of England base rate and LIBOR may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under the Bank of England Base Rate-Linked Mortgage Loans as a result of an increase in the Bank of England base rate or under the LIBOR-Linked Mortgage Loans as a result of an increase in LIBOR.

### **Limited Liquidity**

There is not, at present, an active and liquid secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, the Lead Manager has not indicated that it intends to establish a secondary market in the Notes. Any investor in the

Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

Moreover, at the date of this Prospectus, the secondary market for mortgage-backed securities is experiencing disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities similar to the Notes experiencing limited liquidity. 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.

There can be no assurance that the market for mortgage-backed securities will recover from these disruptions at all, or, if it does begin to recover, to what degree or how quickly it will do so.

Whilst central bank schemes such as the Bank of England's Discount Window Facility which was launched in October 2008 provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future under such facility are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

The Funding for Lending scheme was announced by the Bank of England on 13 July 2012 and was extended by the Bank of England on 24 April 2013. The scheme allows banks to swap qualifying collateral pre-positioned at the Bank of England for t-bills for a period of four years, in exchange for a fee. During the original scheme period from 1 August 2012 to 31 January 2014, each participant bank was able to borrow an amount up to 5 per cent. of its end of June 2012 stock of existing loans to the UK non-financial sector, plus any expansion of its lending during the reference period from that date until the end of 2013. During the extended scheme period from 3 February 2014 to 31 January 2015, each participant bank will be able to borrow an amount up to 5 per cent. of its group-wide (including some of its non-bank provider subsidiaries, but excluding SPVs related to securitisation, such as the Issuer) net lending to the UK non-financial sector over the period from 1 April 2013 to 31 December 2014, with the net lending to small and medium sized enterprises carrying a greater weighting factor in the calculation of borrowing allowance. Banks are able to borrow during the 30 months from 1 August 2012 until 31 January 2015. This scheme could significantly reduce the amount of UK residential mortgage backed security issuances to the primary market, which in turn could affect the level of liquidity in the secondary market for these securities.

### **Denominations**

The Notes are issued in the denominations of £100,000 (or, after the Redenomination Date, €100,000) per Note. However, for so long as the Notes are represented by Global Notes, and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable in minimum nominal amounts of £100,000 (or, after the Redenomination Date, €100,000) and integral multiples of £1,000 (or, after the Redenomination Date, €1,000) thereafter. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum authorised denomination of £100,000 (or, after the Redenomination Date, €100,000) in his account with the relevant clearing system at the relevant time will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of the relevant class of Notes such that it holds an amount equal to one or more minimum authorised denominations.

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



## **Book-Entry Interests**

Unless and until Definitive Notes are issued in exchange for Book-Entry Interests (in the limited set of circumstances described under Note Condition 3 (*Form, Denomination and Title*) of the Notes), holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of 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 to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

A nominee of the Common Depositary 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 holder of the Global Notes under the Trust Deed while the Notes are represented by the Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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, holders of Book-Entry Interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until 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 participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

The lack of Notes in physical form could make it difficult for a Noteholder to pledge such Notes if Notes in physical form are required by the party demanding the pledge and could hinder the ability of the Noteholder to resell 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 affected in accordance with, and subject to, certain transfer restrictions and certification requirements.

## **Risks Related to the Mortgage Loans**

### **Limitation of Liability of the Beneficial Title Seller and the Legal Title Holder**

None of the Arranger, the Lead Manager, the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Loans and their Related Security and will rely instead on, *inter alia*, the warranties given by the Beneficial Title Seller in relation to the Mortgage Loans to the Issuer in the Mortgage Sale Agreement (the “**Asset Warranties**”). The sole remedy provided for in the Mortgage Sale Agreement (subject to the relevant cure period as set out in the Mortgage Sale Agreement and

save as described below) of the Issuer in respect of a Relevant Breach of an Asset Warranty in relation to a Mortgage Loan shall be the requirement that the Beneficial Title Seller repurchase the beneficial title in any Mortgage Loan which is the subject of the Relevant Breach, provided that this shall not limit any other remedies available to the Issuer if the Beneficial Title Seller fails to repurchase a Mortgage Loan when obliged to do so.

There can be no assurance that the Beneficial Title Seller will honour or have the financial resources to honour such obligations under the Mortgage Sale Agreement or the obligation to repurchase Mortgage Loans pursuant to the terms of the Mortgage Sale Agreement. The consideration for the repurchase of any Mortgage Loan shall be payable by the Beneficial Title Seller. In particular, the Beneficial Title Seller is a special purpose entity established for the purpose of holding beneficial title to the Mortgage Loans and their Related Security. The Beneficial Title Seller's assets and funds are limited and will consist primarily of the Certificates (payments in respect of which are subject to the Payments Priorities and which the Beneficial Title Seller will covenant not to sell) and contractual rights under certain transaction documents. The repurchase obligations of the Beneficial Title Seller will be limited recourse obligations of the Beneficial Title Seller, pursuant to a security trust and intercreditor deed entered into between, amongst others, the Beneficial Title Seller, the Lead Manager and the Legal Title Holder (the "STID"). If, and to the extent that, after the property charged by the Beneficial Title Seller in favour of such creditors pursuant to the STID has been realised and the proceeds thereof have been applied in accordance with the agreed priority of payments (under which the repurchase obligation in respect of a Relevant Breach of Asset Warranty ranks as a senior item in order of priority), the amounts recovered on realisation of such property are insufficient to pay or discharge amounts due from the Beneficial Title Seller to the Issuer in full for any reason, the amounts will cease to be due and payable by the Beneficial Title Seller. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Beneficial Title Seller and neither the Issuer nor the Trustee will have recourse to any other person in the event that the Beneficial Title Seller, for whatever reason, fails to meet such payment or repurchase obligations.

If the Certificates are disposed of pursuant to an enforcement under the STID, the Beneficial Title Seller will not be able to comply with Article 401(1)(d) of the CRR and Article 51(1)(d) of the AIFMR and therefore may not be able to comply with its undertaking to retain a material net economic interest of not less than 5 per cent. of the securitised exposure.

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

Although the Beneficial Title Seller will give certain representations and warranties in respect of the Mortgage Loans sold by it to the Issuer, the Beneficial Title Seller was not the originator of any of the Mortgage Loans. The Legal Title Holder purchased legal and beneficial title to the Mortgage Loans and Related Security originated by Victoria Mortgage Funding Limited (dissolved) (the "**Victoria Pool**") from UBS AG, London Branch (as legal title seller) and SNB Stabfund Kommanditgesellschaft für Kollektive Kapitalanlagen (as beneficial title seller) under a mortgage sale agreement (the "**Victoria Pool MSA**"), and declared a trust over such Mortgage Loans and Related Security pursuant to a declaration of trust in favour of the Beneficial Title Seller (the "**Victoria Pool Declaration of Trust**"). The Beneficial Title Seller purchased the beneficial title and the Legal Title Holder purchased the legal title to the Mortgage Loans and Related Security originated by Edeus Mortgage Creators Limited (in liquidation) (the "**Edeus Pool**") from DB UK Bank Limited (as legal title seller) and Odin Mortgages Limited (as beneficial title seller) under a mortgage sale agreement (the "**Edeus Pool MSA**"). Both the Victoria Pool MSA and the Edeus Pool MSA contain limited warranties in respect of the relevant Mortgage Loans and such warranties do not in all circumstances cover all of the same matters which are covered by the warranties given by the Beneficial Title Seller to the Issuer under the Mortgage Sale Agreement. In addition, investors should note that the warranty claim limitation period against the sellers of the Victoria Pool under the Victoria Pool MSA and the sellers of the

Edeus Pool under the Edeus Pool MSA will each expire substantially before the expiry of the limitation period applicable to claims by the Issuer against the Beneficial Title Seller for a Relevant Breach of an Asset Warranty. The Issuer has no direct right of recourse against the sellers of the Victoria Pool under the Victoria Pool MSA and the sellers of the Edeus Pool under the Edeus Pool MSA in the event of a Relevant Breach of an Asset Warranty under the Mortgage Sale Agreement, and any claim for a breach of warranty thereunder would be undertaken by either the Beneficial Title Seller (in the case of the Edeus Pool MSA) or the Legal Title Holder (in the case of the Victoria Pool MSA), with the proceeds of any such claim being applied to satisfy the obligations of the Beneficial Title Seller to pay to the Issuer the repurchase price due from it under the Mortgage Sale Agreement.

The Beneficial Title Seller does not have any direct knowledge as to whether an Asset Warranty is correct or not or (where a warranty is qualified by reference to the awareness of the Beneficial Title Seller) it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. The Asset Warranties are given merely to allow the Issuer to require the Beneficial Title Seller to repurchase the relevant Mortgage Loan in the case of a Relevant Breach of an Asset Warranty. No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer or the Trustee, each of whom is relying entirely upon the Asset Warranties. To the extent that an Asset Warranty is not expressed to be limited by reference to the awareness of the Beneficial Title Seller, the Beneficial Title Seller will nevertheless be liable to repurchase a Mortgage Loan in relation to which there has been a Relevant Breach of warranty subject to any limitations in time set forth in the Mortgage Sale Agreement, including a limitation that no claim for a Relevant Breach of Asset Warranty may be made after the date which falls 60 months after the Closing Date.

### **Claims against third parties**

The Legal Title Holder has assigned any causes and rights of actions that it has against solicitors and valuers to the Issuer pursuant to the Mortgage Sale Agreement, to the extent that they are assignable. However, the Legal Title Holder was not the originator of the related Mortgage Loans, and such rights may not have been legally assigned to the Legal Title Holder by the related Originator or seller of the Mortgage Loan. The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the relevant Originator or seller in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent.

### **Enforcement**

In relation to enforcement generally, even assuming that the Properties provide adequate security for the Mortgage Loans, costs and delays could be encountered in connection with enforcement of the Mortgages and recovery of the Mortgage Loans with corresponding delays in the receipt of related proceeds by the Issuer.

In order to realise its security in respect of a Property, the relevant mortgagee will need to obtain possession. In England and Wales, there are two means of obtaining possession for this purpose: first, by taking physical possession (seldom done in practice) and secondly, by applying for, obtaining and enforcing a court order. In Northern Ireland, the applicable Pre-Action Protocol for possession proceedings based on mortgage arrears in respect of residential property must first be followed. After that, possession can only be obtained by applying for, obtaining and enforcing a court order.

The courts in England, Wales and Northern Ireland have a very wide discretion and may adopt a sympathetic attitude towards a Borrower at risk of eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk

that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and may incur certain financial liabilities in respect of the Property. Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the Mortgage or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Mortgage.

The courts in Scotland had, until December 2010, considerably less discretion than those in England, Wales and Northern Ireland to modify or postpone the mortgagee's rights of enforcement but as a result of legislative changes in Scotland the position is now broadly equivalent in each jurisdiction (and references in this Prospectus to a "mortgagee" or "mortgagees" are to be read as "heritable creditor" or "heritable creditors" (being the Scottish equivalent of mortgagees) in relation to Scottish Mortgages).

Some of the Borrowers are overseas, which could make the enforcement process more protracted.

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

#### **Collection of amounts due under Mortgage Loans**

The collection of amounts due under the Mortgage Loans is subject to credit, liquidity and interest rate risks and will generally vary in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors (including factors which may not affect real estate values) may have an impact on the ability of the Borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay Mortgage Loans.

In addition, the ability of the Issuer to dispose of a Property, in the event of enforcement against a Borrower at a price sufficient to repay the amounts outstanding under the relevant Mortgage Loan will depend upon a number of factors including the availability of buyers for the Property.

#### **Risk of Losses Associated with Declining Property Values**

The Security for the Notes consists of the Charged Property and may be affected by, among other things, a decline in the value of the Properties. No assurance can be given that the values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgage Loans. Declines in property values could in certain circumstances result in the value of the Mortgages supporting the Mortgage Loans being significantly reduced and, ultimately, may result in losses to the Noteholders if the Security is required to be enforced.

Prospective investors should be aware that, other than the valuation of Properties undertaken as at origination (including, in relation to the Properties in the Edeus Pool, valuations using automated valuation models), no other full revaluation of any Property to a similar standard to that undertaken as at origination has

been undertaken by any Seller, the Issuer, the Trustee or any other person in respect of the transactions described in this document.

### **Lending Criteria**

The Mortgage Portfolio comprises mortgage loans secured on residential properties.

The Mortgage Portfolio comprises mortgage loans made to Borrowers that include borrowers who are self-employed individuals or have self-certified their income or are otherwise considered by banks and building societies to be non-prime borrowers or are applying the mortgage loan to purchase buy to let properties (such borrowers, “**Non-Conforming Borrowers**”) and includes Borrowers who are individuals and who may previously have been subject to a county court judgment, or the Scottish equivalent, an individual voluntary arrangement or bankruptcy order. Mortgage Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

### **Risk of Losses Associated with high LTV Mortgage Loans**

As of the Provisional Cut-Off Date, approximately 0.15 per cent. of the loans in the Provisional Mortgage Portfolio by value have a current loan to value ratio (being the current balance made divided by original valuation) in excess of 100 per cent. There can be no assurance that mortgage loans with higher loan to value ratios will not experience higher rates of delinquency, write offs, enforcement and bankruptcy than mortgage loans with lower loan to value ratios.

### **Risk of Losses Associated with Interest Only Mortgage Loans**

As of the Provisional Cut-Off Date, approximately 86.20 per cent. of the loans in the Provisional Mortgage Portfolio by value constitute Interest Only Mortgage Loans. Interest Only Mortgage Loans are originated with a requirement that the Borrower pay scheduled interest payments only and, as such, there is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Mortgage Loan, the Borrower will be required to make a bullet payment that will represent the entirety of the Principal Outstanding Balance. The ability of such Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower’s ability to refinance the Property, to sell the Property, or to obtain funds from another source such as pension policies, personal equity plans or endowment policies (the “**Policies**”). No Originator has represented that it required that such Policies be established with respect to any Interest Only Mortgage Loans, nor has the benefit of any such Policies been assigned to the Legal Title Holder or the Beneficial Title Seller. The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower’s equity in the Property, the financial condition and payment history of the Borrower, tax laws and general economic conditions at that time. In recent times, mortgage lenders have maintained stricter conditions to the advancing of interest only and other mortgage loans than applied when the Originators originated the Interest Only Mortgage Loans. Investors should note, however, that the Legal Title Holder retains the ability to agree to product switches (subject to certain conditions), including any variation of a Mortgage Loan to amend its repayment terms from an interest only repayment to a capital repayment, as more particularly described under ‘*Assignment of the Mortgage Loans and Related Security – Permitted Variations to Mortgage Loans*’ below.

### **Risk of Losses Associated with Non-Owner Occupied Properties**

As of the Provisional Cut-Off Date, approximately 26.27 per cent. of the loans in the Provisional Mortgage Portfolio by value are secured by non owner occupied freehold or leasehold properties or (if located in Scotland) the heritable or long lease property charged as security for the repayment of a Mortgage Loan (each

a “**Property**”) (such Mortgage Loans, “**Buy-to-Let Mortgage Loans**”). These Properties are generally rented to tenants by the relevant Borrowers.

As such, the security for the Notes will also from time to time be affected by the condition of the private residential rental market in England and Wales, Scotland and Northern Ireland and, in particular, the condition of the private rental market within the various regional areas in England and Wales, Scotland and Northern Ireland where the relevant Properties are located. The condition of the rental market will influence both the ability of Borrowers to find tenants and the amount of rental income which may be achieved by the relevant Borrower in any letting.

There can be no guarantee that each Property will be tenanted throughout the life of the Mortgage Loan, that the rental income achievable from the tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower’s obligations in respect of the Mortgage Loan during the life of such Mortgage Loan, that the tenancies will be on market terms, that a tenant will always be able to pay their rent and that a Borrower will always respect the terms of such tenancy relating to the maintenance of the relevant Property. The obligations of a Borrower to make payments under a Mortgage Loan are without regard to whether the relevant Property is let and without regard to the amount of rent received from the relevant tenant however these factors may affect the Borrower’s ability to satisfy its obligations under the Mortgage Loans.

Upon enforcement of a non-owner occupied Mortgage Loan in respect of a related Property, which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces while the tenancy is continuing and sells the relevant Property as an investment property with one or more sitting tenants, it may affect the amount which may be realised in the sale. However, because the terms of most tenancies that are assured shorthold tenancies are for up to a maximum of twelve months, a tenanted property will often be vacated sooner than an owner occupied property. Enforcement in such circumstances can be by appointment of a receiver who can sell a Property without the need to take possession (as described in the section entitled “*Enforcement*” above). Additionally, a receiver has a right to collect rents payable in respect of such Property (although not in relation to Properties located in Scotland). Under Scots law, a receiver cannot be appointed under a standard security, and the only enforcement which may be carried out is a full enforcement of the charge.

#### **Risk of Losses Associated with Arrears Loans**

Some Borrowers may have breached payment or non-payment obligations under the Mortgage Loans during the period since they were originated. While the Issuer will receive a degree of comfort by virtue of the Asset Warranties (see “*Assignment of the Mortgage Loans and Related Security*”), mortgage loans in arrears may experience higher rates of delinquency, write offs, enforcements and bankruptcy than mortgage loans without such arrears or breaches.

#### **Risk of Losses Associated with Self Certified Loans**

As of the Provisional Cut-Off Date, approximately 46.93 per cent. of the loans in the Provisional Mortgage Portfolio by value constitute mortgage loans in relation to which income and employment details of the Borrower are not substantiated by supporting documentation. The rate of delinquencies, write offs, enforcements and losses on such mortgage loans may be higher from those in respect of mortgage loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

### **Geographic Concentration of Properties**

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than other regions and, consequently, will experience higher rates of loss and delinquency on mortgage loans generally.

There are concentrations of Properties within certain regional areas which may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations. See the section entitled “*Characteristics of the Provisional Mortgage Portfolio*”.

### **Realisation of Charged Property and Liquidity Risk**

The ability of the Issuer to redeem all the Notes in full and to pay amounts to the Noteholders including after the occurrence of an Event of Default, may depend upon whether the Mortgage Loans can be realised to obtain an amount sufficient to redeem the Notes. There may not be an active and liquid secondary market in the United Kingdom for loans with characteristics similar to the Mortgage Loans. It may not, therefore, be possible for the Issuer or, as the case may be, the Trustee or a Receiver to sell the Mortgage Loans on appropriate terms should such a course of action be required.

### **Servicing of the Mortgage Loans and Reliance on Third Parties**

If the appointment of the Servicer is terminated under the Servicing Agreement, it would be necessary for the Back-Up Servicer (in accordance with the Back-Up Servicing Agreement), or a substitute servicer with experience of servicing residential property mortgage loans in the United Kingdom, to be appointed. Such appointment would be made on the terms of the Back-Up Servicing Agreement (in the case of the Back-Up Servicer) or (in the case of a substitute servicer which is not the Back-Up Servicer) on substantially the same terms as those set out in the Servicing Agreement. Where the substitute servicer is not the Back-Up Servicer, it will also be a requirement either that the Rating Agencies do not indicate (within a period of 30 days) that such appointment would result in negative action in relation to the then current ratings of the Notes, or that such appointment is ratified by an Extraordinary Resolution of the holders of the Most Senior Class.

The ability of the Back-Up Servicer or a substitute servicer fully to perform the required services would depend on the information, software and records available at the time of the relevant appointment. Further, no assurance can be given that upon termination, the Back-Up Servicer will be able to perform its duties under the Back-Up Servicing Agreement or that the Issuer will be able to appoint a suitable substitute servicer and the Trustee has no obligation to act as servicer in such event.

In particular, it should be noted that, prior to completion of its data mapping of the Mortgage Portfolio, which must be completed prior to 30 November 2014 (but may be completed sooner), the Back-Up Servicer may not be required to replace the Servicer. In addition, at all times the Back-Up Servicer will require at least 60 days’ notice before it is obliged to assume the servicing.

It should also be noted that, under the Servicing Agreement, the Servicer may resign at any time with effect on or after the Optional Redemption Date upon giving 120 days’ notice (which may expire sooner if the designated Back-Up Servicer or other replacement is in place prior to the expiry of this time and is fully operational). See the section entitled “*Servicing of the Mortgage Portfolio*”.

The Servicer has the ability under the Servicing Agreement to sub-contract its obligations. Notwithstanding any such sub-contracting to any party or delegation of the performance of any of its obligations under the Servicing Agreement, the Servicer will remain responsible for the performance of such obligations under the Servicing Agreement.

On or about the Closing Date, pursuant to the Sub-Servicing Agreement, the Servicer will sub-contract certain of its servicing functions in relation to the Mortgage Loans originated by Edeus Mortgage Creators Limited

(in liquidation) (the “**Edeus Pool**”) until the migration of the Edeus Pool from the mortgage system currently used by the Sub-Servicer to the mortgage loan administration system used by the Servicer is completed. The Sub-Servicer will take instructions from the Servicer in relation to the services to be provided by it under the Sub-Servicing Agreement, and not from the Issuer or the Trustee.

If the appointment of the Sub-Servicer is terminated under the Sub-Servicing Agreement, it would be necessary for the Servicer to assume the performance of the delegated services or to appoint a replacement Sub-Servicer to perform the delegated services. However, there can be no assurance that the Servicer will be able to appoint a suitable replacement or to perform the delegated services. In such an event, the rate of repayments received in respect of the Mortgage Portfolio may be affected which in turn may increase arrears and adversely affect the average weighted life of the Notes and their yield to maturity.

Neither the Servicer nor the Sub-Servicer has any obligation to advance payments that Borrowers fail to make in a timely fashion.

It should also be noted that, unless a Perfection Event is continuing, the Servicer will take instructions from the Legal Title Holder in relation to the services to be provided by it under the Servicing Agreement, and not from the Issuer or the Trustee. Only if a Perfection Event is continuing and has been notified to the Servicer will the Servicer take instructions from the Issuer (or, if an Enforcement Notice has been served and notified to the Servicer, the Trustee).

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Cash Manager under the Cash Management Agreement, the Transaction Account Bank under the Transaction Account Agreement, the Principal Paying Agent, the Agent Bank and the Registrar under the Agency Agreement and the Corporate Services Provider under the Corporate Services Agreement have all agreed to provide services with respect to the Notes. If any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party or were to resign from their appointment or if their appointment under the agreements to which they are a party were to be terminated (in each case, without being replaced), Noteholders may be adversely affected. It should also be noted that the liability of a number of these parties, including the Servicer, the Back-Up Servicer and the Cash Manager, is limited in accordance with the terms of their relevant agreements.

#### **Role of the Legal Title Holder in Servicing**

For so long as a Perfection Event is not continuing, the Servicer will take instructions from the Legal Title Holder in relation to certain actions in relation to the Mortgage Loans and the Related Security. These are more particularly described in the section entitled “*Servicing of the Mortgage Portfolio*”. In the event of an insolvency of the Legal Title Holder, leading to a Perfection Event, the Issuer or the Trustee (acting upon the instructions of the Most Senior Class by way of Extraordinary Resolution) will have sole discretion to appoint an appropriate service provider to perform (or provide instructions in relation to procuring performance of) these actions. There can be no assurance that the Issuer or the Trustee will be able to appoint a suitable replacement to perform these actions. In the event of a failure to do so, the rate of repayment of the Mortgage Portfolio may be affected which in turn may adversely affect the average weighted life of the Notes and their yield to maturity.

#### **Buildings Insurance Policy**

Each Borrower was required to take out building insurance at the time the related Mortgage Loan was made.

Where the Borrower has allowed his or her insurance policy to lapse, and where the Legal Title Holder is not aware of that lapse, the beneficial owner of the relevant Mortgage Loan will have the benefit of a contingency policy (the “**Contingency Policy**”).



There is no guarantee that the insurer under the Contingency Policy will be able to meet its obligations to pay amounts due under the Contingency Policy in all circumstances.

### **Title of the Issuer**

Legal title to all of the Mortgage Loans and (subject to registration or recording at the Land Registry of England and Wales, the Land Registry or the Registry of Deeds in Northern Ireland (together, the “**Land Registers of Northern Ireland**”) or the Land Register of Scotland or the General Register of Sasines (together, the “**Registers of Scotland**”) their related Mortgages are currently vested in the Legal Title Holder.

Legal title to the Mortgage Loans and their related Mortgages will only be transferred to the Issuer in the limited circumstances described in the section entitled “*Assignment of the Mortgage Loans and Related Security*”. Prior to the Issuer obtaining legal title to the Mortgage Loans and Mortgages, a bona fide purchaser from the Legal Title Holder for value of any of such Mortgage Loans without notice of any of the interests of the Issuer or the Trustee might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by the Legal Title Holder of its contractual obligations or fraud, gross negligence or mistake on the part of the Legal Title Holder or the Issuer or their respective personnel or agents. Further, the rights of the Issuer and the Trustee may be or become subject to the direct rights of the Borrowers against the Legal Title Holder. Such rights may include the rights of set off which arise in relation to transactions made between certain Borrowers and the Legal Title Holder and the right of the relevant Borrowers to redeem their Mortgage Loans by repaying the relevant Mortgage Loan directly to the Legal Title Holder. These rights may result in the Issuer receiving less monies than anticipated from the Mortgage Loans. In respect of Scottish Mortgage Loans, references in this Prospectus to “set off” are to be read as analogous rights in Scotland.

Until the Issuer obtains legal title to the Mortgage Loans and their related Mortgages, the sale of the English and Northern Irish Mortgage Loans and their related Mortgages will take effect in equity only. The sale of Scottish Mortgage Loans and their related Mortgages will take effect as a contractual sale only on the Closing Date. The transfer of such Scottish Mortgage Loans and their related Mortgages from the Beneficial Title Seller to the Issuer will be given effect by the Scottish Declaration of Trust (as described in the section entitled “*Assignment of the Mortgage Loans and Related Security*”) by which the beneficial interest in such Scottish Mortgage Loans and their related Mortgages will be granted in favour of the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales, as described in the paragraph above (namely, the Issuer's interest in the property held on trust may become subject to the interests of bona fide third party purchasers who have completed title to the relevant property). Similarly, prior to notice of the trust being given to a Borrower, there is a risk that the Borrower may exercise certain rights of set-off against the Legal Title Holder.

In all cases, this means that in order for legal title to be transferred to the Issuer, transfers, conveyances, assignments and assignations would have to be registered or recorded at the Land Registry of England and Wales, the Land Registers of Northern Ireland or the Registers of Scotland, as the case may be, and notice would have to be given to Borrowers of the transfer.

### **General Regulatory Considerations**

No assurance can be given that any relevant regulatory authority will not in the future take action or that future adverse regulatory developments will not arise with regard to the mortgage market in the United Kingdom generally, or specifically in relation to the Servicer, the Sub-Servicer, the Legal Title Holder or the Back-Up Servicer. Any such action or developments may have a material adverse effect on the Mortgage Loans, the Issuer, the Servicer, the Sub-Servicer, the Legal Title Holder or the Back-Up Servicer (as the case

may be) and their respective businesses and operations. In particular, the cost of compliance with any such regulation, action or requirement may adversely affect the ability of the Issuer to meet its financial obligations under the Transaction Documents.

### **Recent Changes to the UK regulatory structure**

The way in which providers of Mortgage Loans are licensed and regulated has recently been changed as a result of two developments.

First, the Financial Services Act 2012 came into force on 1 April 2013 and established a new regulatory body, the Financial Conduct Authority (the “**FCA**”). The FCA commenced its regulatory responsibilities as the new regulator on that date. The FCA has power to render unenforceable contracts made in contravention of its product intervention rules. The Financial Services Act 2012 also formalises cooperation between the FCA and the Financial Ombudsman Service, particularly where issues identified have potentially wider implications. The Financial Services Act 2012 also created the new Prudential Regulation Authority (the “**PRA**”), which is responsible for the prudential supervision of deposit takers, insurers and a small number of significant investment firms.

Secondly, the way in which providers of credit and related companies are licensed was recently changed in the United Kingdom. On 1 April 2014, the scope of the Financial Services and Markets Act 2000 (“**FSMA**”) was extended, by amendment to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the “**Regulated Activities Order**”) *inter alia*, to include regulation of certain credit agreements (“**Regulated Credit Agreements**”) which were previously regulated under the Consumer Credit Act 1974 (“**CCA**”). Responsibility for the regulation of consumer credit was transferred from the Office of Fair Trading (“**OFT**”) to the FCA with effect from 1 April 2014. The FCA is now responsible for the conduct of business and ensuring that business across financial services and markets is conducted in a way which advances the interests of all users and participants.

As a result of the above developments, the FCA now regulates under FSMA Mortgage Loans falling within either the Regulated Mortgage Contracts (as defined below) regime or the Regulated Credit Agreements regime. To avoid duplication, Regulated Mortgage Contracts are excluded from the definition of Regulated Credit Agreements such that a given mortgage loan cannot fall within both of the Regulated Mortgage Contracts and Regulated Credit Agreements regimes under FSMA.

Whilst the licensing regime under the CCA has been repealed and replaced by a similar regime under FSMA, other parts of the CCA remain in force and continue to regulate agreements which are Regulated Credit Agreements under FSMA and, in some cases, regulate contracts which are Regulated Mortgage Contracts under FSMA.

At this stage it is still not certain what effect these changes in regulatory structure will have on the Mortgage Loans, the Legal Title Holder, the Beneficial Title Seller and the Issuer and their respective businesses and operations, which may affect the Issuer’s ability to make payments in full on the Notes when due.

### **Mortgages Regulated under FSMA**

In the United Kingdom, regulation of certain residential mortgage business under FSMA came into force on 31 October 2004 (the “**Mortgage Regulation Date**”). This regulatory power is exercised by the FCA as of 1 April 2013. Prior to that date this power was exercised by the previous regulator, the Financial Services Authority (“**FSA**”). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (as defined below) (or agreeing to do any of these things) are regulated activities under FSMA requiring authorisation and permission from the FCA.

A credit agreement is a “**Regulated Mortgage Contract**” under FSMA if, at the time it is entered into on or after the Mortgage Regulation Date (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by (in England and Wales) a first ranking legal mortgage or (in Scotland) a first ranking standard security or (in Northern Ireland) a valid and subsisting first ranking charge or legal mortgage on land (other than timeshare accommodation) in the United Kingdom and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person.

The Servicer holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not require authorisation to carry on the regulated activity of administering Regulated Mortgage Contracts because the Mortgage Loans are administered pursuant to the Servicing Agreement by the Servicer, which has the required FCA authorisation and permission. If the 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 the Back-Up Servicer or a replacement servicer having the required FCA authorisation and permission.

Given that the Issuer will not itself be an authorised person under FSMA, in the event that an agreement for a Mortgage Loan is varied such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an entity such as the Legal Title Holder or the Servicer or a replacement servicer (as appropriate) having the required FCA authorisation and permission.

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

The FCA’s Mortgages and Home Finance: Conduct of Business sourcebook (“**MCOB**”) sets out the FCA’s rules for regulated mortgage activities. These rules came into force on 31 October 2004, under the handbook of the previous regulator, the FSA. Since 1 April 2013, these rules are located in the FCA’s handbook. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, the mortgage loan will be unenforceable against the relevant borrower except with the approval of a court. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA rule (including the rules in MCOB), and may set off the amount of the claim (or exercise analogous rights in Scotland or Northern Ireland) against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such set-off in relation to a loan in the Mortgage Portfolio may adversely affect the Issuer’s ability to make payments on the Notes. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after the Mortgage Regulation Date may commit a criminal offence, but this will not render the Regulated Mortgage Contract unenforceable against the borrower.

Contracts that were entered into before the Mortgage Regulation Date would not have been regulated by the Regulated Mortgage Contract regime. They may or may not have been regulated by the CCA depending on

their terms and other relevant circumstances. Such pre Mortgage Regulation Date contracts may now be regulated by the Regulated Credit Agreement regime under FSMA (which broadly covers those contracts previously regulated under the CCA). Further, if such contracts (whether or not formerly subject to the CCA) were or are subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date, that contract will be regulated under the Regulated Mortgage Contract regime where it falls within the definition of “Regulated Mortgage Contract”, in which case it would have ceased to be regulated by the CCA (in the case of new contracts entered into prior to 1 April 2014 and which were previously regulated under the CCA) or by the Regulated Credit Agreement regime under FSMA (in the case of new contracts entered into on or after 1 April 2014 and which were previously regulated under the Regulated Credit Agreement regime).

In June 2010 the previous regulator, the FSA, made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under the new rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the relevant borrower’s circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA had previously indicated that it did not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. These rules are currently effective under the FCA handbook. As a result, the new rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Mortgage Loans. No assurance can be made that any such actions will not impact adversely on the Issuer’s ability to make payments on the Notes, although the impact of this will depend on the number of Mortgage Loans which involve a Borrower who experiences payment difficulties. It remains to be seen if the FCA, will adopt a more stringent approach towards the regulation of residential mortgage business than that adopted by the FSA.

### **Proposed changes to United Kingdom mortgage regulation**

In November 2009, the government of the United Kingdom launched a consultation on mortgage regulation, which set out proposals to extend the scope of the powers of the previous regulator, the FSA, to include buy-to-let mortgages and introduce a regulated activity of managing Regulated Mortgage Contracts which is intended to protect consumers when mortgage loans are sold. If put into effect such regulatory powers would now be exercised by the FCA. The consultation followed the announcements on mortgage regulation made in the July 2009 “*Reforming financial markets*” consultation paper, which set out the Government’s proposals for reform of the financial system.

In its follow-up paper “*Mortgage regulation: summary of responses*”, published in March 2010, the Treasury acknowledged an industry concern that the proposed regulated activity of managing Regulated Mortgage Contracts was drawn too widely and could potentially extend to include the activities of special purpose vehicles (such as the Issuer) used in the wholesale mortgage markets. On 26 January 2011, the Treasury announced revised proposals on the sale of mortgage books. In a related impact assessment, the Treasury has indicated that rather than creating a new regulated activity of ‘managing’ a Regulated Mortgage Contract, the definition of the existing regulated activity of ‘administering’ Regulated Mortgage Contracts will be extended to cover unregulated mortgage holders who exercise specified rights (such as changing interest rates) under mortgage contracts. This is considered to be the most effective way to ensure consumer protection without affecting lenders’ ability to securitise their mortgage loans. However, until the statutory instruments introducing the Treasury’s proposals are published, it is not certain what effect the expansion of the regulated

activity of administering Regulated Mortgage Contracts would have on the Legal Title Holder, the Issuer and/or the Servicer and their respective business and operations. The relevant statutory instruments are yet to be published.

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.

Key changes include a requirement for lenders to undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with the requirement for firms to disclose key messages to customers), arrears management and the sales process. The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these new rules.

Given that all of the Mortgage Loans will have been entered into prior to 26 April 2014, these new rules will only apply to a Mortgage Loan if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Mortgage Loan generally. However, to the extent that the new rules do apply to any of the Mortgage 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 Mortgage Loan. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes.

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

### **The Regulated Credit Agreement Regime under FSMA**

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

As also noted above, on 1 April 2014, responsibility for the regulation of consumer credit was transferred from the OFT to the FCA. As part of this transfer, the CCA licensing provisions have been repealed and replaced by corresponding provisions in the FSMA framework. The majority of the current conduct of business rules in the CCA will remain, with a number being transferred into the Consumer Credit sourcebook ("CONC") in the FCA's handbook. This means that from 1 April 2014 credit agreements previously regulated by the CCA have become subject to both the CCA and FSMA (and its associated secondary legislation and the FCA's handbook).

A credit agreement is regulated by the CCA where it was made before 1 April 2014 and (a) the Borrower was or included an “individual” as defined in the CCA; (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of “credit” as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date; and (c) the credit agreement was not an exempt agreement under the CCA. A credit agreement is regulated by both FSMA and the CCA where it was made on or after 1 April 2014 and it is an agreement between an individual or relevant recipient of credit (“A”) and any other person (“B”) under which B provides A with credit of any amount and is not an exempt agreement under Articles 60C to 60H of the Regulated Activities Order. For this purpose, a “relevant recipient of credit” is (a) a partnership consisting of two or three persons not all of whom are bodies corporate, or (b) an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with the requirements as to authorisation of, *inter alia*, lenders and brokers now set out in FSMA and the Regulated Activities Order, documentation and procedures of credit agreements, and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements then, to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower: (a) without an order of the FCA or the court, if the lender or broker did not hold the required licence or authorisation at the relevant time; (b) totally, for agreements entered into before 6 April 2007, if the form to be signed by the borrower was not signed by the borrower personally or omits or misstates a “prescribed term”; or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

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

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

A Regulated Credit Agreement is unenforceable for any period when the lender fails to comply with requirements as to default notices. A Regulated Credit Agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices. The borrower is not liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure. Interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Early repayment charges are restricted by a formula under the CCA. A more restrictive formula applies from 11 June 2010. If a Mortgage Loan is a credit agreement which is regulated by the CCA, any failure to comply with the requirements of the CCA may result in adverse effects on the Issuer's ability to make payment in full on the Notes when due.

The Issuer does not intend to obtain authorisation under FSMA. As a consequence thereof, if a Perfection Event occurs and legal title to the Mortgage Loans transfers to the Issuer (or a nominee of the Issuer) for as

long as the Issuer (or such nominee) does not have appropriate authorisation under FSMA any Mortgage Loan regulated by FSMA would be unenforceable against the relevant Borrower.

### **The CCA 2006**

The Beneficial Title Seller has represented to the Issuer in the Mortgage Sale Agreement that no Mortgage Loan is or includes a regulated credit agreement within the meaning of the Regulated Activities Order or constitutes any other agreement (other than a Regulated Mortgage Contract) regulated or partly regulated by the CCA (other than Sections 137 to 140 of the CCA) or, to the extent that it is so regulated, all the requirements of the CCA have been met in full. Should this Asset Warranty be incorrect in respect of any Mortgage Loan, the following considerations need to be taken into account.

The Consumer Credit Act 2006 (the “**CCA 2006**”), which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008. For example, the “extortionate credit” regime was replaced by an “unfair relationship” test. The “unfair relationship” test applies to all existing and new credit agreements except Regulated Mortgage Contracts under FSMA, whether or not they were regulated under the CCA and/or are regulated under the Regulated Credit Agreement regime. The new test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee (such as the Legal Title Holder or the Beneficial Title Seller).

In applying the “unfair relationship” test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor’s conduct before and after making the agreement. There is no statutory definition of the word “unfair” as the intention is for the test to be flexible and subject to judicial discretion. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FCA “Principles for Businesses” may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an “unfair relationship” exists, the burden of proof is on the creditor to prove the contrary. It is unclear how the “unfair relationship” test will be interpreted by the courts. However, the word “unfair” is not an unfamiliar term in UK legislation due to the UTCCR (as defined below).

An alternative dispute resolution scheme for consumer credit matters is run by the Ombudsman and was established on 6 April 2007. The responsibility for regulating consumer credit matters was transferred from the OFT to the FCA from 1 April 2014. FCA has many of the same powers formerly exercised by the OFT under CCA 2006 as well as certain further powers. However, it has been indicated that the regulation of consumer credit matters by the FCA in the future will differ from the regulatory practices of the OFT.

### **Consumer Credit Directive 2008**

In April 2008, the European Parliament and the Council adopted a second directive on consumer credit (the “**Consumer Credit Directive**”), which provides that, subject to exemptions, loans not exceeding €75,000 will be regulated. The Consumer Credit Directive repeals and replaces the first consumer credit directive. The Consumer Credit Directive came into effect in the United Kingdom on 1 February 2011.

Mortgage Loans secured by a land mortgage (including, in Scotland, a standard security, and, in Northern Ireland, a charge) are, however, exempted from the Consumer Credit Directive and from the first consumer credit directive.

### **EU Initiatives on Mortgage Credit**

The Mortgage Credit Directive (2014/17/EU) on credit agreements for consumers relating to residential immovable property was adopted on 4 February 2014. This directive aims to create a Union-wide mortgage credit market with a high level of consumer protection. It applies to both secured credit and home loans. Member States will have to transpose its provisions into their national law by March 2016.

The main provisions include consumer information requirements, principle based rules and standards for the performance of services (e.g. conduct of business obligations, competence and knowledge requirements for staff), a consumer creditworthiness assessment obligation, provisions on early repayment, provisions on foreign currency loans, provisions on tying practices, some high-level principles (e.g. those covering financial education, property valuation and arrears and foreclosures) and a passport for credit intermediaries who meet the admission requirements in their home Member State.

Until the directive is implemented into UK law, it is too early to tell what effect the directive and the implementation of the directive into UK law would have on the Legal Title Holder, the Issuer and/or the Servicer and their respective businesses and operations.

### **Repossessions policy**

A new protocol for mortgage re-possession cases in England and Wales came into force on 19 November 2008 and a new protocol for mortgage re-possession cases in Northern Ireland came into force on 5 November 2009 (the “**Pre-Action Protocols**”), which sets out the steps that judges will expect any lender to take before starting a claim. In response to this, a number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three (or, in the case of some lenders, six) months after a borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. In addition, the Mortgage Repossession (Protection of Tenants etc.) Act 2010 (the “**Repossession Act 2010**”) came into force in England and Wales in October, 2010. The Repossession Act 2010 introduces new powers for courts hearing a mortgage repossession case where the property is occupied by unauthorised tenants, including powers to delay a repossession order and suspend a warrant of eviction on application by an unauthorised tenant.

As noted above, amendments to Chapter 13 of MCOB, which came into force on 25 June 2010, prevent, in relation to Regulated Mortgage Contracts: (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 a product switch and (b) automatically capitalising a payment shortfall. Formerly, these were the subject of non-binding guidance only.

The Pre-Action Protocols and MCOB requirements for mortgage possession cases and the Repossession Act 2010 may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in delayed recoveries and delayed payments on the Notes.

### **Consultation Paper on the power of sale and residential property**

On 29 December 2009, the Ministry of Justice of the United Kingdom published a consultation paper (entitled “*Mortgages: power of sale and residential property*” (CP55/09)) which contains proposals to amend the law to prevent mortgagees from selling residential properties in England and Wales without a court order or the consent of the borrower. It is not known if, and to what extent, these proposals will be enacted in the future as a matter of law. If the proposals are enacted, the ability of the mortgagee to exercise its power of sale in relation to the English Mortgage Loans may be restricted and this may affect the Issuer’s ability to make payments on the Notes. This consultation closed on 28 March 2010 and a response is yet to be published.

### **Home Owner and Debtor Protection (Scotland) Act 2010**

Part 1 of the Home Owner and Debtor Protection (Scotland) Act 2010 (the “**2010 Act**”) contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. The 2010 Act amends the sections of the Conveyancing and Feudal Reform (Scotland) Act 1970 which permitted a heritable creditor to proceed to sell the secured property where the formal notice calling up the standard security had expired



without challenge (or where a challenge had been made but not upheld). In terms of the 2010 Act the heritable creditor is now required to obtain a court order to exercise its power of sale, unless the borrower and any other occupier have surrendered the property voluntarily. In addition, the 2010 Act requires the heritable creditor in applying for a court order to demonstrate that it has taken various preliminary steps to resolve the borrower's position, as well as imposing further procedural requirements. This may restrict the ability of the Legal Title Holder as heritable creditor of the Scottish Mortgages to exercise its power of sale and this could affect the Issuer's ability to make payments on the Notes.

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

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

The UTCCR provide that a consumer (which would include a Borrower under all or almost all of the Mortgage Loans) may challenge a standard term in an agreement on the basis that it is “unfair” within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term).

The UTCCR will not 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), but 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 mortgage exit administration fees. If any term of the Mortgage Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments under the Notes.

In May 2005 the previous regulator, the FSA, issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised by the FCA in relation to products and services within the FCA’s regulatory scope. This statement provides that, for locked-in Borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In January 2007 the previous regulator, the FSA, issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a Borrower exits the mortgage. The previous regulator, the FSA, issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the Unfair Contract Terms Regulatory Guide (previously in the FSA handbook and now in the FCA handbook) came into force. This guide is designed to explain the FCA’s policy on how it will use its powers under the 1999 Regulations. In January 2012, the previous regulator, the FSA, published finalised guidance entitled “*Unfair contract terms: improving standards in consumer contracts*” and “*Statement on using Switching Terms in mortgage contracts under the Unfair Terms in Consumer Contracts Regulations 1999*”. Under the later guidance the FSA considered that terms in interest-only mortgage contracts that allow firms to switch consumers from an interest-only mortgage to a repayment mortgage may be regarded as unfair if they give the firm too broad a discretion to determine when such switching terms will apply. Further, where switching terms are determined to be unfair by a court, the firms will be unable to switch the consumer from an interest-only mortgage to a repayment mortgage, as such switching terms will not bind that consumer. Even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, the guidance issued by the FSA previously remains strongly influential until amendments or new guidance is announced by the FCA. It remains to be seen if the FCA may adopt a more stringent approach towards such regulation than that

previously adopted by the FSA and the OFT, and whether the FCA will apply the same standards to Regulated Credit Agreements following FCA's assumption of regulatory responsibility on 1 April 2014.

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

The guidance issued by the previous regulators, the FSA and the OFT, has changed over time and it is possible that it may change in the future. In addition, new guidance may be issued by the FCA. No assurance can be given that any such changes in guidance on the UTCCR, will not have a material adverse effect on the Legal Title Holder, the Issuer and their respective businesses and operations.

In March 2013, the Law Commission and the Scottish Law Commission issued advice on unfair terms in consumer contracts to the Department for Business, Innovation and Skills of the United Kingdom which recommended several areas of legislative reform to the UTCCR including exemptions, requirements of transparency and prominence and the indicative unfair terms list.

In June 2013, the draft Consumer Rights Bill (the "**Draft Bill**") was published. Part 2 of the Draft Bill deals with unfair terms and generally follows the Law Commission's 2013 proposals. The new rules merge the consumer rules under the Unfair Contract Terms Act 1977 with the UTCCR. The Draft Bill adopts the Law Commission's 2013 proposal that price and subject matter terms should only be exempt from the fairness test if they are transparent and prominent. To be transparent, a term must be in plain, intelligible language, readily available to the consumer and, if in writing, legible. To be prominent, a term must be presented in a way that the average consumer would be aware of the term. In addition, all terms of consumer contracts and consumer notices must be transparent. In light of EU case law on the underlying Council Directive 93/13/EEC (the "**Unfair Terms Directive**"), there is also an express duty on the courts to consider the fairness of a term, even if this is not raised by a consumer, where the court has sufficient, legal and factual material before it to do so. The Draft Bill was presented to Parliament in January 2014 and its second reading in the House of Lords took place on 1 July 2014. The UK Government hopes that the Draft Bill will become law in mid-2014, but there is no certainty as to such a timetable.

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

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 ("**CPUTRs**"). The CPUTRs came into effect on 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market. Under the CPUTRs a commercial practice is to be regarded as unfair and prohibited if it is:

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

practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

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

The CPUTRs do not provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. The Law Commission and the Scottish Law Commission reviewed the current private law in this area and found it to be fragmented and unclear. On 28 March 2012 the two Commissions published a report entitled “*Consumer Redress for Misleading and Aggressive Practices*”, which sets out recommendations for reform.

In addition, the FCA has taken the Unfair Practices Directive into account in reviewing its relevant rules, such as MCOB. For example, MCOB rules for regulated mortgage contracts from 25 June 2010 (formerly these were matters of non-binding guidance) 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 deferral of interest payments, and (b) automatically capitalising a payment shortfall.

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

### **Distance Marketing**

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). The Distance Marketing Disclosure Rules contained in the FCA’s Conduct of Business Sourcebook (“COBS”) apply specifically to regulated mortgage contracts under FSMA, if made by a UK originator from an establishment in the UK. Under these regulations and COBS, if the borrower does not receive prescribed information at the prescribed time the credit agreement or regulated mortgage contract will be cancellable. If the borrower does not receive the prescribed information, he may send notice of cancellation at any time before he receives the last of the prescribed information. Where the contract has been concluded at the consumer’s request using a means of distance communication which does not enable provision of the prescribed information before the conclusion day of the credit agreement or regulated mortgage contract, the borrower may send notice of cancellation before the end of the fourteenth day after the day on which the cancellable agreement is made or, if later, the borrower receives the last of the prescribed information. Some of the Mortgage Loans may have been originated on the basis of distance marketing and are therefore subject to the requirements and risks set out in this paragraph.

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's sending notice of cancellation or, if later, the originator receiving notice of cancellation;
- (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security is to be treated as never having had effect for the cancelled agreement.

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

### **Financial Ombudsman Service**

Under FSMA, the Financial Ombudsman Service (the "**Ombudsman**") is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code (the "**CML Code**") issued by the Council of Mortgage Lenders occurring before the Mortgage Regulation Date may be dealt with by the Financial Ombudsman Service. Complaints brought before the Ombudsman for consideration must be decided on a case by case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict whether any future decision of the Ombudsman may have an adverse effect on the Mortgage Loans, the Issuer, the Servicer and their respective businesses and operations and such decision may affect the ability of the Issuer to make payments to Noteholders.

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

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

Implementation of the Basel framework and any changes as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are

subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

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

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

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

Investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or 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.

In particular, investors should be aware of Articles 404 to 410 of Regulation (EU) No. 575/2013 referred to as the Capital Requirements Regulation (“CRR”) which apply, in general, to newly issued securitisations after 1 January 2014. Article 405 of the CRR restricts an EU regulated credit institution and consolidated group affiliates thereof from investing in a securitisation unless the originator, sponsor or original lender in respect of that securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in that securitisation as contemplated by Article 405. Article 406 also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the notes it has acquired and the underlying exposures and that procedures have been established for such due diligence to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Articles 404 to 410 may result in the imposition of a penal capital charge with respect to the investment made in the securitisation by the relevant investor.

Investors should also be aware of Section 5 of Regulation (EU) No 231/2013 (“AIFMR”), the provisions of which section introduced risk retention and due diligence requirements (which took effect from 22 July 2013 in general) in respect of alternative investment fund managers that are required to become authorised under EU Directive 2011/61/EC on Alternative Investment Fund Managers and which assume exposure to the credit risk of a securitisation on behalf of one or more alternative investment funds. While the requirements under

Section 5 of the AIFMR are similar to those which apply under Articles 404 to 410 (including in relation to the requirement to disclose to alternative investment fund managers that the originator, sponsor or original lender will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures), they are not identical and, in particular, additional due diligence obligations apply to relevant alternative investment fund managers.

Aspects of the risk retention and due diligence requirements described above and what is or will be required to demonstrate compliance to national regulators remain unclear. In particular, in the context of the requirements which apply in respect of EU regulated credit institution investors, investment firms and authorised alternative investment fund managers, coming legislative developments may result in changes to the corresponding interpretation materials which apply in respect of such requirements. No assurance can be provided that any such changes will not affect the compliance position of previously issued transactions and/or the requirements applying to relevant investors in general.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Relevant investors are required to independently assess and determine (i) whether the transaction complies with any relevant requirements, and (ii) the sufficiency of the information described in this Prospectus and in any investor reports provided in relation to the transaction for the purposes of complying with any relevant requirements and none of the Issuer, the Arranger, the Lead Manager or any Transaction Party makes any representation that the information described above is sufficient in all circumstances for such purposes or that the transaction complies with any relevant requirements.

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

### **CRA3**

Prospective investors are responsible for ensuring that an investment in the Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings. In this context, prospective investors should note the provisions of Regulation 462/2013 (EU) which amends Regulation (EC) 1060/2009 on Credit Rating Agencies (together, “**CRA3**”) which became effective on 20 June 2013. CRA3 requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other and, of the two credit rating agencies to be appointed, to consider appointing at least one credit rating agency with no more than 10 per cent. of the total market share in the European Union and which could be evaluated by the Issuer or a related third party as capable of rating the relevant issuance. According to the “CRAs’ Market share calculation according to Article 8d of the CRA Regulation” published by the European Securities and Markets Authority (“**ESMA**”) on 16 December 2013, DBRS is a credit rating agency with less than a 10 per cent. share of the total market share in the European Union.

Additionally, CRA3 requires certain additional disclosure to be made in respect of structured finance transactions. The scope, extent and manner in which such disclosure should be made will be detailed in the technical standards to be prepared by ESMA. As of the date of this Prospectus, only draft technical standards have been prepared by ESMA and the consultation period for such technical standards is set until 11 April 2014. In the absence of the technical standards, it is unclear what such additional disclosure requirements

will encompass and how they will apply to the Notes and the Issuer and, consequently, what impact they may have on the Noteholders and their investment in the Notes.

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

No assurance can be given that further changes will not be made to the regulatory regime and developments described above in respect of the mortgage market in the United Kingdom generally, or specifically in relation to the Legal Title Holder. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Legal Title Holder, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

## **Tax Considerations**

### **UK Special Regime for the Taxation of Securitisation Companies**

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

### **EU Savings Directive**

Council Directive 2003/48/EC (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted a Council Directive amending the Savings Directive on 24 March 2014 (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has

adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

### **Withholding Tax under the Notes**

In the event that withholding taxes are imposed in respect of payments due in respect of the Notes, neither the Issuer nor any Paying Agent nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts received as a result of the imposition of such withholding taxes.

### **U.S. Foreign Account Tax Compliance**

Whilst the Notes are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) will affect the amount of any payment received by the Clearing Systems (see the section entitled “*Taxation – U.S. Foreign Account Tax Compliance*”). However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than Euroclear or Clearstream, Luxembourg in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid the Principal Paying Agent and the Principal Paying Agent has paid the Clearing Systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries.

### **Legal Considerations**

#### **European Monetary Union**

It is possible that prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and the euro may become the lawful currency of the United Kingdom. Adoption of the euro by the United Kingdom may have the following consequences: (i) all amounts payable in respect of the Notes may become payable in euro; (ii) applicable provisions of law may allow or require the Notes to be redenominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed.

The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower’s ability to repay its Mortgage Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.



## **Change of Law**

The structure of the transaction as described in this Prospectus and, among other things, the issue of the Notes and the ratings which are to be assigned to the Notes are based on English, Scots and Northern Irish law, tax, accounting, regulatory and administrative practice in effect as at the date hereof as it affects the parties to the transaction and the Mortgage 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 change to such laws (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date hereof 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.

## **Scottish Independence**

A referendum is planned in Scotland in September 2014 in relation to a proposal for independence from the UK. If the result of the referendum is a vote in favour of independence, there can be no assurance that Scotland would be permitted to, or would choose to continue to, use sterling as its lawful currency. If this is the case, the Scottish Mortgage Loans would be subject to currency risk as being non-sterling loans.

## **Liquidation Expenses**

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, 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.

On 6 April 2008, Section 176ZA of the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that, in general, the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

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

## **Insolvency Act 2000**

The Insolvency Act 2000 (the “**IA 2000**”) has amended the Insolvency Act 1986 with effect from 1 January 2003 so as to allow certain “small companies”, as part of the company voluntary arrangement procedure, 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 for Trade and Industry may, by order, extend or reduce the duration of either period).

The Insolvency Act 1986 defines a “small company” 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 for Trade and Industry may, by regulations, 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, which were made on 25 July 2002 and came into force on 1 January 2003. 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 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 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.

### **The Enterprise Act 2002**

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 (the “**Enterprise Act**”) came into force, amending certain provisions of the Insolvency Act 1986 (as amended, the “**Insolvency Act**”). These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company had the ability to block the appointment of an

administrator by appointing an administrative receiver, who would act primarily in the interests of the floating chargeholder.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security which form part of a capital market arrangement (as defined in the Insolvency Act) and which involve indebtedness of at least £50,000,000 (or, when the relevant security document (being, in respect of the transactions described in this Prospectus, the Security Deed) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond). It is expected that the security which the Issuer will grant to the Trustee will fall within the capital markets exception. However, it should be noted that the Secretary of State could, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, would not be detrimental to the interests of the Noteholders.

The Insolvency Act also contains a new out of court route into administration for a qualifying floating chargeholder, the directors or the relevant company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating chargeholder does not respond to the directors' or company's notice of intention to appoint, the directors' or, as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out of court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced (other than in a limited number of circumstances), 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 or the administrator) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court or the administrator). In addition, if the holder of security (the "**chargee**") created by that company consents or if the court gives leave, the administrator 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.

The provisions of the Insolvency Act (as amended) give primary emphasis to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured parties is secondary. No assurance can be given that the primary purpose of the new provisions would not conflict with the interests of Noteholders were the Issuer ever subject to administration.

The Enterprise Act also removed the Crown's preferential rights in all insolvencies (section 251) and makes provisions to ensure that unsecured parties take the benefits of this change (section 252) (although certain debts, including contributions to occupational and state pension schemes, retain preferential status and are

payable in priority to debts owed to floating chargeholders). Under this latter provision the unsecured parties will have recourse to the floating charge assets up to a fixed amount (the “**prescribed part**”) in priority to the holder of the floating charge concerned. The prescribed part will be 50 per cent. of the first £10,000 of net floating charge assets; then 20 per cent. of the remaining net floating charge assets until the prescribed part reaches a maximum of £600,000. The obligation on the insolvency officeholder to set aside the prescribed part for unsecured parties does not apply if the net floating charge realisations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The prescribed part will apply to all floating charges created on or after 15 September 2003 regardless as to whether they fall within one of the exceptions or not.

### **Insolvency Legislation in Northern Ireland**

The Insolvency Act 2000 and the corporate insolvency provisions of the Enterprise Act 2002 do not apply in Northern Ireland. The current law is contained in the Insolvency (Northern Ireland) Order 1989 (the “**1989 Order**”) as amended by the Insolvency (Northern Ireland) Order 2002. The 1989 Order is further amended by the provisions of the Insolvency (Northern Ireland) Order 2005 (the “**2005 Order**”) which came into force on 27 March 2006. The 2005 Order implemented in Northern Ireland corporate insolvency provisions which are identical to those introduced by the provisions of the Enterprise Act 2002 in England, Wales and Scotland. The changes introduced in England, Wales and Scotland by the Insolvency Act 2000 in relation to small companies are mirrored in the Insolvency (Northern Ireland) Order 2002.

### **Fixed Charges over Accounts May Take Effect under English Law and Northern Irish Law as Floating Charges**

The Issuer will purport to grant, *inter alia*, fixed charges in favour of the Trustee over the Issuer’s interest in the Collection Accounts, the Transaction Account and any other bank account in which the Issuer has an interest.

The law in England and Wales and in Northern Ireland relating to the re-characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law and Northern Irish law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the relevant account or the proceeds thereof for the security to be said to “fix” over those 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 certain claims, which are given priority over the floating charge by law, would be given priority over the claims of the floating chargeholder. See the paragraph entitled “*The Enterprise Act 2002*” above.

*The Issuer believes that the risks described above in this section titled “Risk Factors” are the principal risks for the Noteholders inherent in the transaction, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer does not represent that the above stated risk factors are exhaustive. The Issuer believes that the structural elements described elsewhere in this Prospectus go to mitigate a number of these risks for the Noteholders, nevertheless the Issuer cannot give any assurance that those will be sufficient to ensure timely payment of interest, principal or any other amounts on or in connection with the Notes to Noteholders.*

## MORTGAGE PORTFOLIO AND SERVICING

See the sections entitled “*The Mortgage Portfolio and the Mortgage Loans*”, “*Characteristics of the Provisional Mortgage Portfolio*”, “*Assignment of the Mortgage Loans and Related Security*” and “*Servicing of the Mortgage Portfolio*” for further detail in respect of the characteristics of the Mortgage Portfolio and the sale and the servicing arrangements in respect of the Mortgage Portfolio.

### Sale of Portfolio

The Mortgage Portfolio will consist of the Mortgage Loans, the Related Security, and all monies derived therefrom from time to time after the Cut-Off Date, which will be sold to the Issuer on the Closing Date.

Each Mortgage Loan and Related Security (other than the Scottish Mortgage Loans, Northern Irish Mortgage Loans, Scottish Related Security and Northern Irish Related Security) is governed by English law. The Scottish Mortgage Loans and Scottish Related Security are governed by Scots law. The Northern Irish Mortgage Loans and the Northern Irish Related Security are governed by Northern Irish law.

The Mortgage Portfolio comprises Mortgage Loans originated by Edeus Mortgage Creators Limited (in liquidation) and Victoria Mortgage Funding Limited (dissolved).

See the sections entitled “*The Mortgage Portfolio and the Mortgage Loans*” and “*Assignment of the Mortgage Loans and Related Security*”.

### Features of Mortgage Loans

Certain features of the loans in the Provisional Mortgage Portfolio as at the Provisional Cut-Off Date are set out in the table below and investors should refer to, and carefully consider, further details in respect of the loans in the Provisional Mortgage Portfolio set out in “*Characteristics of the Provisional Mortgage Portfolio*”.

Type of mortgage	repayment, interest only, part repayment and part interest only
Self-certified Mortgage Loans	Yes – approximately 46.93%
First time buyer Mortgage Loans	Yes – approximately 22.39%
Buy-to-let Mortgage Loans	Yes – approximately 26.27%
Number of Mortgage Loans	2,116 (subject to removals due to repossession or redemption)
Number of Mortgage Loan Parts	2,143 (subject to removals due to repossession or redemption)
	<b>Average / Weighted average</b>
Current Balance	£311,042,282.74
Weighted Average Current Balance / Original Valuation	82.43%
Weighted Average Current Balance / Indexed Valuation	78.26%
Seasoning	6.77 years
Remaining Term	15.55 years

<b>Consideration</b>	The consideration payable by the Issuer to the Beneficial Title Seller in respect of the sale of the Mortgage Loans and Related Security shall be £287,703,788 in cash consideration, plus the issue of the Certificates to the Beneficial Title Seller.
<b>Representations and Warranties</b>	<p>The Beneficial Title Seller will make certain Asset Warranties regarding the Mortgage Loans and Related Security to the Issuer on the Closing Date.</p> <p>See the section entitled “<i>Assignment of the Mortgage Loans and Related Security</i>” for further details.</p>
<b>Repurchase of the Mortgage Loans and Related Security</b>	<p>The Issuer shall sell and the Beneficial Title Seller shall repurchase the relevant Mortgage Loans and their Related Security in each of the following circumstances:</p> <ul style="list-style-type: none"> <li>• following a Relevant Breach of an Asset Warranty (which is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller fails to remedy within the applicable grace period following such breach of an Asset Warranty); or</li> <li>• the Legal Title Holder determines that it will accept a request from a Borrower for a Further Advance or a Cash Flow Port following the repurchase of the related Mortgage Loan and its Related Security.</li> </ul> <p>The obligation to repurchase following a Relevant Breach of an Asset Warranty is limited by time.</p> <p>Under the Mortgage Sale Agreement, the Beneficial Title Seller shall have the ability to elect to repurchase from the Issuer any Mortgage Loan following completion of any Enforcement Procedures in relation to such Mortgage Loan (a “<b>Shortfall Account</b>”).</p>
<b>Consideration for repurchase</b>	<p>Where the Beneficial Title Seller is required to repurchase any Mortgage Loan, the consideration payable by the Beneficial Title Seller in respect thereof shall be equal to the Principal Outstanding Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus accrued but unpaid interest in relation to such Mortgage Loan plus an amount equal to the Issuer’s reasonable and proper third party costs and expenses incurred or payable in connection with such repurchase.</p> <p>The consideration payable by the Beneficial Title Seller in relation to any Shortfall Account shall be deferred consideration in an amount equal to the net recoveries (if any) made in respect of the related Mortgage Loan and its Related Security (less any fees, costs and expenses (including any fee charged in respect of management time) incurred in connection with the making of such recoveries or incurred in connection with the repurchase).</p>
<b>Purchase of Mortgage Portfolio by Portfolio Option Holder</b>	The Portfolio Option Holder may purchase all (but not part) of the Mortgage Loans and their Related Security at any time in the period from the Business Day falling 15 Business Days prior to the Optional Redemption Date until the date on which the Issuer has completed the Market Portfolio Purchase (the “ <b>Certificate Portfolio Purchase</b> ”).
<b>Consideration for purchase by Portfolio</b>	The purchase price payable by the Portfolio Option Holder in respect of the Certificate Portfolio Purchase shall be the higher of (i) the aggregate market

<b>Option Holder</b>	value of the Mortgage Portfolio as at the Certificate Portfolio Purchase Completion Date, and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Notes as at the Certificate Portfolio Purchase Completion Date plus an amount not less than the amount required to satisfy items (a) to (o) (excluding items (f) (h), (j), (l) and (n)) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Certificate Portfolio Purchase Completion Date, less the credit balance of the General Reserve Fund and the Liquidity Reserve Fund.
<b>Market sale of Mortgage Portfolio:</b>	In the event that the Certificate Portfolio Purchase does not occur by the Optional Redemption Date, the Issuer will direct the Market Portfolio Purchase Agent to seek offers to purchase the Mortgage Portfolio (such purchase a “ <b>Market Portfolio Purchase</b> ”).
<b>Consideration for purchase for market sale:</b>	The purchase price payable in respect of such Market Portfolio Purchase shall be an amount which is not less than the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Market Portfolio Purchase Completion Date, and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Notes as at the Market Portfolio Purchase Completion Date plus (A) an amount not less than the amount required to satisfy items (a) to (o) (excluding items (f) (h), (j), (l) and (n)) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Market Portfolio Purchase Completion Date, less the credit balance of the General Reserve Fund and the Liquidity Reserve Fund and (B) an amount equal to all fees, costs and expenses payable to the Market Portfolio Purchase Agent under the Market Portfolio Purchase Agreement.
<b>Perfection Events:</b>	<p>Transfer of the legal title to the relevant Mortgage Loans and Related Security will be perfected if certain specified perfection events occur, which will include insolvency of the Legal Title Holder, an Enforcement Notice being issued or the Security or any material part thereof (in the opinion of the Trustee) being in jeopardy.</p> <p>Prior to the completion of the transfer of legal title to the relevant Mortgage Loans and Related Security to the Issuer (or a nominee of the Issuer), the Issuer will hold only the equitable title to those Mortgage Loans and the Related Security and will therefore be subject to certain risks as set out in the risk factor entitled “<i>Title of the Issuer</i>” in the Risk Factors section.</p>
<b>Servicing of the Mortgage Portfolio:</b>	<p>The Servicer will be appointed by the Legal Title Holder and the Issuer to service the Mortgage Portfolio on a day-to-day basis. The appointment of the Servicer may be terminated by the Issuer (with the prior written consent of the Trustee), by the Legal Title Holder or by the Trustee, upon the occurrence of certain events, as more particularly described in the section entitled “<i>Servicing of the Mortgage Portfolio</i>”.</p> <p>The Servicer may also resign at any time with effect on or after Optional Redemption Date upon giving 120 days’ notice (which may expire more quickly if the Back-Up Servicer or a replacement servicer has been appointed and is fully operational). In addition, there are certain other circumstances in which the Servicer may terminate its appointment under the Servicing Agreement, upon 120 days’ notice (which may expire more quickly if the</p>

Back-Up Servicer or a replacement servicer has been appointed and is fully operational), as more particularly described in the section entitled “*Servicing of the Mortgage Portfolio*”.

The appointment of the Back-Up Servicer as servicer or another replacement servicer will take effect upon any termination of the appointment of the Servicer as described above.

In the absence of a Servicer Termination Event, Noteholders have no right to instruct the Trustee to terminate the appointment of the Servicer. Once a Servicer Termination Event has occurred, Noteholders may, by Extraordinary Resolution, instruct the Trustee to terminate the appointment of the Servicer.

For so long as a Perfection Event has not occurred, the Servicer will be prevented from taking certain Restricted Actions without the consent of the Legal Title Holder, and will take instructions from the Legal Title Holder in relation to certain actions in relation to the Mortgage Loans and the Related Security. These are more particularly described in the section entitled “*Servicing of the Mortgage Portfolio*”. Following the transfer of legal title in respect of the Mortgage Portfolio by the Legal Title Holder to the Issuer or the Issuer’s nominee after the occurrence of a Perfection Event, the Issuer or the Trustee (acting upon the instructions of the Most Senior Class by way of Extraordinary Resolution) will have sole discretion to appoint an appropriate service provider to perform these actions.

See the section entitled “*Servicing of the Mortgage Portfolio*” for further details.

**Delegation:**

The Servicer may delegate some of its servicing functions to a third party provided that the Servicer remains responsible for the performance of any functions so delegated.

The Servicer will delegate certain of its servicing functions in relation to the Edeus Pool to the Sub-Servicer. However, the Servicer shall remain liable to the Issuer for the performance of the delegated servicing functions. The appointment of the Sub-Servicer will be terminated by the Servicer upon the completion of the Migration.

See the section entitled “*Servicing of the Mortgage Portfolio*” for further details.



**Back-Up Servicer:**

Each of the Issuer and the Legal Title Holder will use all its reasonable efforts to procure that Homeloan Management Limited, as the Back-Up Servicer, is appointed on the Closing Date. Pursuant to the Back-Up Servicing Agreement the Back-Up Servicer will agree to provide back-up services in respect of the Mortgage Portfolio. Following termination of the appointment of the Servicer, the Back-Up Servicer will replace the Servicer and perform its duties and obligations under the Servicing Agreement if an alternative servicer has not been found. The Back-Up Servicer may not be required to replace the Servicer during the period following the Closing Date up to no later than 30 November 2014, and will require up to 60 days' notice before it is obliged to assume the servicing of the Mortgage Portfolio.

See the section entitled "*Servicing of the Mortgage Portfolio*" for further details.

## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

See the sections entitled “*Terms and Conditions of the Notes*” and “*Early Redemption of Notes*” for further detail in respect of the terms of the Notes.

### FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
<b>Currency</b>	£	£	£	£	£	£
<b>Initial Principal Amount Outstanding</b>	£185,740,000	£32,230,000	£29,160,000	£23,020,000	£16,880,000	£4,600,000
<b>Note Credit Enhancement</b>	Over-collateralisation, subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes and excess spread	Over-collateralisation, subordination of the Class C Notes, the Class D Notes and the Class F Notes and excess spread	Over-collateralisation, subordination of the Class D Notes, Class E Notes and the Class F Notes and excess spread	Over-collateralisation, subordination of the Class E Notes and Class F Notes and excess spread	Over-collateralisation, subordination of the Class F Notes and excess spread	Over-collateralisation and excess spread
<b>Reserve Credit Enhancement</b>	General Reserve Fund	General Reserve Fund	General Reserve Fund	General Reserve Fund	General Reserve Fund	General Reserve Fund
<b>Liquidity Support</b>	Liquidity Reserve Fund, General Reserve Fund, Principal Reallocation Amount and excess spread	(If the Class B Notes are the Most Senior Class) Liquidity Reserve Fund, General Reserve Fund, (prior to the redemption of the Class A Notes and the debit balance of the Class B Principal Deficiency Sub-Ledger is less than or equal to 80 per cent. of the Principal Amount Outstanding of the Class B Notes, or if the Class B Notes are the Most Senior Class) Principal Reallocation Amount and excess spread	(If the Class C Notes are the Most Senior Class) Liquidity Reserve Fund, General Reserve Fund, (if the Class C Notes are the Most Senior Class) Principal Reallocation Amount, and excess spread	(If the Class D Notes are the Most Senior Class) Liquidity Reserve Fund, General Reserve Fund, (if the Class D Notes are the Most Senior Class) Principal Reallocation Amount, and excess spread	(If the Class E Notes are the Most Senior Class) Liquidity Reserve Fund, General Reserve Fund, (if the Class E Notes are the Most Senior Class) Principal Reallocation Amount, and excess spread	(If the Class F Notes are the Most Senior Class) Liquidity Reserve Fund, General Reserve Fund, (if the Class F Notes are the Most Senior Class) Principal Reallocation Amount, and excess spread
<b>Issue Price</b>	99.187%	98.376%	97.704%	97.493%	97.082%	96.662%
<b>Interest Reference Rate</b>	3 month Sterling LIBOR	3 month Sterling LIBOR	3 month Sterling LIBOR	3 month Sterling LIBOR	3 month Sterling LIBOR	3 month Sterling LIBOR
<b>Relevant Margin</b>	0.850% p.a.	1.000% p.a.	1.250% p.a.	1.500% p.a.	2.000% p.a.	2.250% p.a.
<b>Step-Up Margin (after the Optional)</b>	1.275% p.a.	1.500% p.a.	1.875% p.a.	2.250% p.a.	3.000% p.a.	3.375% p.a.

	<b>Class A Notes</b>	<b>Class B Notes</b>	<b>Class C Notes</b>	<b>Class D Notes</b>	<b>Class E Notes</b>	<b>Class F Notes</b>
<b>Redemption Date)</b>						
<b>Interest Accrual Method</b>	ACT/365 (fixed)	ACT/365 (fixed)	ACT/365 (fixed)	ACT/365 (fixed)	ACT/365 (fixed)	ACT/365 (fixed)
<b>Interest Determination Date</b>	Interest Payment Date	Interest Payment Date	Interest Payment Date	Interest Payment Date	Interest Payment Date	Interest Payment Date
<b>Interest Payment Dates</b>	Interest is payable quarterly in arrear on the 15 <sup>th</sup> day of February, May, August and November	Interest is payable quarterly in arrear on the 15 <sup>th</sup> day of February, May, August and November	Interest is payable quarterly in arrear on the 15 <sup>th</sup> day of February, May, August and November	Interest is payable quarterly in arrear on the 15 <sup>th</sup> day of February, May, August and November	Interest is payable quarterly in arrear on the 15 <sup>th</sup> day of February, May, August and November	Interest is payable quarterly in arrear on the 15 <sup>th</sup> day of February, May, August and November
<b>Business Day Convention</b>	Modified following	Modified following	Modified following	Modified following	Modified following	Modified following
<b>First Interest Payment Date</b>	Interest Payment Date falling in November 2014	Interest Payment Date falling in November 2014	Interest Payment Date falling in November 2014	Interest Payment Date falling in November 2014	Interest Payment Date falling in November 2014	Interest Payment Date falling in November 2014
<b>First Interest Period</b>	The period from the Closing Date to the First Interest Payment Date					
<b>Optional Redemption Date</b>	Interest Payment Date falling in August 2019	Interest Payment Date falling in August 2019	Interest Payment Date falling in August 2019	Interest Payment Date falling in August 2019	Interest Payment Date falling in August 2019	Interest Payment Date falling in August 2019
<b>Pre-Enforcement Redemption Profile</b>	Sequential pass-through amortisation on each Interest Payment Date to the extent of Available Principal Funds subject to and in accordance with the relevant Payments Priorities.					
<b>Portfolio Call</b>	If the Certificate Portfolio Purchase is exercised later than 10 Business Days prior to the next Interest Payment Date to occur after the exercise date in respect of the Portfolio Option, the Notes will be redeemed on the Interest Payment Date immediately following that Interest Payment Date.					
<b>Post-Enforcement Redemption Profile</b>	Sequential pass-through amortisation in accordance with the Post-Enforcement Payments Priorities.					
<b>Final Maturity Date</b>	Interest Payment Date falling in November 2049.					
<b>Form of the Notes</b>	Bearer	Bearer	Bearer	Bearer	Bearer	Bearer
<b>Application for Listing</b>	Main Securities Market of The Irish Stock Exchange p.l.c.	Main Securities Market of The Irish Stock Exchange p.l.c.	Main Securities Market of The Irish Stock Exchange p.l.c.	Main Securities Market of The Irish Stock Exchange p.l.c.	Main Securities Market of The Irish Stock Exchange p.l.c.	Main Securities Market of The Irish Stock Exchange p.l.c.
<b>ISIN</b>	XS1092289401	XS1092291308	XS1092292025	XS1092292298	XS1092292454	XS1092292702
<b>Common Code</b>	109228940	109229130	109229202	109229229	109229245	109229270
<b>Clearance/Settlement</b>	Euroclear/ Clearstream, Luxembourg					
<b>Minimum Denomination</b>	£100,000 and £1,000 increments					
<b>Retained Amount</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Rating of Notes on Issue</b>	AAA(sf) by DBRS and AAA(sf) by S&P	AA(sf) by DBRS and AA(sf) by S&P	A(sf) by DBRS and A(sf) by S&P	BBB(sf) by DBRS and BBB(sf) S&P	BB(sf) by DBRS and BB(sf) by S&P	B(sf) by DBRS and B(sf) by S&P

## Ranking

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

Payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class B Notes, payments of principal on the Class B Notes will at all times rank in priority to payments of principal on the Class C Notes, payments of principal on the Class C Notes will at all times rank in priority to payments of principal on the Class D Notes, payments of principal on the Class D Notes will at all times rank in priority to payments of principal on the Class E Notes, payments of principal on the Class E Notes will at all times rank in priority to payments of principal on the Class F Notes, in each case in accordance with the applicable Payments Priorities.

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes, payments of interest on the Class B Notes will at all times rank in priority to payments of interest on the Class C Notes, payments of interest on the Class C Notes will at all times rank in priority to payments of interest on the Class D Notes, payments of interest on the Class D Notes will at all times rank in priority to payments of interest on the Class E Notes, payments of interest on the Class E Notes will at all time rank in priority to payments of interest on the Class F Notes, payment of interest on the Class F Notes will at all times rank in priority to payments of Residual Payments to the Certificateholders in each case in accordance with the applicable Payments Priorities.

## Security

The Notes are secured and will share the Security with the other Secured Amounts of the Issuer as set out in the Security Deed. The security granted by the Issuer includes:

- (a) a first fixed charge over the benefit of the Issuer in each English Mortgage Loan, English Mortgage and other Related Security relating to such English Mortgage Loan, each English Mortgage Document and all English Receivables;
- (b) a first fixed charge over the benefit of the Issuer in each Northern Irish Mortgage Loan, Northern Irish Mortgage and other Related Security relating to such Northern Irish Mortgage Loan, each Northern Irish Mortgage Document and all Northern Irish Receivables;
- (c) an assignment in security of the Issuer's beneficial interest as a beneficiary under the Scottish Declaration of Trust;
- (d) an assignment of rights held by the Issuer against certain third parties and insurers;
- (e) a first fixed charge of the benefit of any bank or other accounts in which the Issuer may at any time have or acquire any benefit;
- (f) an assignment of the benefit of the Issuer under each relevant Primary Transaction Document (other than the Trust Documents and the Scottish Declaration of Trust); and
- (g) a first floating charge over all the assets and undertaking of the Issuer to the extent not effectively charged pursuant to paragraphs (a) to (f) above

but extending over all assets and undertakings of the Issuer located in, or otherwise governed by the laws of Scotland.

Some of the other Secured Amounts rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Post-Enforcement Payments Priorities.

See also the following risk factor under "*Risk Factors – Fixed charges may take effect under English law as floating charges*".

**Interest Provisions**

See "*Full Capital Structure of the Notes*" as set out above.

**Interest Deferral**

To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on each Class of Notes other than the Most Senior Class, this payment shall be deferred and such non-payment shall not constitute an Event of Default. Any amounts of deferred interest will accrue interest described in Note Condition 7 (*Interest*) and payment of any such additional interest will also be deferred.

Payment of the shortfall representing deferred interest will be deferred until the first Interest Payment Date on which the Issuer has sufficient funds, provided that the payment of such shortfall shall not be deferred beyond the Final Maturity Date, as described in Note Condition 7.10 (*Interest Deferred*). On such date, any amount which has not by then been paid in full shall become due and payable.

**Gross-up**

None of the Issuer or any Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes.

**Redemption**

The Notes are subject to the following mandatory redemption events:

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Note Condition 8 (*Final Redemption, Mandatory Redemption in part and Cancellation*);
- mandatory redemption in whole on the after the occurrence of a Certificate Portfolio Purchase or a Market Portfolio Purchase, as fully set out in Note Condition 8 (*Final Redemption, Mandatory Redemption in part and Cancellation*); and
- mandatory redemption in part on any Interest Payment Date as fully set out in Note Condition 8 (*Final Redemption, Mandatory Redemption in part and Cancellation*).

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

**Events of Default**

As fully set out in Note Condition 12 (*Event of Default*), which includes (and where relevant will be subject to the applicable grace period):

- non-payment of interest and/or principal (other than any amounts of Interest which may be deferred in accordance with Note Condition 7.10 (*Interest Deferred*));

- misrepresentation by the Issuer in respect of any Issuer Warranty;
- breach of contractual obligations by the Issuer under the Transaction Documents or of the Notes;
- unlawfulness; and
- Insolvency Events.

**Enforcement**

If an Event of Default has occurred and is continuing, the Trustee may, and for so long as any Notes remain outstanding shall, if so requested: (a) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding; or (b) by an Extraordinary Resolution of the Noteholders of the Most Senior Class then outstanding, deliver an Enforcement Notice to the Issuer and institute such proceedings or take such action or step as may be required in order to enforce the Security in accordance with the Trust Documents. The Trustee shall not be obliged to deliver an Enforcement Notice, unless it shall have been fully indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

**Limited Recourse**

The Notes are limited recourse obligations of the Issuer and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Note Condition 9 (*Limited Recourse*).

**Non petition**

The Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Trust Deed and the Note Conditions):

- to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security other than when expressly permitted to do so under the Note Conditions; or
- to take or join any person in any steps against the Issuer to obtain payment of any amount due from the Issuer to it; or
- until the date falling two years after the Final Discharge Date, to initiate or join in initiating any proceeding in relation to an Insolvency Event in relation to the Issuer; or
- to take or join in taking of any steps or proceedings which would result in any of the Payments Priorities not being observed.

**Governing Law**

English law as to the Notes and the Trust Deed. English, Northern Irish and Scots law as to the Security Deed.

## RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

*See the section entitled “Terms and Conditions of the Notes” for further details in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Creditors.*

**Prior to an Event of Default** Noteholders holding no less than 10 per cent. of the Principal Amount Outstanding of the outstanding Notes of a particular Class are entitled to request the Trustee to convene a Noteholders’ Meeting of such Class. Noteholders can also participate in a Noteholders’ Meeting convened by the Issuer or Trustee to consider any matter affecting their interests.

However, investors should note that the Noteholders will not be entitled to instruct or direct the Issuer to take any actions, either directly or through the Trustee, where the Issuer has no right, obligation or ability to take such action under the Transaction Documents.

**Following an Event of Default** Following the occurrence of an Event of Default which is continuing, Noteholders of the Most Senior Class then outstanding may, if they hold not less than 25 per cent. of the Principal Amount Outstanding or if they pass an Extraordinary Resolution, direct the Trustee (provided it has been indemnified and/or secured and/or prefunded to its satisfaction) to deliver an Enforcement Notice to the Issuer stating that all Classes of Notes are immediately due and repayable at their respective Principal Amount Outstanding.

**Noteholders Meeting provisions**

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	21 clear days	14 clear days
Quorum for meetings on Extraordinary Resolutions:	One or more persons holding or representing a majority of the Principal Amount Outstanding of the relevant Class of Notes (other than a Reserved Matter, which requires 75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes).	25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes
Required majority:	75 per cent. of votes cast for matters requiring Extraordinary Resolution	
Electronic Consent	75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes voting to approve matters requiring Extraordinary Resolution by way of Electronic Consent. Electronic Consent has the same effect as an Extraordinary Resolution.	
Written Resolution:	75 per cent. of the Principal Amount Outstanding of the relevant class of Notes. A Written Resolution has	

the same effect as an Extraordinary Resolution

**Matters requiring  
Extraordinary  
Resolution**

The following matters (including but not limited to):

- Reserved Matter;
- subject to Note Condition 16 (*Modification and Waiver*), modification of the Note Conditions or any Transaction Document;
- substitution of the Issuer;
- subject to Note Condition 16 (*Modification and Waiver*), waiving a breach of covenant by the Issuer;
- after a Servicer Termination Event, unless a substitute servicer or the Back-Up Servicer is appointed in accordance with the terms of the Servicing Agreement, the identity of a replacement Servicer;
- in the case of the Most Senior Class then outstanding, giving of a direction to the Trustee to deliver an Enforcement Notice;
- in the case of the Most Senior Class, removal of the Trustee and approval of the successor trustee;
- in the case of the Most Senior Class, approval of the terms of a merger, reorganisation or amalgamation of the Issuer; and
- in the case of the Most Senior Class then outstanding, giving of a direction to the Trustee to refrain from exercising any powers conferred upon it by Note Condition 16.2 (*Waiver*).

**Relationship between  
Classes of Noteholders**

Subject to the Provisions for Meetings of Noteholders and the Provisions for Meetings of Certificateholders governing a Reserved Matter, a resolution of Noteholders of the Most Senior Class then outstanding shall be binding on all other holders of Notes and all holders of Certificates and the Trustee shall not take into account any resolutions to the contrary passed by the Certificateholders.

A Reserved Matter requires an Extraordinary Resolution of all Classes of Notes and of the Certificates then outstanding.

**Beneficial Title Seller as  
Noteholder**

For the purpose of, *inter alia*, the right to attend and vote at any Meeting of Noteholders, the right to resolve by Extraordinary Resolution in writing and certain rights to direct, the relevant Notes must be “outstanding”. Those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding provided that if all Notes of a particular Class are held by the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the “**relevant Class of Notes**”) and no other Classes of Notes exist that rank junior or *pari passu* to the relevant Class of Notes, the relevant Class of Notes will be deemed to remain outstanding.

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

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



and there is a conflict between the interests of the Certificateholders and the other Secured Creditors (except the Noteholders), the Trustee will take into account the interests of the Certificateholders only in the exercise of its discretion.

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

The Cash Manager will provide an investor report on a quarterly basis containing information in relation to the Notes and the Certificates including, but not limited to, (i) amounts paid by the Issuer pursuant to the Payments Priorities in respect of the relevant period, (ii) required counterparty information, and (iii) the Beneficial Title Seller's continued holding of the Certificates. The quarterly investor report will be published on [www.sf.citidirect.com](http://www.sf.citidirect.com).

For the avoidance of doubt, the Cash Manager:

- (a) in respect (ii) and (iii), shall have no input on and shall not be required to, review or check the adequacy, accuracy or completeness of such information; and
- (b) in respect of (iii), shall only be required to include such information to the extent that the Cash Manager has received a confirmation in writing from the Beneficial Title Seller (and upon which confirmation the Cash Manager shall be entitled to rely without further enquiry and without any liability for so relying), that the Beneficial Title Seller (x) continues to hold the Certificates, and (y) has not sold, hedged or otherwise mitigated its credit risk under or associated with the Certificates. The Cash Manager shall rely on such confirmation until otherwise notified in writing by the Beneficial Title Seller.

**Communication with  
Noteholders**

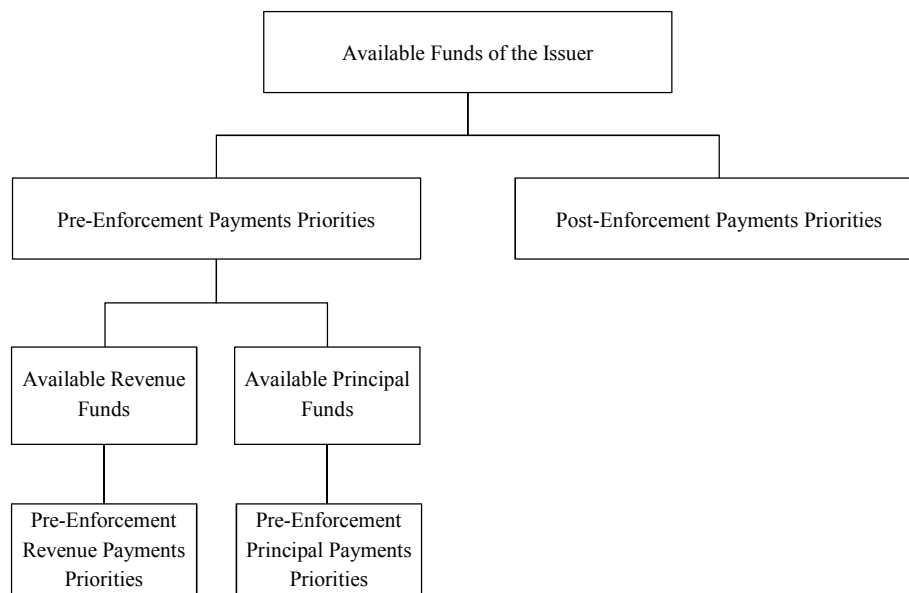
Any notice to be given by the Issuer or the Trustee to Noteholders shall be given in the following manner:

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

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

## CREDIT STRUCTURE AND CASHFLOW

See the sections entitled “Cashflows” and “Credit Enhancement and Liquidity Support” for further detail in respect of the credit structure and cash flow of the transaction



### Available Funds of the Issuer:

The Issuer will use Available Revenue Funds and Available Principal Funds for the purposes of making interest and principal payments under the Notes and payments under the Certificates and the other Transaction Documents.

“Available Revenue Funds” will, broadly, include the following:

- Revenue Receipts received during the immediately preceding Calculation Period;
- interest paid to the Issuer on the Transaction Account during the immediately preceding Calculation Period;
- (prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) amounts to be drawn from the Liquidity Reserve Fund (as required to meet any Senior Revenue Shortfall),
- (prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) amounts to be drawn from the General Reserve Fund (as required to meet any Revenue Shortfall);
- (upon the redemption in full of the Notes prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) all amounts standing to the credit of the General Reserve Ledger and the Liquidity Reserve Ledger; and
- (prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) any Principal Reallocation Amounts (as required to meet any Senior Revenue Shortfall);

- (after redemption of the Notes in full) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amount.

less relevant amounts debited during the Calculation Period, which include the following:

- any Borrower Repayment Amount of a revenue nature;
- any tax payment;
- any Third Party Expenses;
- any Servicer Fees and/or Servicer Liabilities;
- any Trustee Fees and/or Trustee Liabilities; and
- amounts to remedy any overdraft in relation to the Collection Accounts or to pay any amounts due to the Collection Account Bank.

“**Available Principal Funds**”, broadly, include:

- all Principal Receipts received by the Issuer during the immediately preceding Calculation Period (including consideration paid by the Beneficial Title Seller in respect of the re-purchase of the Mortgage Loans and their Related Security which relates to principal amounts due and receipt of realisation proceeds of the relevant Related Security);
- amounts transferred from the Revenue Ledger comprising Revenue Reallocation Amounts;
- Principal Addition Amounts; and
- (following a Certificate Portfolio Purchase or a Market Portfolio Purchase) amounts withdrawn from the General Reserve Fund and the Liquidity Reserve Fund,

less any Borrower Repayment Amount of a principal nature and any direct debit reversals or cheques to be repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer account debited during the immediately preceding Calculation Period.

#### **Payments Priorities**

Prior to the service of an Enforcement Notice by the Trustee, Available Revenue Funds shall be applied in the order of priority set out in the Pre-Enforcement Revenue Payments Priorities and Available Principal Funds shall be applied in the order of priority set out in the Pre-Enforcement Principal Payments Priorities. After an Enforcement Notice is delivered by the Trustee, Trust Proceeds shall (after deduction of all costs and expenses incurred by the Trustee in obtaining receipt or recovery of the Trust Proceeds) be held by the Trustee upon trust to be applied in the order of priority set out in the Post-Enforcement Payments Priorities.

Please see full details of the payments priorities set out in the section entitled “*Cashflows*”.

#### **General Credit Structure**

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

##### (a) ***Credit Support:***

- *Over-collateralisation:* the aggregate Principal Outstanding Balance of Mortgage Loans on the Cut-Off Date exceeds the initial Principal

Amount Outstanding of the Notes on the Closing Date by approximately £15,391,178, and Principal Losses will be allocated first to the OC Principal Deficiency Sub-Ledger, then the Class F Principal Deficiency Sub-Ledger, then the Class E Principal Deficiency Sub-Ledger, then the Class D Principal Deficiency Sub-Ledger, then the Class C Principal Deficiency Sub-Ledger, then the Class B Principal Deficiency Sub-Ledger, and lastly to the Class A Principal Deficiency Sub-Ledger.

- *General Reserve Fund*: the General Reserve Fund, initially funded in an amount equal to £4,605,318 (being approximately 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date) from a drawing on the Reserve Subordinated Loan provided by the Beneficial Title Seller, and thereafter to be maintained at the General Reserve Fund Target Amount from Available Revenue Funds, may be applied to reduce the debit balance on the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger, the Class D Principal Deficiency Sub-Ledger, the Class E Principal Deficiency Sub-Ledger and the Class F Principal Deficiency Sub-Ledger.
- *Revenue Reallocation Amounts*: Available Revenue Funds may be applied as Available Principal Funds to the extent of, among other things, any Principal Losses on the Mortgage Loans.
- *Principal Addition Amounts*: at any time when the Notes remain outstanding and the Principal Outstanding Balance of the Mortgage Loans which have an arrears balance greater than three Monthly Subscriptions exceeds 15 per cent. of the Principal Outstanding Balance of all Mortgage Loans, Principal Addition Amounts may be applied as Available Principal Funds.
- *Redemption of Notes*: following the redemption of the Notes, the Residual Principal Allocation Amount will be applied to the Pre-Enforcement Revenue Payments Priorities (which includes payments of amounts in respect of the Certificates).

See the section entitled “*Credit Enhancement and Liquidity Support*”.

(b) ***Liquidity Support***:

*Liquidity Reserve Fund*: the Liquidity Reserve Fund, initially funded in an amount equal to £4,605,318 (being approximately 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date) from a drawing on the Reserve Subordinated Loan provided by the Beneficial Title Seller, and thereafter to be maintained at the Liquidity Reserve Fund Target Amount from Available Revenue Funds, may be applied to pay Interest Amounts in respect of the Most Senior Class.

*General Reserve Fund*: the General Reserve Fund, initially funded in an amount equal to £4,605,318 (being approximately 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the

Closing Date) from a drawing on the Reserve Subordinated Loan provided by the Beneficial Title Seller, and thereafter to be maintained at the General Reserve Fund Target Amount from Available Revenue Funds, may be applied to pay Interest Amounts in respect of all Classes of Notes.

*Principal Reallocation Amounts:* Available Principal Funds will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (after the application of any General Reserve Drawing and Liquidity Reserve Drawing) (i) to pay Interest Amounts in respect of the Class A Notes and, if the debit balance on the Class B Principal Deficiency Sub-Ledger is less than or equal to 80 per cent. of the Principal Amount Outstanding of the Class B Notes on the relevant Interest Payment Date, the Class B Notes, or (ii) after the redemption in full of the Class A Notes, to pay Interest Amounts in respect of the Most Senior Class.

See the section entitled “*Credit Enhancement and Liquidity Support*”.

#### **Bank Accounts and Cash Management**

Collections of revenue and principal in respect of the Mortgage Loans in the Mortgage Portfolio are received by the Legal Title Holder in the Collection Accounts. Interest payments and principal repayments are collected throughout the month.

All monies standing to the credit of the Collection Accounts above the aggregate maximum balance of £15,000 which may be standing to the credit of the Collection Accounts during a Calculation Period shall be transferred from any of the Collection Accounts to the Servicer Expense Account or the Transaction Account by the Collection Account Bank. At the end of each Business Day during a Calculation Period, amounts standing to the credit of the Collection Accounts in excess of (i) £15,000 (in aggregate) (the “**DD Retained Balance**”), (ii) any Borrower Repayment Amounts, (iii) any direct debit reversals or cheques to be repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer account and (iv) any fees payable to the Collection Account Bank, shall be transferred *firstly* into the Servicer Expense Account, until there is a credit balance on the Servicer Expense Account equal to £50,000 (the “**Servicer Expense Required Amount**”); and *secondly* into the Transaction Account.

Borrower Repayment Amounts will be paid out of the Collection Accounts to the relevant recipient on any Business Day.

The Collection Account Bank shall be entitled at any time to deduct from any of the Collection Accounts any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to the Borrowers under the Mortgage Portfolio, or to pay amounts due or owing to the Collection Account Bank (and there can be no assurance as to the quantum of such deductions from time to time).

The Cash Manager shall instruct the Transaction Account Bank to make payments pursuant to the Cash Management Agreement.

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Collection Account Bank	<p>(i) in respect of S&amp;P, at least BBB (long-term) and A-2 (short-term); and</p> <p>(ii) in respect of DBRS, at least BBB (long-term) and R-1 low (short-term),</p> <p>or in each case such other rating or ratings as is otherwise acceptable to the relevant Rating Agency from time to time as would maintain the then current rating of the Notes rated by it.</p> <p>The consequences of the relevant required rating being breached are set out in more detail in the section entitled “<i>Cash Management</i>”.</p>	<ul style="list-style-type: none"> <li>• Replacement of Collection Account Bank</li> </ul>
Transaction Account Bank	<p>(i) in respect of S&amp;P, at least A (long-term) and A-1 (short-term); and</p> <p>(ii) in respect of DBRS, at least A (long-term) and R-1 (low) (short-term),</p> <p>or in each case such other rating or ratings as is otherwise acceptable to the relevant Rating Agency from time to time as would maintain the then current rating of the Notes rated by it.</p> <p>The consequences of the relevant required rating being breached are set out in more detail in the section entitled “<i>Cash Management</i>”.</p>	<ul style="list-style-type: none"> <li>• Replacement of the Transaction Account Bank</li> </ul>

In cases where DBRS does not maintain a public rating of a specific third party institution, DBRS provides a private rating of the relevant institution (which will be monitored over the life of the transaction), and will notify the relevant institution if any such ongoing internal assessment results in a downgrade that breaches applicable rating triggers, so that such institution can decide which of the applicable remedies to implement.

In certain cases, DBRS may rely on public ratings assigned and monitored by other credit rating agencies.

## Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
Perfection Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li>• an Enforcement Notice is served;</li> <li>• perfection is required by an order of a court or by a change in law occurring after the Closing Date or by a regulatory authority;</li> <li>• the Security or any material part thereof (in the opinion of the Trustee) is in jeopardy;</li> <li>• certain insolvency events in respect of the Legal Title Holder.</li> </ul>	<p>A number of events will occur, including Borrowers being notified of the sale to the Issuer (or a nominee of the Issuer) and legal title to the Mortgage Portfolio being transferred to the Issuer (or a nominee of the Issuer) by way of registration or recording in the relevant Land Register.</p>
Servicer Termination Events	<p>The occurrence of any of the following (subject to applicable grace periods for remedy and materiality thresholds):</p> <ul style="list-style-type: none"> <li>• failure to make payments under the Servicing Agreement;</li> <li>• default in the performance of Servicer's other covenants and obligations under the Servicing Agreement;</li> <li>• persistent breach of the Servicer's obligation to consult with the Legal Title Servicer before taking Restricted Actions;</li> <li>• the monthly data tape referred to in the Servicing Agreement provided to the Back-Up Servicer being incorrect, and such error(s) are not corrected within ten calendar days;</li> <li>• the occurrence of an insolvency event in respect of the Servicer;</li> <li>• the Servicer repudiates its material obligations under the Servicing Agreement in writing;</li> <li>• any of the Servicer's permissions under FSMA required to perform the services under the Servicing Agreement are suspended, rescinded or revoked except to the extent caused by an Illegality Event; and</li> <li>• certain other circumstances are</li> </ul>	<p>Termination of appointment of Servicer (and Back-Up Servicer appointment will come into effect).</p>

Nature of Trigger	Description of Trigger	Consequence of Trigger
Cash Manager Termination Events	<p data-bbox="584 248 975 461">applicable in which the appointment of the Servicer may be terminated, including by the Servicer itself. See further the section entitled “<i>Servicing of the Portfolio</i>”.</p> <p data-bbox="528 483 948 584">The occurrence of any of the following (subject to applicable grace periods for remedy and materiality thresholds):</p> <ul data-bbox="528 600 975 875" style="list-style-type: none"> <li data-bbox="528 600 871 629">• failure to make a payment;</li> <li data-bbox="528 645 975 712">• non-compliance with any other covenants or obligations;</li> <li data-bbox="528 728 975 795">• unlawfulness in respect of the Cash Manager; or</li> <li data-bbox="528 810 975 875">• an insolvency event in respect of the Cash Manager.</li> </ul>	Termination of appointment of Cash Manager.



## FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees to Servicer	Annual fee of 25 basis points multiplied by the Current Balance of the Mortgage Loans and certain activity related fees and expenses (in each case, exclusive of VAT) (See the section entitled “ <i>Servicing of the Mortgage Portfolio – Fees and Expenses of the Servicer</i> ” for details)	Ahead of all outstanding Notes and Certificates	Monthly, calculated on a pro rata basis
Back-up servicing fees to Back-Up Servicer prior to appointment as Servicer	£12,500 per quarter (plus VAT where applicable)	Ahead of all outstanding Notes and Certificates	Quarterly in advance
Additional Back-up servicing fees to Back-Up Servicer prior to appointment as Servicer and prior to the termination of the appointment of the Sub-Servicer	£3,750 per quarter (plus VAT where applicable)	Ahead of all outstanding Notes and Certificates	Quarterly in advance
Back-up servicing fees to Back-Up Servicer upon appointment as Servicer	£200,000 (plus VAT)	Ahead of all outstanding Notes and Certificates	On the Interest Payment Date immediately following appointment as Servicer
Servicing fees to the Back-Up Servicer following appointment as Servicer	Annual fee of 21 basis points multiplied by the Current Balance of the Mortgage Loans plus a further arrears management fee of £65 per Mortgage Loan per calendar month and an account closure fee of £120 per case (inclusive of VAT)	Ahead of all outstanding Notes and Certificates	Monthly in arrear

<b>Type of Fee</b>	<b>Amount of Fee</b>	<b>Priority in Cashflow</b>	<b>Frequency</b>
Additional fees to the Back-Up Servicer following appointment as Servicer	<p>£300 per user licence per year to provide remote access to the core servicer system</p> <p>£3,000 per user licence per year for remote access to the servicer's imaging system, covering access for up to 3 (three) users</p> <p>Such other fees as may be agreed from time to time with the Servicer to provide access to its data warehouse</p>		
Other fees and expenses of the Issuer	Estimated at £45,000 each year (inclusive of VAT)	Ahead of all outstanding Notes and Certificates	Quarterly (save as previously paid on any Business Day)

## REGULATORY DISCLOSURE

### Articles 404 to 410 of the CRR and Article 51 of the AIFMR

The Beneficial Title Seller will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will retain at all times until the redemption of the last of the Notes, a material net economic interest of not less than 5 per cent. in the nominal value of the securitised exposures in accordance with Articles 404 to 410 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 21 June 2013 (“**CRR**”) and Article 51 of Commission Delegated Regulation (EU) No. 231/2013 (“**AIFMR**”). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as contemplated by Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMR. Such holding will be achieved by the overcollateralisation of the Notes and by holding a sufficient amount of Certificates. The overcollateralisation of the Notes will satisfy the requirements of Article 405(1)(d) of the CRR as it acts as a “first loss” cushion protecting the Notes against the credit risk of the first losses on the securitised exposures, i.e. the Mortgage Loans. The Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date was £307,021,178, while the initial Principal Amount Outstanding of the Notes on the Closing Date will be £291,630,000. Therefore, the Principal Outstanding Balance of the Mortgage Loans that is referable to overcollateralisation of the Notes will, as at the Closing Date, be higher than 5 per cent. of the aggregate of the Principal Outstanding Balance of all Mortgage Loans to be sold by the Beneficial Title Seller to the Issuer. The Beneficial Title Seller holding the Certificates will satisfy the requirements of Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMR since the Certificates are the first loss tranche because: (a) the Certificates are the lowest ranking instrument in the Pre-Enforcement Revenue Payments Priorities and (b) no payments may be made in respect of the Certificates under the Pre-Enforcement Principal Payments Priorities until all of the Notes have been redeemed in full. The Trustee shall have the benefit of certain protections contained in the Trust Deed in relation to the compliance of the Beneficial Title Seller with such undertaking. For more information please refer to the Risk Factor entitled “*The Trustee is Not Obligated to Act in Certain Circumstances*”. The Legal Title Holder has instructed a reputable provider of due diligence services in order to conduct a review on a loan-by-loan basis of a sample of the Mortgage Loans prior to acquiring such Mortgage Loans. The scope of such reviews addressed the issues in relation to the Mortgage Loans which would be of a concern to a reasonably prudent purchaser of residential mortgage loans.

If the Certificates are disposed of pursuant to an enforcement under the STID, the Beneficial Title Seller will not be able to comply with Article 401(1)(d) of the CRR and Article 51(1)(d) of the AIFMR and therefore may not be able to comply with its undertaking to retain a material net economic interest of not less than 5 per cent. of the securitised exposure.

The Beneficial Title Seller has undertaken to provide or procure the provision to the Issuer (for inclusion in the Quarterly Investor Report or otherwise so that the Issuer could make the same available to investors) readily accessible data and information referred to in Articles 406 and 409 of the CRR and Article 53 of the AIFMR at any time prior to the maturity of the Notes, subject always to any requirement of law.

The Cash Manager will publish an investor report on a quarterly basis containing information in relation to the Notes and the Certificates including, but not limited to, (i) amounts paid by the Issuer pursuant to the Payments Priorities in respect of the relevant period, (ii) required counterparty information, and (iii) the Beneficial Title Seller’s continued holding of the Certificates. The quarterly investor report will be published on [www.sf.citidirect.com](http://www.sf.citidirect.com).

For the avoidance of doubt, the Cash Manager:

- (a) in respect of (ii) and (iii), shall have no input on and shall not be required to, review or check the adequacy, accuracy or completeness of such information; and
- (b) in respect of (iii), shall only be required to include such information to the extent that the Cash Manager has received a confirmation in writing from the Beneficial Title Seller (and upon which confirmation the Cash Manager shall be entitled to rely without further enquiry and without any liability for so relying), that the Beneficial Title Seller (x) continues to hold the Certificates, and (y) has not sold, hedged or otherwise mitigated its credit risk under or associated with the Certificates. The Cash Manager shall rely on such confirmation until otherwise notified in writing by the Beneficial Title Seller.

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 Articles 404 to 410 of the CRR and Section 5 of the AIFMR and none of the Issuer, the Arranger, the Lead Manager nor any of the Transaction Parties makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition each prospective Noteholder should ensure that it complies with the implementing provisions in respect of Articles 405 to 410 in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

### **CRA Regulation**

The credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies.

Each of DBRS and S&P is a credit rating agency established in the European Community and registered under the CRA Regulation.

### **Information regarding the Policies and Procedures of the Originators and Legal Title Holder**

Investors should note that the Originators had, and the Legal Title Holder have, internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation, which broadly include: (a) in respect of the Originators and the Legal Title Holder, criteria for the granting of credit and the process for approving, amending, renewing and refinancing credits; (b) in respect of the Legal Title Holder, systems in place to administer and monitor the various credit-risk bearing portfolios and exposures (the Mortgage Loans will be serviced in line with the usual servicing procedures of the Servicer); (c) in respect of the Originators, diversification of credit portfolios corresponding to the Originator's target market and overall credit strategy; and (d) in respect of the Legal Title Holder, policies and procedures in relation to risk mitigation techniques.

## DESCRIPTION OF THE BENEFICIAL TITLE SELLER

### **Raphael Mortgages Limited**

The Beneficial Title Seller is a private limited company incorporated under the laws of Ireland (registration number 532729), having its registered office at 53 Merrion Square, Dublin 2, Ireland.

The Beneficial Title Seller was established as a special purpose vehicle for the purposes of acquiring residential mortgage loans advanced to borrowers in England and Wales, Scotland and Northern Ireland.

The Beneficial Title Seller has an authorised share capital of €100,000,000 divided into 100,000,000 Ordinary Shares of €1.00 each. Three fully paid up shares of €1.00 each have been issued in the capital of the Beneficial Title Seller and each of Medb Charitable Trust Limited, Badb Charitable Trust Limited and Eurydice Charitable Trust Limited hold one of those shares on trust under a discretionary trust for one or more discretionary purposes.

The Beneficial Title Seller has been established as a special purpose vehicle for the purpose of holding the equitable title to the Mortgage Loans prior to the sale thereof to the Issuer. The Beneficial Title Seller's assets will consist primarily of the Certificates (payments in respect of which are subject to the Payments Priorities and which the Beneficial Title Seller will covenant not to sell but over which the Beneficial Title Seller will create security) and contractual rights under certain transaction documents.

The Issuer will agree and acknowledge that all obligations of the Beneficial Title Seller to it are limited in recourse as set out in a security trust and intercreditor deed entered into between, amongst others, the Beneficial Title Seller, the Lead Manager and the Legal Title Holder.

The Beneficial Title Seller has no subsidiaries. None of the Legal Title Holder or the Originators owns, directly or indirectly, any of the share capital of the Beneficial Title Seller.

The Beneficial Title Seller has not engaged in any activity since the date of its formation other than in connection with the acquisition, financing and holding of the beneficial title to residential mortgage loans secured on Property in England and Wales, Scotland and Northern Ireland and associated activities, including in relation to the financing of such acquisition. It does not have, and has not had, any employees.

## **DESCRIPTION OF THE LEGAL TITLE HOLDER AND CASH MANAGER**

### **Mars Capital Finance Limited**

The Legal Title Holder and Cash Manager is a private limited company incorporated under the laws of England and Wales (registration number 05859881) on 28 June 2006, having its registered office at Ashcombe House, 5 The Crescent, Leatherhead, Surrey KT22 8DY.

The Legal Title Holder and Cash Manager acquires and manages residential mortgage loans advanced to borrowers secured on properties in England and Wales, Northern Ireland and Scotland.

The Legal Title Holder and Cash Manager is authorised and regulated by the Financial Conduct Authority under registration number 459016 and holds relevant authorisations under the CCA and Data Protection Act 1998.

## **DESCRIPTION OF THE TRANSACTION ACCOUNT BANK**

### **Citibank, N.A., London Branch**

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal office at 399 Park Avenue, New York, NY 10043, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with company number BR001018.

## DESCRIPTION OF THE COLLECTION ACCOUNT BANK

### **Barclays Bank PLC**

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from “Barclays Bank International Limited” to “Barclays Bank PLC”.

Barclays Bank PLC and its subsidiary undertakings (taken together, the “**Barclays Group**”) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group.



## **DESCRIPTION OF THE TRUSTEE**

Citicorp Trustee Company Limited (“**Trustee**”) incorporated on 24 December 1928 under the laws of England and Wales having its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company registration number 235914.

The Trustee is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

The Trustee is regulated by the Financial Conduct Authority.

## **DESCRIPTION OF THE ORIGINATORS**

### **EDEUS MORTGAGE CREATORS LIMITED (IN LIQUIDATION)**

Edeus Mortgage Creators Limited (in liquidation) went into liquidation on 27 May 2010 and is closed for business.

### **VICTORIA MORTGAGE FUNDING LIMITED**

Victoria Mortgage Funding Limited was dissolved on 10 June 2009 and is closed for business.

## **DESCRIPTION OF THE SERVICER**

### **Mars Capital Finance Limited (Servicer)**

The Legal Title Holder and Cash Manager is a private limited company incorporated under the laws of England and Wales (registration number 05859881) on 28 June 2006, having its registered office at Ashcombe House, 5 The Crescent, Leatherhead, Surrey KT22 8DY. Mars Capital Finance Limited is a servicer of residential mortgage loans in the United Kingdom.

Mars Capital Finance Limited is a member of the Council of Mortgage Lenders and is authorised and regulated by the Financial Conduct Authority under registration number 459016. Mars Capital Finance Limited holds relevant licences under the CCA and maintains applicable registrations under the Data Protection Act 1998.

## **DESCRIPTION OF THE SUB-SERVICER**

### **Target Servicing Limited (Sub-Servicer)**

Target Servicing Limited is a private limited company incorporated in England on 10 November 2005 (registration number 05618062). Target Servicing Limited is a servicer of residential mortgage loans in the United Kingdom.

Target Servicing Limited is authorised and regulated by the Financial Conduct Authority. Target Servicing Limited holds relevant licences under the CCA and maintains applicable registrations under the Data Protection Act 1998.

The registered office of Target Servicing Limited is at Target House, Cowbridge Road East, Cardiff CF11 9AU.

## **DESCRIPTION OF THE BACK-UP SERVICER**

### **Homeloan Management Limited (Back-Up Servicer)**

Homeloan Management Limited (“HML”) (a wholly-owned subsidiary of Skipton Building Society, which is itself regulated by the FCA) has been appointed as the Back-Up Servicer pursuant to the Back-Up Servicing Agreement and pursuant to which HML is responsible for the provision of certain mortgage administration services following termination of the Servicer’s appointment pursuant to the Servicing Agreement.

HML is the largest third party residential mortgage administrator in the United Kingdom. HML is currently servicing approximately £37 billion of mortgage assets for third parties.

The registered office and principal place of business of HML are The Bailey, Skipton BD23 1DN and Gateway House, Gargrave Road, Skipton BD23 2HL, respectively. HML has a residential primary servicer rating of RPS1- by Fitch and S&P’s Primary Servicer rating of Above Average with a Positive Outlook.

## **DESCRIPTION OF THE MARKET PORTFOLIO PURCHASE AGENT**

### **Mars Capital Finance Limited (Market Portfolio Purchase Agent)**

The Market Portfolio Purchase Agent is a private limited company incorporated under the laws of England and Wales (registration number 05859881) on 28 June 2006, having its registered office at Ashcombe House, 5 The Crescent, Leatherhead, Surrey, England, KT22 8DY.

The Market Portfolio Purchase Agent acquires and manages residential mortgage loans advanced to borrowers secured on properties in England & Wales, Northern Ireland and Scotland.

The Market Portfolio Purchase Agent is authorised and regulated by the Financial Conduct Authority under registration number 459016 and holds relevant authorisations under the CCA and Data Protection Act 1998.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 30 June 2014 with registered number 9107519. The registered office of the Issuer is at 35 Great St. Helen's, London, EC3A 6AP, telephone number +44 207 398 6300. The Issuer's issued share capital comprises 50,000 ordinary shares of £1.00 each, of which 1 ordinary share is fully paid up and 49,999 ordinary shares are 25 per cent. paid up, all of which are held on discretionary trust by the Share Trustee, which is a resident of the United Kingdom. There are no other equity interests in the Issuer that are outstanding.

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities and will be mostly passive. The Issuer has no subsidiaries. Neither of the Sellers own, directly or indirectly, any of the share capital of the Issuer.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Act 2006, the authorisation and issue of the Notes and the Certificates, the matters contemplated in this Prospectus, the authorisation of the other Transaction Documents referred to in this Prospectus or in connection with the issue of the Notes and the Certificates and other matters which are incidental or ancillary to those activities. The Issuer has no employees. As at the date of this Prospectus no financial statements have been prepared by the Issuer.

The rights of the Share Trustee as a shareholder of the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with the provisions of its articles of association and English law.

There is no intention to accumulate surplus cash in the Issuer except in the circumstances set out in the section entitled "*Security for the Issuer's Obligations*".

### Directors and Secretary

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

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

All of the directors of the Issuer are citizens and residents of the United Kingdom, or companies incorporated in the United Kingdom.

The company secretary of the Issuer is:

Name	Business Address
SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP

The company secretary of the Issuer is not a director of the Issuer.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide directors and other corporate services for the Issuer in consideration for the payment of an annual fee to the Corporate Services Provider.

The Issuer's activities will principally comprise the issue of the Notes and the Certificates, the entering into of all documents relating to such issue and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

### Capitalisation and Borrowings

The following table shows the unaudited capitalisation and borrowings of the Issuer as at 1 August 2014 adjusted for the issue of Notes:

	£
<b>Share Capital</b>	
Issued Share Capital .....	
50,000 issued ordinary shares of £1 each (1 fully paid and 49,999 one-quarter paid) .....	12,500.75

		£	
<b>Borrowings</b>			
Class A Notes .....	185,740,000		
Class B Notes .....	32,230,000		
Class C Notes .....	29,160,000		
Class D Notes .....	23,020,000		
Class E Notes .....	16,880,000		
Class F Notes .....	4,600,000		
		291,630,000	

As at 1 August 2014, save as disclosed in this Prospectus, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

The current financial period of the Issuer will end on 31 March 2015.



**Issuer profit**

Pursuant to the Pre-Enforcement Revenue Payments Priorities, Available Revenue Funds are to be applied on each Interest Payment Date in an amount of up to £1,500 on each Interest Payment Date, making a total of up to £6,000 for each accounting year, (the “**Required Profit Amount**”) for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year. Any Required Profit Amount so applied shall be credited to the Issuer Profit Ledger and applied in satisfaction of the Issuer’s obligations in respect of United Kingdom corporation tax and in payment of dividends.

## THE MORTGAGE PORTFOLIO AND THE MORTGAGE LOANS

### Introduction

The following is a description of some characteristics of the Mortgage Loans and includes details of Mortgage Loan types, the underwriting process and selected statistical information.

The Sellers have identified a portfolio of mortgage loans (the “**Provisional Mortgage Portfolio**”) to assign to the Issuer.

The portfolio of mortgage loans which the Beneficial Title Seller will transfer the beneficial title to on the Closing Date (the “**Mortgage Portfolio**”) may differ from the Provisional Mortgage Portfolio due to any redemptions of mortgage loans occurring, or enforcement procedures being completed, in each case during the period between 31 May 2014 (the “**Provisional Cut-Off Date**”) and the Cut-Off Date, or because one or more of the loans in the Provisional Mortgage Portfolio did not comply with the Asset Warranties on the Cut-Off Date. As at the Provisional Cut-Off Date, the Provisional Mortgage Portfolio had the characteristics shown below. See “*Characteristics of the Provisional Mortgage Portfolio*”.

The Provisional Mortgage Portfolio comprises certain of the mortgage loans acquired by the Legal Title Holder and/or the Beneficial Title Seller from the relevant seller referred to below, and on the relevant completion date referred to below. The aggregate consideration paid by the Beneficial Title Seller and/or the Legal Title Holder to acquire the Mortgage Portfolio was lower than the consideration payable by the Issuer to acquire the Mortgage Portfolio from the Beneficial Title Seller pursuant to the Mortgage Sale Agreement.

### The Originators

The Provisional Mortgage Portfolio comprises Mortgage Loans originated by the following Originators:

#### Victoria Pool

1	Originator:	Victoria Mortgage Funding Limited (dissolved)
	Relevant seller:	UBS AG, London Branch (as legal title seller) and SNB Stabfund Kommanditgesellschaft für Kollektive Kapitalanlagen (as beneficial title seller)
	Completion date:	3 October 2013
	Percentage of Provisional Mortgage Portfolio:	36.17

#### Edeus Pool

2	Originator:	Edeus Mortgage Creators Limited (in liquidation)
	Relevant seller:	DB UK Bank Limited (as legal title seller) and Odin Mortgages Limited (as beneficial title seller)
	Completion date:	18 July 2014
	Percentage of Provisional Mortgage Portfolio:	63.83

### Characteristics of the Mortgage Loans

#### Repayment Terms

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

(a) **Repayment**

A Mortgage Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Mortgage Loan (a “**Repayment Mortgage Loan**”) the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.

(b) **Interest Only**

A Mortgage Loan under the terms of which the Borrower is only obliged to pay interest during the term of that Mortgage Loan (an “**Interest Only Mortgage Loan**”) with the entire principal amount being payable only upon the relevant maturity date. As the principal amount associated with an Interest Only Mortgage Loan is repayable only upon the maturity of the Mortgage 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 Mortgage Loan. The benefit of any such policies or plans in relation to the Edeus Pool was not assigned to the Legal Title Holder.

Of the mortgage loans in the Provisional Mortgage Portfolio, approximately 13.80 per cent. by Current Balance as at the Provisional Cut-Off Date are Repayment Mortgage Loans and approximately 86.20 per cent. by Current Balance as at the Provisional Cut-Off Date are Interest Only Mortgage Loans. The Legal Title Holder retains the ability to agree to product switches (subject to certain conditions), including any variation of a Mortgage Loan to amend its repayment terms from an interest only repayment to a capital repayment, as more particularly described under “*Assignment of the Mortgage Loans and Related Security – Permitted Variations to Mortgage Loans*” below.

**Interest Rate Setting for Mortgage Loans**

The applicable rate of interest accruing under each Mortgage Loan is referred to as the “**Mortgage Rate**”. The Provisional Mortgage Portfolio consists of:

- (i) LIBOR-Linked Mortgage Loans; and
- (ii) Bank of England Base Rate-Linked Mortgage Loans.

The Provisional Mortgage Portfolio consists of approximately (i) 36.17 per cent. by Current Balance of Mortgage Loans which are LIBOR-linked Mortgage Loans (the “**LIBOR-Linked Mortgage Loans**”) where the applicable Mortgage Rate is calculated by reference to LIBOR and (ii) 63.83 per cent. by Current Balance of Mortgage Loans which are Bank of England base rate-linked mortgage loans (the “**Bank of England Base Rate-Linked Mortgage Loans**”) where the applicable Mortgage Rate is calculated by reference to the Bank of England base rate plus a fixed margin expressed as a percentage over the Bank of England base rate.

LIBOR for the LIBOR-Linked Mortgage Loans is determined as at 11am on each reference date (by reference to the rate for 3 month LIBOR appearing on Bloomberg) by the Servicer on behalf of the Issuer. LIBOR as established on such date shall be effective within one month of the reference date. A reference date for the LIBOR-Linked Mortgage Loans is 1 March, 1 June, 1 September and 1 December or if any of these dates do not fall on a working day, the next working day. The Servicer will be obliged to effect a change to the Mortgage Rate payable by Borrowers as a result of a change in the Bank of England base rate (such change becoming effective immediately). The Mortgage Rate payable by such Borrowers is linked to the applicable Bank of England base rate (subject to any applicable fixed rate period having expired and generally subject to the Mortgage Documents of the relevant Bank of England Base Rate-Linked Mortgage Loan).

### **Mortgage Payment Dates**

All Borrowers are obliged to make monthly payments of interest and, if applicable, principal as required by the conditions of the Mortgage Loans contained in the relevant Mortgage Documents. The Mortgage Loans have payment dates throughout the month (each such date, a “**Mortgage Payment Date**”).

### **Mortgage Early Repayment Charges**

The Mortgage Loans may be prepaid in full or in part at any time and early redemption will generally take place in certain circumstances. The Borrowers may voluntarily redeem the Mortgage Loans when, for example, re-mortgaging or selling the underlying property or the Mortgage Loan may be redeemed as a result of enforcement proceedings following default by the Borrowers in making scheduled payments. In particular, an early redemption payment may be charged to a Borrower in connection with any repayment if the Mortgage is prepaid within the first few years of its term. The level of early repayment charges depends upon the terms of the relevant Mortgage Loan but is typically on a decreasing sliding scale over the first two to five years. Early redemption payments, once received by the Issuer, constitute Revenue Receipts and will be distributed, prior to the delivery of an Enforcement Notice, in accordance with the Pre-Enforcement Revenue Payments Priorities.

Since the Mortgage Loans were originated more than five years ago, it is unlikely that any early repayment charge will be due on the Mortgage Loans.

### **General provisions applicable to the Mortgage Loans**

#### ***Valuation***

Investors should be aware that, other than the valuation of Properties undertaken as at origination (including, in relation to the Properties in the Edeus Pool, valuations using automated valuation models), no revaluation of any Property has been undertaken by the Beneficial Title Seller, the Legal Title Holder, the Issuer, the Servicer, the Trustee or any other person in respect of the issue of the Notes and the valuations quoted are at the date of the original mortgage loan origination.

#### ***Collections Procedures***

The Servicer has established procedures to adhere to when managing mortgage loans that are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing, agreeing payment plans with the related Borrower and deciding to take or not to take enforcement action against the Borrower and/or in respect of the Property. These procedures may be varied by the Servicer from time to time in accordance with the practice of a Prudent Mortgage Servicer.

## CHARACTERISTICS OF THE PROVISIONAL MORTGAGE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Mortgage Portfolio of £311,042,282.74 as at the Provisional Cut-Off Date (on the basis of information provided to the Legal Title Holder by the sellers of the relevant Mortgage Loans and Related Security) and is described further in the section entitled “*The Mortgage Portfolio and the Mortgage Loans - Introduction*” above.

The information contained in this section has not been updated to reflect any decrease in the size of the Mortgage Portfolio from that of the Provisional Mortgage Portfolio.

Except as otherwise indicated, these tables have been prepared using the outstanding principal balance as at the Provisional Cut-Off Date. Columns may not add up to the total due to rounding.

The portfolio of mortgage loans which the Beneficial Title Seller will transfer the beneficial title to on the Closing Date may differ from the Provisional Mortgage Portfolio due to any redemptions of mortgage loans occurring, or enforcement procedures being completed, in each case during the period between Provisional Cut-Off Date and the Cut-Off Date, or because one or more of the loans in the Provisional Mortgage Portfolio did not comply with the Asset Warranties on the Cut-Off Date.

As at the Provisional Cut-Off Date, the Provisional Mortgage Portfolio had the following characteristics:

### Summary Statistics

Provisional Cut-Off Date.....	31 May 2014
Originators (%).....	Victoria (36.17%), Edeus (63.83%)
Current Balance (£).....	311,042,282.74
Total Original Balance (£).....	322,908,468.88
Number of Primary Borrowers.....	2,116
Average Loan Balance.....	146,995.41
Number of Loans.....	2,116
Number of Loan Parts.....	2,143
Number of Properties.....	2,116
Weighted Average Original LTV (%).....	84.68
Weighted Average Current LTV (%).....	82.43
Weighted Average Indexed CLTV (%).....	78.26
Weighted Average Coupon (%).....	3.12
Weighted Average Libor Margin (%).....	3.29
LIBOR Loans (%).....	36.17
BBR Loans (%).....	63.83
Interest Only (%).....	86.20
Buy To Let (%).....	26.27
Weighted Average Seasoning (years) .....	6.77
Weighted Average Remaining Term (years) .....	15.55
Current Loans (%).....	87.92
No Arrears or at most 1m Arrears (%).....	95.43

Full Property Valuation (%).....	98.48
Self-Certified Borrowers (%).....	46.93
Employed Primary Borrowers (%).....	34.18
Self Employed Primary Borrowers (%).....	41.68

## 1 Original LTV (%)

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Less than or equal to 69.00.....	17,188,427.16	5.53	179	8.35
69.01 - 71.00.....	3,543,725.01	1.14	20	0.93
71.01 - 73.00.....	5,088,138.47	1.64	28	1.31
73.01 - 75.00.....	5,212,247.87	1.68	37	1.73
75.01 - 77.00.....	13,045,941.16	4.19	95	4.43
77.01 - 79.00.....	7,730,446.44	2.49	48	2.24
79.01 - 81.00.....	14,535,813.43	4.67	90	4.2
81.01 - 83.00.....	10,617,766.57	3.41	71	3.31
83.01 - 85.00.....	14,637,967.41	4.71	98	4.57
85.01 - 87.00.....	76,150,693.93	24.48	490	22.87
87.01 - 89.00.....	11,194,597.30	3.6	77	3.59
89.01 - 91.00.....	105,066,258.19	33.78	641	29.91
91.01 - 93.00.....	23,265,572.87	7.48	236	11.01
93.01 - 95.00.....	758,644.22	0.24	7	0.33
95.01 - 97.00.....	1,641,411.53	0.53	11	0.51
97.01 - 100.00.....	1,208,104.04	0.39	13	0.61
More than or equal to 100.01.....	156,527.14	0.05	2	0.09
<b>Total</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2143</b>	<b>100</b>
Minimum (%).....		10.28		
Maximum (%).....		125.89		
Weighted Average (%).....		84.68		

## 2 Current Balance (£)

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Less than or equal to 80,000.00	25,172,366.24	8.09	416	19.41
80,000.01 to 100,000.00	25,989,497.67	8.36	289	13.49

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
100,000.01 to 120,000.00	32,221,667.05	10.36	295	13.77
120,000.01 to 140,000.00	33,817,342.98	10.87	259	12.09
140,000.01 to 160,000.00	28,444,125.02	9.14	189	8.82
160,000.01 to 180,000.00	29,529,441.72	9.49	173	8.07
180,000.01 to 200,000.00	23,404,360.28	7.52	123	5.74
200,000.01 to 220,000.00	24,863,961.44	7.99	118	5.51
220,000.01 to 240,000.00	18,788,942.53	6.04	82	3.83
240,000.01 to 260,000.00	11,688,540.93	3.76	47	2.19
260,000.01 to 280,000.00	9,751,563.86	3.14	36	1.68
280,000.01 to 300,000.00	9,264,382.57	2.98	32	1.49
300,000.01 to 320,000.00	4,686,892.95	1.51	15	0.7
320,000.01 to 340,000.00	5,290,019.72	1.7	16	0.75
340,000.01 to 360,000.00	2,791,108.32	0.9	8	0.37
360,000.01 to 380,000.00	2,222,575.25	0.71	6	0.28
380,000.01 to 400,000.00	1,929,965.48	0.62	5	0.23
More than or equal to 400,000.01	21,185,528.73	6.81	34	1.59
<b>Total:</b>	<b>311,042,282.74</b>	<b>100</b>	<b>2143</b>	<b>100</b>

	(£)
Minimum Current Balance.....	259.71
Maximum Current Balance.....	1,671,579.84
Average Current Balance <sup>1</sup> .....	146,995.41

<sup>1</sup> Average Current Balance is calculated as total Current Balance in the Mortgage Portfolio divided by the total number of Mortgage Loans.

### 3 Product Index Type

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
BBR based Mortgage Loans.....	198,548,117.95	63.83	1370	63.93
LIBOR based Mortgage Loans.....	112,494,164.79	36.17	773	36.07
<b>Total.....</b>	<b>311,042,282.74</b>	<b>100</b>	<b>2143</b>	<b>100</b>

#### 4 Current Margin (%)

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Less than or equal to 1.70 .....	2,876,569.87	0.92	8	0.37
1.71 to 1.90 .....	4,163,202.40	1.34	25	1.17
1.91 to 2.10 .....	98,554,375.39	31.69	623	29.07
2.11 to 2.30 .....	36,493,233.38	11.73	346	16.15
2.31 to 2.50 .....	39,524,939.97	12.71	255	11.9
2.51 to 2.70 .....	70,610.32	0.02	1	0.05
2.71 to 2.90 .....	8,349,430.42	2.68	52	2.43
2.91 to 3.10 .....	42,252,444.25	13.58	250	11.67
3.11 to 3.30 .....	20,438,398.12	6.57	162	7.56
3.31 to 3.50 .....	29,976,221.20	9.64	216	10.08
3.51 to 3.70 .....	11,935,490.15	3.84	84	3.92
3.71 to 3.90 .....	7,799,171.80	2.51	58	2.71
3.91 to 4.10 .....	3,148,024.91	1.01	26	1.21
More than or equal to 4.11 .....	5,460,170.56	1.76	37	1.73
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>
Min Current Margin (%).....	0.89			
Max Current Margin (%).....	5.31			
WA Current Margin (%).....	2.61			

#### 5 Current Interest Rate (%)

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Less than or equal to 1.70 .....	1,029,463.02	0.33	3	0.14
1.71 to 1.90 .....	1,847,106.85	0.59	5	0.23
2.11 to 2.30 .....	2,436,831.03	0.78	16	0.75
2.31 to 2.50 .....	100,280,746.76	32.24	632	29.49
2.51 to 2.70 .....	29,237,444.41	9.4	275	12.83
2.71 to 2.90 .....	7,255,788.97	2.33	71	3.31
2.91 to 3.10 .....	39,595,550.29	12.73	256	11.95
3.11 to 3.30 .....	8,349,430.42	2.68	52	2.43
3.31 to 3.50 .....	33,544,390.44	10.78	195	9.1
3.51 to 3.70 .....	9,415,789.81	3.03	61	2.85
3.71 to 3.90 .....	45,163,823.95	14.52	336	15.68



	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
3.91 to 4.10 .....	13,990,360.00	4.5	105	4.9
4.11 to 4.30 .....	7,249,065.97	2.33	49	2.29
More than or equal to 4.31 .....	11,646,490.82	3.74	87	4.06
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>
Min Current Interest Rate (%) .....	1.39			
Max Current Interest Rate (%) .....	5.83			
WA Current Interest Rate (%) .....	3.12			

## 6 Current LTV (%)<sup>2</sup>

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Less than or equal to 53.00 .....	8,295,654.63	2.67	111	5.18
53.01 - 55.00 .....	1,908,121.05	0.61	18	0.84
55.01 - 57.00 .....	2,168,153.21	0.7	23	1.07
57.01 - 59.00 .....	2,273,283.43	0.73	23	1.07
59.01 - 61.00 .....	1,826,637.94	0.59	15	0.7
61.01 - 63.00 .....	2,099,882.13	0.68	21	0.98
63.01 - 65.00 .....	2,042,347.24	0.66	21	0.98
65.01 - 67.00 .....	4,812,243.27	1.55	42	1.96
67.01 - 69.00 .....	4,683,136.31	1.51	48	2.24
69.01 - 71.00 .....	7,687,601.04	2.47	49	2.29
71.01 - 73.00 .....	8,987,601.74	2.89	64	2.99
73.01 - 75.00 .....	11,583,429.90	3.72	84	3.92
75.01 - 77.00 .....	13,976,437.16	4.49	104	4.85
77.01 - 79.00 .....	11,350,354.12	3.65	80	3.73
79.01 - 81.00 .....	15,852,176.86	5.1	105	4.9
81.01 - 83.00 .....	13,882,048.89	4.46	91	4.25
83.01 - 85.00 .....	20,787,224.30	6.68	121	5.65
85.01 - 87.00 .....	51,201,440.63	16.46	322	15.03
87.01 - 89.00 .....	16,885,824.78	5.43	111	5.18
89.01 - 91.00 .....	75,056,076.98	24.13	421	19.65
91.01 - 93.00 .....	26,144,757.17	8.41	222	10.36
93.01 - 95.00 .....	2,120,152.82	0.68	13	0.61
95.01 - 97.00 .....	3,222,540.07	1.04	20	0.93

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
97.01 - 100.00.....	1,739,533.07	0.56	10	0.47
More than or equal to 100.01.....	455,624.00	0.15	4	0.19
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>
Min CLTV (%).....	0.21			
Max CLTV (%).....	124.73			
WA CLTV (%).....	82.43			

<sup>2</sup> Current LTV is calculated as the Current Balance on the Provisional Cut-Off Date divided by original valuation.

## 7 Origination Year

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
2005.....	140,596.29	0.05	1	0.05
2006.....	708,619.69	0.23	6	0.28
2007.....	298,279,576.60	95.9	2,052	95.75
2008.....	11,894,718.84	3.82	83	3.87
2012.....	18,771.32	0.01	1	0.05
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>

## 8 Seasoning (Years)

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
2.01 to 3.00.....	18,771.32	0.01	1	0.05
6.01 to 7.00.....	274,763,375.98	88.34	1,888	88.1
7.01 to 8.00.....	35,574,892.27	11.44	249	11.62
More than or equal to 8.01.....	685,243.17	0.22	5	0.23
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>
Min Seasoning.....	2.13			
Max Seasoning.....	8.54			
WA Seasoning.....	6.77			

## 9 Remaining Term (Years)<sup>3</sup>

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Less than or equal to 8.00 .....	28,735,374.23	9.24	194	9.05
8.01 to 9.00 .....	18,805,525.48	6.05	129	6.02
9.01 to 10.00 .....	4,211,627.42	1.35	32	1.49
10.01 to 11.00 .....	4,987,543.62	1.6	33	1.54
11.01 to 12.00 .....	7,950,745.08	2.56	60	2.8
12.01 to 13.00 .....	5,505,382.68	1.77	44	2.05
13.01 to 14.00 .....	44,022,497.92	14.15	311	14.51
14.01 to 15.00 .....	3,762,156.65	1.21	28	1.31
15.01 to 16.00 .....	5,893,837.62	1.89	49	2.29
16.01 to 17.00 .....	7,640,699.11	2.46	46	2.15
17.01 to 18.00 .....	9,916,269.12	3.19	67	3.13
18.01 to 19.00 .....	140,731,008.76	45.24	921	42.98
19.01 to 20.00 .....	698,474.03	0.22	6	0.28
20.01 to 21.00 .....	1,220,467.65	0.39	6	0.28
21.01 to 22.00 .....	1,646,595.36	0.53	10	0.47
22.01 to 23.00 .....	2,024,911.26	0.65	13	0.61
23.01 to 24.00 .....	16,669,404.89	5.36	138	6.44
24.01 to 25.00 .....	139,932.02	0.04	1	0.05
More than or equal to 25.01 .....	6,479,829.84	2.08	55	2.57
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>
Min Remaining Term .....	-0.33			
Max Remaining Term .....	33.44			
WA Remaining Term .....	15.55			

<sup>3</sup> A negative remaining term may result for Mortgage Loans that have been extended since origination.

## 10 Repayment Type

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Interest Only .....	268,112,979.60	86.2	1,709	79.75
Repayment .....	42,929,303.14	13.8	434	20.25
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>

## 11 Months in Arrears

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
No arrears .....	273,473,955.59	87.92	1,896	88.47
0.01 to 1.00 .....	23,359,139.60	7.51	164	7.65
1.01 to 2.00 .....	6,216,100.08	2	42	1.96
2.01 to 3.00 .....	5,436,772.24	1.75	25	1.17
More than or equal to 3.01 .....	2,556,315.23	0.82	16	0.75
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 12 Original Valuation Type

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
AVM .....	4,740,630.57	1.52	42	1.96
Full .....	306,301,652.17	98.48	2,101	98.04
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 13 Buy to Let

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
No .....	229,317,653.45	73.73	1,477	68.92
Yes .....	81,724,629.29	26.27	666	31.08
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 14 Income Verification

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Self-Certified .....	145,959,629.76	46.93	914	42.65
Verified .....	165,082,652.98	53.07	1,229	57.35
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 15 Borrower's Employment Status

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Benefit .....	59,073.14	0.02	1	0.05
Employed.....	106,312,546.90	34.18	804	37.52
Home Maker .....	277,573.00	0.09	2	0.09
Retired .....	600,493.65	0.19	6	0.28
Self Employed .....	129,640,181.91	41.68	842	39.29
Unemployed.....	595,455.63	0.19	6	0.28
Unknown .....	73,556,958.51	23.65	482	22.49
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 16 First Time Buyer

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
No .....	241,404,246.85	77.61	1,662	77.55
Yes.....	69,638,035.89	22.39	481	22.45
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 17 Collateral Region

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Properties</b>	<b>Number of Properties</b>
	(£)	(%)		(%)
East Anglia .....	6,879,465.26	2.21	51	2.41
East Midlands .....	11,087,002.98	3.56	100	4.73
Greater London.....	22,896,129.53	7.36	85	4.02
London.....	52,855,709.35	16.99	305	14.41
North.....	11,207,454.63	3.6	126	5.95
North West.....	29,713,535.53	9.55	256	12.1
Northern Ireland .....	10,450,292.04	3.36	70	3.31
Other South East .....	13,545,772.92	4.35	87	4.11
Outer Metropolitan .....	43,311,272.59	13.92	221	10.44
Scotland.....	19,527,713.86	6.28	173	8.18
South East.....	36,350,181.64	11.69	191	9.03
South West.....	13,560,098.36	4.36	92	4.35
Wales .....	7,674,530.22	2.47	77	3.64

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Properties</b>	<b>Number of Properties</b>
	(£)	(%)		(%)
West Midlands.....	19,076,796.09	6.13	146	6.9
Yorkshire/Humberside.....	12,906,327.74	4.15	136	6.43
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,116</b>	<b>100</b>

## 18 Right to Buy

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
No.....	303,959,354.76	97.72	2,080	97.06
Yes.....	7,082,927.98	2.28	63	2.94
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 19 Number of County Court Judgements (CCJs)

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
None.....	279,015,158.60	89.7	1,902	88.75
1.....	18,818,026.16	6.05	138	6.44
2.....	8,918,008.24	2.87	63	2.94
3.....	2,548,450.09	0.82	24	1.12
4.....	1,219,721.11	0.39	11	0.51
More than or equal to 5.....	522,918.54	0.17	5	0.23
<b>Total:</b> .....	<b>311,042,282.74</b>	<b>100</b>	<b>2,143</b>	<b>100</b>

## 20 County Court Judgements Amount<sup>4</sup> (£)

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
None.....	284,490,638.78	91.46	1,943	90.67
0.01 to 10,000.00.....	23,248,100.53	7.47	176	8.21
10,000.01 to 20,000.00.....	2,306,405.78	0.74	16	0.75
20,000.01 to 30,000.00.....	510,938.10	0.16	4	0.19
40,000.01 to 50,000.00.....	172,147.87	0.06	1	0.05
50,000.01 to 60,000.00.....	162,697.91	0.05	2	0.09

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
More than or equal to 100,000.01 .....	151,353.77	0.05	1	0.05
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>
Min CCJ Amount.....	0			
Max CCJ Amount.....	290,990.00			
WA CCJ Amount.....	478.34			

<sup>4</sup> County Court Judgements Amounts incorporate those from the 3 years prior to loan origination.

## 21 Bankruptcy or IVA Flag

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
No .....	304,979,016.48	98.05	2,102	98.09
Yes.....	6,063,266.26	1.95	41	1.91
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>

## 22 Indexed CLTV (%)<sup>5</sup>

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£)	(%)		(%)
Less than or equal to 53.00 .....	14,094,793.23	4.53	148	6.91
53.01 - 55.00.....	3,923,171.53	1.26	34	1.59
55.01 - 57.00.....	4,034,659.67	1.3	31	1.45
57.01 - 59.00.....	5,434,255.93	1.75	38	1.77
59.01 - 61.00.....	10,513,992.58	3.38	60	2.8
61.01 - 63.00.....	15,245,319.58	4.9	78	3.64
63.01 - 65.00.....	14,552,137.09	4.68	80	3.73
65.01 - 67.00.....	19,297,064.21	6.2	99	4.62
67.01 - 69.00.....	7,721,509.87	2.48	50	2.33
69.01 - 71.00.....	9,435,688.94	3.03	56	2.61
71.01 - 73.00.....	9,435,986.09	3.03	68	3.17
73.01 - 75.00.....	22,018,281.88	7.08	124	5.79
75.01 - 77.00.....	14,779,746.36	4.75	100	4.67
77.01 - 79.00.....	26,586,129.31	8.55	154	7.19
79.01 - 81.00.....	18,738,115.87	6.02	119	5.55

	<b>Current Balance</b>	<b>Current Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts</b>
	(£ )	( % )		( % )
81.01 - 83.00.....	9,591,427.80	3.08	68	3.17
83.01 - 85.00.....	15,228,112.90	4.9	103	4.81
85.01 - 87.00.....	9,543,919.65	3.07	72	3.36
87.01 - 89.00.....	11,958,920.27	3.84	88	4.11
89.01 - 91.00.....	9,726,027.38	3.13	75	3.5
91.01 - 93.00.....	11,547,362.33	3.71	97	4.53
93.01 - 95.00.....	10,906,629.67	3.51	90	4.2
95.01 - 97.00.....	8,922,348.55	2.87	71	3.31
97.01 - 100.00.....	13,985,974.15	4.5	134	6.25
More than or equal to 100.01.....	13,820,707.90	4.44	106	4.95
<b>Total:</b> .....	<u>311,042,282.74</u>	<u>100</u>	<u>2,143</u>	<u>100</u>
Min Indexed CLTV (%) .....	0.23			
Max Indexed CLTV (%).....	176.86			
WA Indexed CLTV (%) .....	78.26			

<sup>5</sup> Indexed CLTV is calculated as the Current Balance on the Provisional Cut-Off Date divided by the current indexed valuation. Indexation is based on seasonally unadjusted regional quarterly house price index from Nationwide.



## ASSIGNMENT OF THE MORTGAGE LOANS AND RELATED SECURITY

The Legal Title Holder will have legal title to, and the Beneficial Title Seller will have beneficial interest in, each Mortgage Loan and its Related Security on the Closing Date, subject to, in the case of the Legal Title Holder, the completion of registration or recording of the transfer of legal title to the Legal Title Holder of any Mortgages in the relevant Land Registry, for which applications have been submitted to the relevant Land Registry.

Under the Mortgage Sale Agreement to be entered into between the Legal Title Holder, the Beneficial Title Seller, the Trustee and the Issuer, the Beneficial Title Seller will sell and transfer to the Issuer by way of assignment the beneficial interest held by it in each Mortgage Loan and its Related Security on the Closing Date, and the Legal Title Holder will hold, on bare trust for the Issuer, the legal title held by it to each Mortgage Loan and its Related Security on the Closing Date. Legal title will not be transferred by the Legal Title Holder to the Issuer unless and until the occurrence of a Perfection Event which is continuing, as described further in the section entitled “*Transfer of legal title to the Issuer*” below.

In addition to providing for the sale and assignment of the Mortgage Portfolio, the Mortgage Sale Agreement also sets out or provides for the following:

- (a) the representations and warranties to be given by the Beneficial Title Seller in relation to the Mortgage Loans and the Related Security;
- (b) the provisions governing the repurchase of the relevant Mortgage Loan and Related Security in case of a Relevant Breach of a warranty which has not been remedied within applicable grace periods subject to a limitation on the time periods for making claims;
- (c) the undertaking of the Beneficial Title Seller to retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 405 of the CRR and Article 51 of the AIFMR;
- (d) the repurchase by the Beneficial Title Seller of Mortgage Loans together with their Related Security where the Legal Title Holder has determined that it shall accept a request from a Borrower for a Further Advance or a Cash Flow Port and an undertaking by the Legal Title Holder that it will not accept a request from a Borrower for a Further Advance or a Cash Flow Port prior to such repurchase of the relevant Mortgage Loan by the Beneficial Title Seller;
- (e) the repurchase by the Beneficial Title Seller of Shortfall Accounts at its request;
- (f) the circumstances for the transfer of legal title to the Mortgage Loans and their Related Security to the Issuer as described above; and
- (g) the circumstances where the Issuer will reimburse the Legal Title Holder for any costs such party incurs in relation to providing assistance to the Beneficial Title Seller in relation to certain litigation or other matters in respect of the perfection of the Mortgage Loans and their Related Security.

### Consideration

The Beneficial Title Seller will contract to sell and assign to the Issuer on the Closing Date a portfolio of United Kingdom residential mortgage loans (the “**Mortgage Loans**”) and their associated mortgages (the “**Mortgages**”) and, together with the other security for the Mortgage Loans, the “**Related Security**”) and all monies derived therefrom from time to time (collectively referred to herein as the “**Mortgage Portfolio**”). In respect of Mortgage Loans which have the benefit of security over real estate located in England and Wales

(“**English Mortgage Loans**”), the assignment will be an assignment which takes effect in equity only. In respect of Mortgage Loans which have the benefit of security over real estate located in Scotland (“**Scottish Mortgage Loans**”) and their associated Mortgages (the “**Scottish Mortgages**” and together with the other security for the Scottish Mortgage Loans, the “**Scottish Related Security**”), the Mortgage Sale Agreement provides for the transfer and assignment of the beneficial interest in such Mortgage Loans and their Related Security to be effected by a declaration of trust (the “**Scottish Declaration of Trust**”) by the Legal Title Holder in favour of the Issuer (and in relation to Scottish Mortgage Loans, references in this Prospectus to the “equitable assignment” of Mortgage Loans are to be read as references to the transfer of the beneficial interest therein by the making of such declaration of trust and the terms “assign” and “assigned” shall in that context be construed accordingly) and references in this Prospectus to “beneficial title” are to be read as references to the beneficial interest of a beneficiary under a declaration of trust). In respect of Mortgage Loans which have the benefit of security over real estate located in Northern Ireland (the “**Northern Irish Mortgage Loans**”) and their associated Mortgages (the “**Northern Irish Related Security**”), the Mortgage Sale Agreement provides for the transfer and assignment of the beneficial interest in such Mortgage Loans and their Related Security which takes effect in equity only. In each case, the transfer of legal title to the Mortgage Loans and their Related Security may not occur or, if it does occur, will not occur until a later date, as described further in the section entitled “*Transfer of legal title to the Issuer*” below.

The consideration payable by the Issuer to the Beneficial Title Seller for the Mortgage Portfolio on the Closing Date will consist of an amount of £287,703,788 together with the issue of the Certificates by the Issuer to the Beneficial Title Seller. The Certificates will be issued pursuant to Regulation S, subject to customary representations and warranties. All amounts received prior to the Cut-Off Date by the Beneficial Title Seller shall be for its account and all amounts received on and after the Cut-Off Date shall be for the account of the Issuer and the Beneficial Title Seller will undertake to forward any such amount received to the Issuer.

### **Asset Warranties and Relevant Breach of Asset Warranties**

The Mortgage Sale Agreement contains the asset warranties given in relation to the Mortgage Loans by the Beneficial Title Seller (the “**Asset Warranties**”). No searches, enquiries or independent investigations have been or will be made by the Issuer or the Trustee, each of whom is relying upon the Asset Warranties. The Beneficial Title Seller was not the originator of the Mortgage Loans and has purchased the Mortgage Loans under the Edeus Pool MSA (in the case of the Edeus Pool) and the Victoria Pool Declaration of Trust (in the case of the Victoria Pool), each containing separate limited warranties in respect of the relevant Mortgage Loans. Accordingly, the Beneficial Title Seller does not have direct knowledge as to whether certain Asset Warranties are correct or not, and therefore, the Asset Warranties are given merely to allow the Issuer to require the Beneficial Title Seller to repurchase the relevant Mortgage Loan in the case of a Relevant Breach of an Asset Warranty. The Beneficial Title Seller’s obligation to repurchase Mortgage Loans in case of a Relevant Breach of an Asset Warranty is limited in time and expires on the date which falls 60 months after the Closing Date.

If, upon the occurrence of a Relevant Breach of an Asset Warranty under the Mortgage Sale Agreement, such Relevant Breach is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller has failed to remedy such Relevant Breach within the applicable grace period starting from when the Beneficial Title Seller becomes aware of the same, the Issuer’s sole recourse shall be the ability to require the Beneficial Title Seller to repurchase the relevant Mortgage Loan subject to certain limitations on time as set out in the paragraph “*Repurchase by Beneficial Title Seller*” below.

“**Relevant Breach**” means, in relation to a Mortgage Loan, a breach of an Asset Warranty which materially adversely affects either:

- (a) the value of that Mortgage Loan; or
- (b) the value of the Property secured by the related Mortgage and therefore materially adversely affects the value of the Mortgage Loan; or
- (c) the rights available to a mortgagee or a heritable creditor in respect of the repayment of that Mortgage Loan (including, without limitation, the enforceability of rights against third parties) and therefore materially adversely affects the value of the Mortgage Loan; or
- (d) the amount likely to be received upon a sale or likely to be financed against the security of that Mortgage Loan.

The Issuer has no recourse against any Originator for any breach of a representation or warranty given by such Originator to either (a) any previous purchaser of any Mortgage Loan and its Related Security or (b) any seller of the Mortgage Loans and their Related Security to the Beneficial Title Seller.

The following are the Asset Warranties (or extracts or summaries of certain warranties) given by the Beneficial Title Seller in relation to the Mortgage Loans and the Related Security in favour of the Issuer under the Mortgage Sale Agreement on the Closing Date:

- (a) Each Mortgage Loan and the related Mortgage constitute a legal, valid and binding obligation of the relevant Borrower enforceable in accordance with its terms (except that (1) enforceability may be limited by the bankruptcy or insolvency of the Borrower or by the application of the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the “**UTCCR**”), the Consumer Protection from Unfair Trading Regulations 2008 (the “**CPUTRs**”) or the Consumer Credit Act 1974 (the “**CCA**”) and (2) no warranty is given in relation to any obligation of the Borrower to pay prepayment charges, mortgage administration exit fees or charges payable in the event of Borrower default) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower (other than, in relation to any prepayment charges);
- (b) Immediately prior to the transfer of the Mortgage Loans under the Mortgage Sale Agreement, the Beneficial Title Seller was the absolute beneficial owner of all of such Mortgage Loans and the related Mortgages and the Related Security to be sold to the Issuer thereunder at the Closing Date, and the Beneficial Title Seller has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, released, disposed of or dealt with the benefit of any of the Mortgage Loans or their related Mortgages, the Related Security or any of the property, rights, title, interest or benefit to be sold or assigned pursuant to the Mortgage Sale Agreement in any way whatsoever other than pursuant to various security documents in respect of the acquisition or financing in connection with the acquisition of the Mortgage Portfolio by the Beneficial Title Seller, each of which will be released immediately prior to the transfer of the Mortgage Loans and their Related Security under the Mortgage Sale Agreement and (ii) pursuant to the Mortgage Sale Agreement;
- (c) Each Mortgage Loan is at least secured by a valid and subsisting first ranking legal mortgage (or, (i) in Scotland, first ranking standard security, or (ii) in Northern Ireland, first ranking legal mortgage or charge) over the Property to which it relates (subject to completion of any registration or recording requirements at the Land Registry of England and Wales, the Registers of Scotland or the Land Registers of Northern Ireland (as applicable) and (in those cases) there is nothing to prevent that registration or recording being effected);
- (d) No lien or right of set-off or counterclaim has been created or arisen between the Borrower and the Legal Title Holder or the Beneficial Title Seller which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan. Neither the Legal Title

Holder nor the Beneficial Title Seller is on notice of any set-off claim by a Borrower against any Originator that is exercisable against the Legal Title Holder or the Beneficial Title Seller;

- (e) All things necessary to perfect the vesting of the legal title to each Mortgage Loan and the related Mortgage in the Legal Title Holder have been duly done or are in the process of being done;
- (f) The Legal Title Holder holds or will hold, upon completion of any pending applications for registration or recording of the Legal Title Holder as legal title holder of any Mortgages at the Land Registry of England and Wales, or heritable creditor at the Registers of Scotland or the Land Registers of Northern Ireland (as applicable), legal title to all Mortgage Loans and related Mortgages and the Related Security;
- (g) The Legal Title Holder has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, held in trust, disposed of or dealt with the benefit of any of the Mortgage Loans or their related Mortgages, the Related Security or any of the property, rights, title, interest or benefit to be sold or assigned pursuant to the Mortgage Sale Agreement in any way whatsoever other than pursuant to various security documents in respect of the acquisition or financing in connection with the acquisition of the Mortgage Portfolio by the Beneficial Title Seller, each of which will be released immediately prior to the transfer of the Mortgage Loans under the Mortgage Sale Agreement;
- (h) Each Property is located in England, Wales, Northern Ireland or Scotland;
- (i) Each Property is a residential Property;
- (j) Each Mortgage Loan and its related Mortgage was made on the basis of the standard mortgage documentation, being the documents which were used by the relevant Originator at the relevant time in connection with its activities as residential mortgage lender (and as set out in the relevant Annexure of the Mortgage Sale Agreement) (the “**Standard Mortgage Documentation**”) without any material variation thereto or, where there were any changes, those changes would have been acceptable to a reasonably prudent mortgage lender;
- (k) Prior to making a Mortgage Loan, so far as the Beneficial Title Seller is aware, the requirements of the relevant Originator’s lending criteria were met in all cases, subject only to exceptions made on a case by case basis and in accordance with the relevant Originator’s internal policies;
- (l) At the time of origination of the relevant Mortgage Loan, a valuation of the relevant Property was undertaken by (i) a valuer approved by the relevant Originator or (ii) applying Hometrack Data System Limited’s automated valuation model;
- (m) Other than when acting as a prudent residential mortgage lender lending to borrowers in England, Wales, Scotland or Northern Ireland (a “**Prudent Mortgage Lender**”), neither the Beneficial Title Seller nor the Legal Title Holder has, in writing, waived or acquiesced in any breach of any of its rights in respect of a Mortgage Loan or its related Mortgage, other than in relation to any payment default in respect of those Mortgage Loans;
- (n) So far as the Beneficial Title Seller is aware, no Borrower is in breach of any material obligation owed in relation to that Mortgage Loan and/or its related Mortgage (other than in relation to any payment default in respect of those Mortgage Loans);
- (o) Each Borrower is a natural legal person and was aged 18 years or older at the date that he or she executed the relevant Mortgage;
- (p) Each Mortgage Loan is denominated in, and all amounts in respect of such Mortgage Loan are payable in, sterling and may not be changed by the relevant Borrower to any other currency;

- (q) The amount of each Mortgage Loan has been fully advanced to the Borrower and the Mortgage Documents contain no obligation on the part of the Legal Title Holder to make any Further Advance or a Port;
- (r) In relation to each Mortgage over a Property,
  - (i) where such Property is in England, Wales and Northern Ireland, the Borrower has a good and marketable title to the relevant Property;
  - (ii) where such Property is in Scotland, the Borrower has a valid and marketable title to the relevant Property; and
  - (iii) the relevant Property has been registered or recorded or is in the course of registration with such title as would be acceptable to a Prudent Mortgage Lender;
- (s) All the Mortgage Loans in respect of Properties located in (i) England and Wales are governed by English law, (ii) Scotland are governed by Scots law, and (iii) Northern Ireland are governed by Northern Irish law;
- (t) Except in the case of a Mortgage Loan which is the subject of a policy of insurance in respect of title (howsoever described) to a relevant Property issued by a provider of such policies, so far as the Beneficial Title Seller is aware, each Originator received from its solicitors a certificate of title or report on title to the relevant Property addressed to the relevant Originator and the certificate of title or report on title disclosed nothing which would, if applicable, after further investigation, cause a Prudent Mortgage Lender to decline to proceed with the Mortgage Loan on the proposed terms
- (u) Each Property is insured:
  - (i) for full reinstatement cost as determined by the relevant valuer as at the time of origination under an insurance policy taken out in the name of the Borrower or in the name of the landlord in the case of leasehold Properties or commonhold properties where the relevant landlord is responsible for insuring the Property or Properties (a “**Borrower Buildings Policy**”); or
  - (ii) under a policy of insurance (a “**Contingent Buildings Policy**”) for the benefit of the Legal Title Holder, and on which the Issuer’s interest has been noted, which provides cover at least up to the Principal Outstanding Balance of the relevant Mortgage Loan in the event that no Borrower Buildings Policy is in place for a Property due to default in arranging such cover either by the Borrower or the relevant landlord;
- (v) Neither the Legal Title Holder nor the Beneficial Title Seller nor, as far as the Legal Title Holder or the Beneficial Title Seller is aware, the relevant Originator, has waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan and the related Mortgage other than waivers such as a Prudent Mortgage Lender might make on a case by case basis;
- (w) The customer file, the deed constituting the relevant Mortgage (if any) and any documents of title to the relevant Property for each Mortgage Loan is held by or to the order (or is in the process of being arranged to be held to the order) of the Beneficial Title Seller and/or the Legal Title Holder;
- (x) No agreement for any Mortgage Loan is or includes a regulated credit agreement (as defined in Article 60B(3) of the Regulated Activities Order) or constitutes any other agreement (other than a Regulated Mortgage Contract) regulated or partly regulated by the CCA (other than Sections 137 to 140 of the CCA) or any modification or re-enactment thereof or, to the extent that it is so regulated or partly regulated, all the requirements of the CCA have been met in full, and no circumstances exist which are

capable of making the relationship between the relevant Seller and the customer unfair under section 140A of the CCA;

- (y) In relation to any Mortgage Loan which is a regulated mortgage loan within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, so far as the Beneficial Title Seller is aware, all then applicable requirements of MCOB have been complied with in all material respects in connection with the origination (including in respect of any further advance), documentation and administration of such Mortgage Loan (as applicable);
- (z) Neither the Beneficial Title Seller nor the Legal Title Holder is actually aware of any pending action or proceeding by a Borrower against the Beneficial Title Seller or Legal Title Holder in respect of its Mortgage Loan;
- (aa) To the extent that any Mortgage Loan and related Mortgage is subject to the UTCCR, no action whether formal or informal has been taken by the Office of Fair Trading, the FCA or a “qualifying body” as defined in the UTCCR, against the Beneficial Title Seller or the Legal Title Holder pursuant to the UTCCR or otherwise which might restrict or prevent the use in any Mortgage Loan and related Mortgage of any material term or the enforcement of such terms;
- (bb) In relation to any leasehold Property, in any case where the Legal Title Holder has received written notice from the relevant landlord that it is or may be taking steps to forfeit the lease of that Property, the Legal Title Holder has taken such steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and Mortgage Loan;
- (cc) The Legal Title Holder has not received written notice of any litigation or claim calling into question in any material way the legal and/or beneficial title to any Mortgage Loan and the related Mortgage or Related Security of the Legal Title Holder respectively or their ability to fully and effectively enforce the same;
- (dd) Interest on each Mortgage Loan has been charged in accordance with the provisions of the Mortgage Loan and its related Mortgage and is payable monthly in arrear;
- (ee) Other than the Beneficial Title Seller selling a Mortgage Loan, the only third party having an interest in such Mortgage Loan, the related Mortgages and other rights granted to or held for the Beneficial Title Seller and being the subject of the Mortgage Sale Agreement is the Legal Title Holder in its capacity as bare trustee of the legal title to the Mortgage Loans and Mortgages;
- (ff) The information relating to the Mortgage Loans as set out in the annexure to the Mortgage Sale Agreement is true and accurate in all respects;
- (gg) All Mortgage Loans and Related Security are freely assignable and no formal approvals, consents or other steps are necessary to permit a legal or an equitable or beneficial transfer of the Mortgage Loans and Related Security, no notifications to any Borrower is required to effect any equitable or beneficial transfer of the Mortgage Loans and Related Security to the Issuer pursuant to the Mortgage Sale Agreement and the Mortgage Loans and Related Security are not subject to any contractual confidentiality restrictions which may restrict the ability of the Issuer to acquire or dispose of the same or exercise its rights or discharge its obligations under the Transaction Documents;
- (hh) The legal title to all the Mortgage Loans and their Related Security is freely transferrable, and no formal approvals, consents or other steps are necessary to permit a legal transfer of the Mortgage Loans and their Related Security (subject to making appropriate registrations with the relevant Land Registry);
- (ii) Each Borrower has made at least one monthly payment; and

(jj) Each Mortgage Loan has a term ending no later than May 2048.

“**Land Registry**” means, as the context permits, the Land Registry of Northern Ireland and/or the Registry of Deeds of Northern Ireland and/or the Land Registry of England and Wales or, where appropriate, the Registers of Scotland.

### **Repurchase by Beneficial Title Seller**

The Beneficial Title Seller will agree in the Mortgage Sale Agreement to repurchase any Mortgage Loan (including any accrued interest thereon) together with its Related Security if such Mortgage Loan or its Related Security does not comply on the Closing Date with the Asset Warranties given by the Beneficial Title Seller under the Mortgage Sale Agreement and such breach is a Relevant Breach and is not remedied within the applicable grace period starting from when the Beneficial Title Seller becomes aware of such breach and provides a written notice in relation to such breach to the Issuer and the Trustee. Such obligation to repurchase is subject to the limitation that no claim for Relevant Breach of Asset Warranty may be made after the date which falls 60 months after the Closing Date.

The Beneficial Title Seller will not have any liability for a Relevant Breach of an Asset Warranty other than the Beneficial Title Seller’s obligation to repurchase the relevant Mortgage Loan.

In the Servicing Agreement, the Servicer has agreed to promptly notify the Issuer and the Trustee of any breach of an Asset Warranty of which the Servicer becomes aware.

In addition, the Beneficial Title Seller will be required to repurchase Mortgage Loans and their Related Security where the Legal Title Holder has determined that it will accept a request from a Borrower for (i) any advance of further money under the relevant Mortgage Documents (such advance, excluding any Protective Advances, a “**Further Advance**”), or (ii) to secure its Mortgage Loan over a property other than the Property in respect of which the initial Mortgage Loan was granted in circumstances in which a Further Advance will also be made (such request, a “**Cash Flow Port**”).

The price payable by the Beneficial Title Seller upon the repurchase of any Mortgage Loan and its Related Security (other than the Shortfall Accounts) (the “**Repurchase Price**”) will be the aggregate of the Principal Outstanding Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus accrued but unpaid interest in relation to that Mortgage Loan up to but excluding the date of repurchase plus an amount equal to the Issuer’s reasonable and proper costs or any other reasonable expenditure in relation to such repurchase before the redemption in full of the Notes and the cancellation of the Certificates.

The Beneficial Title Seller may elect to repurchase any Shortfall Account in accordance with the terms of the Mortgage Sale Agreement. The consideration payable by the Beneficial Title Seller in relation to any Shortfall Account shall be deferred consideration in an amount equal to the net recoveries (if any) made in respect of the related Mortgage Loan and its Related Security (less any fees, costs and expenses (including any servicer success fee and any fee charged in respect of management time) incurred in connection with the making of such recoveries or incurred in connection with the repurchase before the redemption in full of the Notes and the cancellation of the Certificates).

### **Permitted Ports**

The Legal Title Holder will be permitted to agree with a relevant Borrower to a port of its Mortgage Loan, so that such Mortgage Loan is secured over a Property other than the Property in respect of which the initial

Mortgage Loan was granted, in circumstances in which no Further Advance will be made (a “**Non Cash Flow Port**”), without such Mortgage Loan being repurchased from the Issuer, provided that:

- (i) the new Property is a residential property situated on registered land in England, Wales, Scotland or Northern Ireland;
- (ii) the current loan to value ratio of the Mortgage Loan does not increase; and
- (iii) Non Cash Flow Ports may not be undertaken in relation to Mortgage Loans whose Principal Outstanding Balance, taken in the aggregate, amounts to greater than 3% of the Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date,

and Cash Flow Ports and Non Cash Flow Ports, taken together, are referred to in this Prospectus as “**Ports**”.

### **Permitted Variations to Mortgage Loans**

The Legal Title Holder will be permitted to agree to certain variations to the terms of Mortgage Loans (in addition to changes in the applicable interest rate in accordance with the relevant mortgage conditions) as follows:

- (i) any variation which extends the maturity date of a Mortgage Loan up to a date no later than the Interest Payment Date falling in 1 November 2047 (with or without an upwards only adjustment in the applicable margin); and/or
- (ii) any variation of a Mortgage Loan to amend its repayment terms from an interest only repayment to a capital repayment; and/or
- (iii) any variation which permits a Borrower to redeem his Mortgage Loan at a discount to the Current Balance of the Mortgage Loan (a “**Discounted Pay-Off**”) in circumstances where, in the reasonable opinion of the Legal Title Holder acting as a Prudent Mortgage Servicer, the Legal Title Holder determines that the related Property would be subject to foreclosure proceedings and that the net proceeds from the Discounted Pay-Off, in the reasonable opinion of the Legal Title Holder acting as a Prudent Mortgage Servicer, would be higher than the net proceeds of enforcement of the relevant Mortgage Loan; and/or
- (iv) any variation that is a requirement of law or regulatory direction (including, without limitation, MCOB and the FCA’s ‘treating customers fairly’ initiative (the “**TCF**”)),

each of (i), (ii), (iii) and (iv) above a “**Permitted Variation**”, provided that:

- (a) in the case of any variation described in (i) above, the date of agreement of such variation falls before the Optional Redemption Date;
- (b) the General Reserve Fund is fully funded to the General Reserve Fund Target Amount as at the date of agreement of such variation;
- (c) as a result of the making of such variation, the weighted average maturity of the Mortgage Loans would not be later than 30 November 2031; and
- (d) the Current Balance of the Mortgage Loans comprising the Mortgage Portfolio in respect of which the aggregate amount in arrears is more than three times the Monthly Subscription then due, is less than 5 per cent. of the aggregate Current Balance of the Mortgage Loans comprising the Mortgage Portfolio,

and provided further that the Legal Title Holder may, notwithstanding that to do so would render it non-compliant with any or all of paragraphs (i) to (iv) above, agree to any Permitted Variation in circumstances



where to fail to do so would entail a breach by it of any requirement of law or regulatory direction (including, without limitation, MCOB and the TCF).

### **Transfer of legal title to the Issuer**

In relation to Mortgages of registered land in England, Wales or Northern Ireland, or over any land in Scotland, beneficial title in respect of which will be transferred to the Issuer on the Closing Date, until such time as transfers of such Mortgages have been completed and registered or recorded at the Land Registry of England and Wales, the Land Registers of Northern Ireland or the Registers of Scotland (as applicable), the sale to the Issuer will take effect in equity and transfer beneficial title only or, in the case of the Scottish Mortgages, the Issuer will hold the beneficial interests therein under the Scottish Declaration of Trust. In the case of Mortgages of unregistered land in England and Wales, in order for legal title to pass to the Issuer, conveyances of the relevant mortgages would have to be completed in favour of the Issuer. In the case of mortgages of unregistered land in Northern Ireland in order for legal title to pass to the Issuer, conveyance and assignments, of the relevant mortgages would have to be completed in favour of the Issuer. As a result, legal title to the Mortgage Loans and their Related Security will remain with the Legal Title Holder until such time as certain additional steps have been taken including the giving of notices of the assignment to the Borrowers or (in relation to Scottish Mortgage Loans and their Scottish Related Security) the execution and registration or recording (as applicable) of assignments by the Legal Title Holder in favour of the Issuer together with notification of the assignment to the Borrowers.

Under the Mortgage Sale Agreement, neither of the Sellers nor the Issuer will require the execution and completion of such transfers and conveyances in favour of the Issuer or the registration or recording of such transfers or service of notice on Borrowers in order to effect the transfer of legal title to the Mortgage Loans and their Related Security (including, where appropriate, their registration or recording), except in the limited circumstances described below.

### **Transfer upon Perfection Event**

The Legal Title Holder shall be obliged to give notice of assignment of the Mortgage Loans to the Borrowers following the occurrence of a Perfection Event and receipt of a written request from the Issuer or the Trustee (as described below). The execution of transfers of legal title to the Mortgage Loans and their Related Security to the Issuer (or a nominee of the Issuer) (together with the relevant notices to the Borrowers) will be required to be completed by the Legal Title Holder within 25 Business Days of receipt of written notice from the Issuer or the Trustee upon the occurrence of any of the following (each a “**Perfection Event**”) which is continuing:

- (a) the service of an Enforcement Notice by the Trustee;
- (b) the Legal Title Holder being required, by an order of a court of competent jurisdiction, or by a change in law occurring after the Closing Date, or by a regulatory authority, to perfect the transfer of legal title to the Mortgage Loans and Related Security in favour of the Issuer;
- (c) the Security or any material part (in the opinion of the Trustee) of the Security being in jeopardy and it being necessary to perfect the transfer of legal title to the Mortgage Loans and their Related Security in favour of the Issuer in order to materially reduce such jeopardy; or
- (d) the occurrence of an insolvency event in relation to the Legal Title Holder.

The Issuer shall, following the occurrence of a Perfection Event, register or record any transfer of the legal title to a Mortgage at the Land Registry of England and Wales, Registers of Scotland or the Land Registers of

Northern Ireland as soon as possible following receipt (or execution by the Issuer) of such transfer and shall respond expeditiously to all requisitions raised by the Land Registry England and Wales, Registers of Scotland or the Land Registers of Northern Ireland.

### **Third Party Interest**

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages and not registering or recording their respective interest at the relevant Land Registry, a *bona fide* purchaser from the Legal Title Holder (or until such registration or recording of the title of the Legal Title Holder is complete or (in the case of Scottish Mortgages) until assignments of any Mortgages transferring legal title to the Legal Title Holder are submitted for registration or recording, a *bona fide* purchaser from any previous owner of the Mortgage Loans) for value of any of such Mortgage Loans without notice of any of the interests of the Legal Title Holder (where registration or recording of the title of the Legal Title Holder to any Mortgages is incomplete or (in the case of Scottish Mortgages) where assignments of any Mortgages transferring legal title to the Legal Title Holder have not yet been submitted for registration or recording), the Issuer or the Trustee might obtain a good title free of any such interest. Further, the rights of the Legal Title Holder, the Issuer and the Trustee may be or become subject to equities (for example, rights of set off as between the relevant Borrowers or insurance companies and the Legal Title Holder (or any previous owner of the Mortgage Loans)). However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by the Legal Title Holder (or any previous owner of the Mortgage Loans) of its contractual obligations or fraud, negligence or mistake on the part of the Legal Title Holder (or any previous owner of the Mortgage Loans) or the Issuer or their respective personnel or agents.

### **Limited recourse against solicitors and valuers**

The Issuer may not have any direct rights (under general law or in contract) against any solicitors or valuers who, when acting for any of the Originators in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Legal Title Holder and the Beneficial Title Seller have, to the extent assignable, assigned any causes and rights of actions that it has against third parties in respect of the Mortgage Loans to the Issuer pursuant to the Mortgage Sale Agreement.

### **Governing Law**

The Mortgage Sale Agreement and any non-contractual obligation arising out of or in connection to the Mortgage Sale Agreement will be governed by English law although terms or provisions thereof particular to Scottish Mortgage Loans and/or Scottish Related Security shall be governed by and construed in accordance with Scots law and any terms or provisions thereof relating to Northern Irish Mortgage Loans and/or Northern Irish Related Security shall be governed by and construed in accordance with Northern Irish law.

## SERVICING OF THE MORTGAGE PORTFOLIO

### Mortgage Loan Servicing

#### The Servicer and the Services

The Servicer will be appointed by the Legal Title Holder and the Issuer under the terms of the Servicing Agreement as their agent to service the Mortgage Loans.

In carrying out the services under the Servicing Agreement, the Servicer will manage the Mortgage Loans and their Related Security in accordance with the Collections Procedures, and any written instructions received from the Legal Title Holder (unless and until the Servicer receives written notice from the Issuer of a continuing Perfection Event or, following the delivery of an Enforcement Notice, from the Trustee informing the Servicer that it should no longer follow instructions received from the Legal Title Holder and expressly stating that the Servicer shall instead act in accordance with its instructions, in which case the Servicer shall instead act in accordance with any written instructions received from either the Issuer or, following the delivery of an Enforcement Notice, the Trustee (as applicable)).

The Servicer will diligently and promptly follow instructions, to the extent consistent with the Collections Procedures, other than in circumstances in which the Servicer has reasonable grounds for considering that any such instructions are not compliant with any applicable laws, or with the Servicer's obligations under the Servicing Agreement, in which case the Servicer will promptly notify the Issuer (copying the Trustee) and the Legal Title Holder of such determination (providing its reasons) thereby allowing the then instructing entity to transmit further instructions as appropriate.

The duties of the Servicer include the following (without limitation):

- (a) maintaining the Mortgage Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage Loan and sending each Borrower an account statement at least every twelve months;
- (b) collecting payments of Monthly Subscriptions due on the Mortgage Loans. The Monthly Subscriptions are deposited into the Collection Accounts and held on trust by the Legal Title Holder pursuant to the Collection Account Declaration of Trust for the Issuer as beneficiary and are swept by the Collection Account Bank on a daily basis to the Transaction Account (subject to withholding the DD Retained Balance, any Borrower Repayment Amounts, any direct debit reversals or cheques to be repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer account, any fees payable to the Collection Account Bank and an amount for payment to the Servicer Expense Account);
- (c) notifying Borrowers of changes in their Monthly Subscriptions;
- (d) dealing with the administrative aspects of the redemption of a Mortgage Loan. This includes arranging for the release of the deeds relating to the relevant Property together with the deed of release or discharge of the Mortgage to the relevant Borrower and the relevant Land Registry filings upon receipt of amounts required to repay the Mortgage Loan in full;
- (e) dealing with enquiries and requests from Borrowers. These may include providing a credit reference from the lender, consenting to a transfer from joint Borrowers to a single Borrower (for example, upon a divorce), approving a tenancy agreement where a Borrower wishes temporarily to let the Property and providing details of the current outstanding balance;

- (f) implementing the Collections Procedures in accordance with the standards of a Prudent Mortgage Servicer and ensuring the Collections Procedures are generally, in scope and content, the Collections Procedures of a Prudent Mortgage Servicer;
- (g) assisting in (but, for the avoidance of doubt, not initiating), and notifying the Issuer and the Legal Title Holder in a timely manner of the necessity of, all filings, activities or transactions within the relevant time limits (including properly obtained extensions thereto) prescribed by applicable law and necessary from time to time to preserve all rights, claims and powers under and in respect of the Mortgage Loans and their Related Security;
- (h) granting consents or approvals to Borrowers from time to time in accordance with the Collections Procedures;
- (i) releasing one or more joint Borrowers from any liability under a Mortgage Loan and its Related Security provided that the Collections Procedures are still satisfied in respect of that Mortgage Loan;
- (j) keeping records for all taxation purposes including VAT;
- (k) assisting with the preparation and submission of any claim under any insurance policies in relation to any Mortgage Loan or its Related Security in accordance with the requirements of the relevant insurance policy and otherwise with the usual procedures undertaken by a Prudent Mortgage Servicer, and complying with the other requirements of the insurer under the relevant insurance policy;
- (l) implementing a complaints procedure for Borrowers in accordance with the requirements from time to time published by the FCA;
- (m) approving invoices in respect of Protective Advances where such expenditure has been pre-approved by the Legal Title Holder or is incurred in line with the Collections Procedures from time to time, and passing such invoices to the Legal Title Holder for payment; and
- (n) taking (or causing to be taken) all actions as may be necessary or advisable to recover (or cause to be recovered) all sums due from Borrowers under the Mortgage Loans (including, without limitation, by the institution of, and assistance with, proceedings and/or the enforcement of any Mortgage Loan or of its Related Security) in accordance with the Collections Procedures.

provided that, in each case, the Servicer shall not take any Restricted Action without the prior written consent of the Legal Title Holder unless, in each case, the Servicer in its discretion and in accordance with its internal policies considers it necessary or prudent to do so to ensure compliance with:

- (A) the Legal Title Holder's obligations under the terms and conditions applicable to that Mortgage Loan;
- (B) the requirements of any applicable law, including the requirements of FSMA and the FCA Handbook (including MCOB); and/or
- (C) Principle 6 of the FCA's Principles for Businesses.

In this section, "**Restricted Action**" means any action to:

- (a) amend, terminate or cancel any of the Mortgage Loans or their Related Security (including, without limitation, the relevant Mortgage Conditions);
- (b) enter into or offer to enter into any discounted pay-off or other negotiated settlement with a Borrower in respect of a Mortgage Loan to agree settlement of amounts due at a discount;
- (c) agree to a transfer of equity between Borrowers;

- (d) make or agree to any Protective Advance or any other further advance or to the porting of any portable Mortgage Loan;
- (e) release or discharge any Mortgage or other Related Security other than upon full repayment or upon repossession;
- (f) waive a material breach of the underlying Mortgage Loan including, without limitation and for the avoidance of doubt, the non payment of ground rent and the issuance of a forfeiture notice;
- (g) waive any arrears or shortfall in payment;
- (h) defer or re-schedule any payment outside of the delegated authorities in the Collections Procedures;
- (i) capitalise any arrears;
- (j) issue any 'letter before action' in connection with any Mortgage Loan;
- (k) instruct solicitors in relation to any action in connection with any Mortgage Loan;
- (l) issue any warrant of possession in connection with any Mortgage Loan or take any steps for repossession in connection with any Mortgage Loan;
- (m) take any decision upon receipt of confirmation of any court hearing in respect of the enforcement of any Mortgage Loan or upon receipt of confirmation of the appointment of receivers in relation to any Mortgage Loan (all such decisions to be taken by the Legal Title Holder only);
- (n) take any decision upon receipt of a date of eviction in relation to any Mortgage Loan (all such decisions to be taken by the Legal Title Holder only);
- (o) carry out an act not provided for in, or contemplated by, the Collections Procedures, which the Servicer considers (acting as a Prudent Mortgage Servicer) would materially prejudice (i) the value of any Property, (ii) the mortgagee's security, or (iii) the mortgagee's ability to enforce the Mortgage or Related Security;
- (p) agree the price at which a disposal of a Property is to be made;
- (q) change the amount of fees, charges and/or interest payable (other than any change resulting from a change in LIBOR or the Bank of England base rate, provided the change is made in accordance with the Mortgage Conditions);
- (r) charge any early repayment charges in connection with any Mortgage Loan;
- (s) process any item, matter or request whatsoever which falls outside of the standards, policies, procedures and service levels contained in the Collections Procedures which the Servicer considers (acting as a Prudent Mortgage Servicer) would be reasonably likely to materially impact upon the likelihood of recovering any Mortgage Loan in full;
- (t) decide the approach that should be adopted in respect of a Mortgage Loan relating to a deceased Borrower;
- (u) accept Borrower repayment proposals made following the issue of possession procedures prior to a hearing date in respect of such Borrower;
- (v) enforce a court order in respect of any Borrower;
- (w) make any repayment proposals or apply for an application hearing following an instruction to a panel solicitor to enforce a court order;

- (x) agree the approach to be taken in respect of a Mortgage Loan identified as a high vulnerability case by the Servicer;
- (y) agree the approach to be taken, including the decision to appoint any receiver, in respect of any let Property where the Mortgage Loan is in arrears and no instalment or arrangement payments are being made;
- (z) waive or settle, or agree to waive or settle, any claim against a valuer or solicitor or any other third party in respect of a Mortgage Loan; or
- (aa) issue a consent for the letting of a property (other than to a Borrower in respect of a buy to let loan in accordance with the Collections Procedures).

### **Rights of Direction of the Legal Title Holder**

For so long as no Perfection Event is continuing, the Legal Title Holder will: (A) monitor the performance of the Servicer under, and provide directions to the Servicer pursuant to, the Servicing Agreement, and the Servicer will act in accordance with such instructions provided by the Legal Title Holder, in relation to the Restricted Actions, and (B) provide the services described below:

- (a) making Protective Advances;
- (b) commencing and proceeding with professional negligence claims, insurance claims and claims against third parties in relation to the Mortgage Portfolio, where the Legal Title Holder considers that it reasonably expects a net recovery which is not de minimis; and
- (c) maintaining insurance policies in respect of, and covering, the Mortgage Loans and their Related Security.

Following the occurrence of a Perfection Event which is continuing, the Issuer or the Trustee (acting upon the instructions of the Most Senior Class by way of Extraordinary Resolution (including by Written Resolution)) will have sole discretion to appoint an appropriate service provider to perform these actions.

### **Protective Advances**

For so long as a Perfection Event has not occurred, the Legal Title Holder shall have responsibility for making Protective Advances, on behalf of the Issuer (and the Servicer will not make Protective Advances). The Legal Title Holder may apply amounts standing to the credit of the Servicer Expense Account from time to time towards payment of expenses incurred by the Legal Title Holder in making Protective Advances.

Following the occurrence of a Perfection Event which is continuing, the responsibility for making Protective Advances, or procuring that they are made, shall pass to the Issuer or its nominee (as successor legal title holder), and the Issuer or the Trustee (acting upon the instructions of the Most Senior Class by way of Extraordinary Resolution (including by Written Resolution)) will have sole discretion to appoint an appropriate service provider to make such advances.

In this section, “**Protective Advances**” means, with regard to any Mortgage Loan or its Related Security or the Mortgage Portfolio as a whole, any duly documented payment:

- (a) which was incurred following the Cut-Off Date;
- (b) which was made by or on behalf of the Legal Title Holder; and
- (c) which was made for the purpose of preserving the value of (A) such Mortgage Loan or its Related Security or any collateral security for such Mortgage Loan or its Related Security, including (without limitation): litigation costs; field agent visit fees; LPA receiver appointment fees; payments to

freeholders or managing agents of leasehold properties in respect of unpaid ground rents and service charges in order to prevent forfeiture of the relevant lease; insurance, repairs and maintenance costs of repossessed properties and any other third party fees and expenses associated with managing, valuing, disposing or consulting with respect to any Mortgage Loan or its Related Security, or (B) the Mortgage Portfolio as a whole.

### **Termination of appointment**

The Servicer may terminate its appointment under the Servicing Agreement in the following circumstances:

- (a) where it ceases to be an authorised person under FSMA, or its permission to administer Regulated Mortgage Contracts is suspended, rescinded or revoked;
- (b) upon the occurrence of an Illegality Event;
- (c) if the Issuer fails to pay any amount due to the Servicer under the terms of the Servicing Agreement, and such breach continues un-remedied for a period of five (5) Business Days;
- (d) if the Issuer or the Legal Title Holder breaches any other covenant, obligation, representation or warranty under the Servicing Agreement, which breach is materially prejudicial to the interests of the Servicer, and such breach, if capable of remedy, is not remedied within twenty (20) Business Days;
- (e) if an insolvency event occurs and is continuing in relation to the Issuer; or
- (f) if the Servicer wishes to resign at any time with effect on or after Optional Redemption Date.

Any such termination shall not become effective until the later of (A) the date specified in such notice of termination and (B) the earlier of (x) the expiry of 120 days from the date on which the Servicer gives notice of its termination and (y) the time at which the appointed substitute servicer or Back-Up Servicer becomes fully operational to administer the Mortgage Portfolio, provided that such substitute servicer:

- (a) is reputable;
- (b) has servicing experience of residential mortgage loans throughout the United Kingdom;
- (c) has the prior written approval of the Legal Title Holder (prior to the occurrence of a Perfection Event) and (prior to service of an Enforcement Notice) the Issuer (with the consent of the Trustee) and (after the service of an Enforcement Notice) the Trustee;
- (d) has all consents, authorisations, approvals, licences and orders necessary to fulfil its obligations in connection with the Servicing Agreement;
- (e) has a business establishment (for the purposes of Section 9 of VATA) in the United Kingdom which is either its sole business establishment (with no other fixed establishment anywhere else in the world) or is its business (or other fixed establishment) which is most directly concerned with the services it supplies under such substitute servicing agreement; and
- (f) enters into an agreement substantially in the same terms as the relevant provisions of the Servicing Agreement (or such other terms as have been approved in writing by the Legal Title Holder (prior to the occurrence of a Perfection Event) and the Issuer with the written consent of the Trustee, or, following delivery of an Enforcement Notice, the Trustee only).

Prospective investors should note, however, that upon the termination of the appointment of the Servicer, unless an alternative substitute servicer is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall effect the Back-Up Servicer's appointment as servicer under the Back-Up Servicing

Agreement, and the Issuer shall use reasonable endeavours to procure that the Back-Up Servicer (or other substitute servicer) is appointed within 60 days of the receipt of a notice of termination from the Servicer.

Upon the occurrence of a Servicer Termination Event or Illegality Event, either of which is continuing, then

- (i) the Issuer, with the prior written consent of the Trustee;
- (ii) the Trustee (following the delivery of an Enforcement Notice);
- (iii) the Legal Title Holder, prior to the occurrence of a Perfection Event (and with the prior written consent of the Issuer (or, following service of an Enforcement Notice, the Trustee)), or
- (iv) the Legal Title Holder, prior to the occurrence of a Perfection Event (if the Legal Title Holder reasonably believes that such termination is necessary in order for the Legal Title Holder to comply with its regulatory obligations (including under SYSC 8 of the FCA Handbook, without any of the consents specified in (iii) above)),

may terminate the appointment of the Servicer by notice in writing.

Any termination by the Issuer, the Legal Title Holder or the Trustee of the appointment of the Servicer following a Servicer Termination Event or Illegality Event will not become effective until the Back-Up Servicer, or a substitute, reputable servicer with requisite experience, is appointed on substantially the same terms of the Servicing Agreement, and provided that in the case of the appointment of a substitute servicer other than the Back-Up Servicer, the identity of such substitute (A) has been notified to the Rating Agencies as the intended substitute servicer, following which notification the Rating Agencies have not, within a period of 30 days, taken or indicated that they will take any negative action in relation to the then current rating of the Notes as a consequence of such replacement (and for the avoidance of doubt, no Extraordinary Resolution of the holders of the Most Senior Class will be required to approve the appointment of the Successor Servicer in these circumstances), or (B) which has been ratified by an Extraordinary Resolution of the Most Senior Class. The Back-Up Servicer or other successor servicer must agree to be bound by the terms of the Incorporated Terms Memorandum and the Security Deed.

In this section:

“**Illegality Event**” means a change of applicable law or other event outside the control of the parties to the Servicing Agreement has occurred which renders the performance of the Servicing Agreement or the services to be performed thereunder (or any part thereof but only provided that such part of the services is material to providing the services) illegal; or causes the loss of all or any necessary regulatory licences or authorisations, and as to any such items, the parties, using reasonable commercial efforts, are unable to agree a mutually acceptable work-around to avoid such illegality, regulatory capital increase or loss of licenses or authorities; and

“**Servicer Termination Event**” includes, amongst others, the following events:

- (a) the failure of the Servicer to pay any amount due to the Legal Title Holder or the Issuer under the terms of the Servicing Agreement, and such breach continues unremedied for a period of five Business Days;
- (b) the Servicer breaches any other covenant, obligation, representation or warranty under the Servicing Agreement, which breach is materially prejudicial to the interests of the Issuer or the Legal Title Holder and continues unremedied for a period of 20 Business Days;
- (c) the Servicer commits a persistent breach of its obligation to seek directions from the Legal Title Holder before taking Restricted Actions;



- (d) the monthly data tape referred to in the Servicing Agreement provided to the Back-Up Servicer being incorrect, and such error(s) are not corrected within ten calendar days of the Servicer becoming aware of such error(s), where such errors have a material adverse effect on the economic interests, regulatory compliance or investor reporting of the Legal Title Holder, the Cash Manager or the Issuer;
- (e) an insolvency event occurs, and is continuing, with respect to the Servicer;
- (f) the Servicer repudiates or otherwise disaffirms its material obligations under the Servicing Agreement in writing; or
- (g) any of the Servicer's permissions under FSMA required to perform the services under the Servicing Agreement are suspended, rescinded or revoked (except to the extent that such suspension, rescission or revocation is caused by an Illegality Event).

The ability of the Back-Up Servicer or a substitute servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. The Trustee has no obligation to act as servicer upon any such termination.

### **Information and Reporting by the Servicer**

Pursuant to the Servicing Agreement, the Servicer shall (i) keep and maintain accurate and detailed Mortgage Records, including all Mortgage Records which are necessary to enable the Servicer to comply with its record-keeping obligations under all laws applicable to the Servicer from time to time, and all other records reasonably necessary or advisable for the collection of all Mortgage Loans and their Related Security (including Mortgage Records adequate to permit the daily identification of each Mortgage Loan and its Related Security and all Collections of and adjustments to each such Mortgage Loan and its Related Security); and (ii) hold all Mortgage Records on trust and for the sole benefit of the Issuer, which Mortgage Records shall (other than when otherwise required in connection with the provision of the Services), if in hard copy, be held in a secure location.

The Servicer shall on the required dates set out in the Servicing Agreement provide periodic reports in the form and containing the information specified in the Servicing Agreement.

### **Fees and Expenses of the Servicer**

The Issuer shall pay to the Servicer a fee for its mortgage settlement and related administration services under the Servicing Agreement (the "**Servicer Fees**") on a monthly basis. The Servicer Fees shall be an annual fee of an amount equal to 25 basis points per annum multiplied by the Current Balance of the Mortgage Loans, calculated on a pro rata basis for each calendar month, exclusive of VAT.

The Servicer shall be reimbursed for expenses properly incurred in connection with the performance of the services under the Servicing Agreement (excluding (i) any rent, salaries, communications costs and any tax, PAYE and national insurance liabilities payable by the Servicer, or by any sub-contractor or delegate of the Servicer, relating to its staff, and (ii) the fees of any subcontractor or delegate that is performing services for the Servicer that a Prudent Mortgage Servicer would ordinarily perform itself, other than Protective Advances).

The Cash Manager shall (on behalf of the Issuer) apply monies credited to the Transaction Account towards satisfaction of the Servicer Fees and any Servicer Liabilities, which shall be payable (i) during each Calculation Period, on any Business Day other than an Interest Payment Date in accordance with the Cash Management Agreement; and (ii) in the event any Servicer Fees and/or Servicer Liabilities remain unpaid on an Interest Payment Date, in accordance with the Pre-Enforcement Revenue Payments Priorities.

### **Sub-Contracting by the Servicer**

The Servicer is permitted in specified circumstances and subject to certain conditions with the prior written consent of the Legal Title Holder (or following a Perfection Event, of the Issuer and the Trustee), to sub-contract or delegate its obligations under the Servicing Agreement. The Servicer will not be released or discharged of any liability in respect of any such sub-contracting or delegation, and will accordingly remain responsible for its obligations under the Servicing Agreement and any breach by the subcontractor or delegate shall be treated as a breach by the Servicer.

On or about the Closing Date, the Servicer will delegate certain of its servicing functions in relation to the Edeus Pool to the Sub-Servicer (see the section entitled “*The Sub-Servicer*” below). Notwithstanding such delegation, the Servicer remains liable at all times for servicing the Mortgage Loans and for the acts or omissions of the Sub-Servicer.

### **The Sub-Servicer**

On or about the Closing Date, pursuant to the Sub-Servicing Agreement, the Sub-Servicer will be appointed by the Servicer to provide certain servicing functions in relation to the Edeus Pool until the migration of the Edeus Pool from the mortgage system currently used by the Sub-Servicer to the mortgage loan administration system used by the Servicer (the “**Migration**”) is completed.

The Sub-Servicer will take instructions from the Servicer in relation to the services to be provided by it under the Sub-Servicing Agreement, and not from the Issuer or the Trustee.

The Sub-Servicer is entitled to charge a fee for its services under the Sub-Servicing Agreement. Such fee is payable by the Servicer.

The Sub-Servicer will cooperate with and provide reasonable assistance to the Servicer in connection with the Migration to allow the Migration of the Edeus Pool within a 90 day period. The appointment of the Sub-Servicer will be terminated by the Servicer upon the completion of the Migration.

### **Back-Up Servicing**

Each of the Issuer and the Legal Title Holder will use all its reasonable efforts to procure that the Back-Up Servicer is appointed and enters into a back-up servicing agreement between, among others, the Issuer, the Legal Title Holder and the Back-Up Servicer (the “**Back-Up Servicing Agreement**”), on or about the Closing Date. Upon termination of the appointment of the Servicer, the Back-Up Servicer shall become a party to a replacement servicing agreement on substantially similar terms as the Servicing Agreement as soon as possible and in any event within the later of (i) 60 days of it being notified of such termination and (ii) 30 November 2014. The Back-Up Servicer shall perform all duties and obligations of the Servicer with respect to the Mortgage Portfolio, in accordance with the terms of such replacement servicing agreement.

### **Collections Procedures**

The Servicer has established procedures that the Servicer is required to adhere to for managing Mortgage Loans (“**Collections Procedures**”). These same procedures, as from time to time varied in accordance with the practice of a prudent residential mortgage servicer (with the prior written consent of the Legal Title Holder (or if the Servicer is aware that a Perfection Event is continuing, the Issuer or, following the service of an Enforcement Notice, the Trustee) except in the case of any amendment (i) which is necessary for the Servicer to comply with any change in applicable law or regulatory policy (including MCOB and TCF) or (ii) which is not, in the reasonable opinion of the Servicer, acting as a prudent residential mortgage servicer, material), will continue to be applied in respect of the Mortgage Loans. In addition, the Servicer will consider and discuss with the Legal Title Holder or, if the Servicer is aware that a Perfection Event is continuing, the Issuer or, following the service of an Enforcement Notice, the Trustee) any amendment to the Collections

Procedures proposed by the Legal Title Holder or such other party (as applicable) to the Servicer, provided such amendment would not render the Servicer non-compliant with any applicable law or is not, in the reasonable opinion of the Servicer, inconsistent with the procedures maintained by a prudent mortgage servicer. In this context, the Collections Procedures will be operated by the Servicer, provided that the Servicer shall not (subject to the exceptions set out in “*The Servicer and the Services*” above) take any Restricted Action without the prior written consent of the Legal Title Holder.

**Governing Law**

Each of the Servicing Agreement, the Sub-Servicing Agreement and the Back-Up Servicing Agreement and any non-contractual obligation arising out of or in connection with the Servicing Agreement, the Sub-Servicing Agreement and the Back-Up Servicing Agreement shall be governed by English law.

## CASH MANAGEMENT

On the Closing Date, the Issuer will appoint Mars Capital Finance Limited as the cash manager (the “**Cash Manager**”) to provide cash management services to the Issuer pursuant to a cash management agreement (the “**Cash Management Agreement**”).

### Cash Management Services

The primary obligation of the Cash Manager is to effect the transfer of monies between the relevant parties and accounts. The Cash Manager’s duties will include, but are not limited to:

- (a) determining no later than the Cash Manager Determination Date the amount of the Available Revenue Funds and the amount of the Available Principal Funds and the amounts to be paid in respect of each item in the Pre-Enforcement Payments Priorities on the next following Interest Payment Date;
- (b) applying Available Revenue Funds and Available Principal Funds in accordance with the order of payments set forth in the relevant Payments Priorities on each Interest Payment Date;
- (c) maintaining the Principal Ledger, the Revenue Ledger, the General Reserve Ledger, the Liquidity Reserve Ledger, the Issuer Profit Ledger and the Principal Deficiency Ledger; and
- (d) preparing the quarterly investor report in accordance with the Cash Management Agreement (the “**Quarterly Investor Report**”).

### Collection Accounts

Each Collection Account is a bank account held by the Legal Title Holder at the Collection Account Bank, to which the Servicer directs Principal Collections and Revenue Collections. On the Closing Date, the Legal Title Holder will provide the Collection Account Bank with a new account mandate authorising the Servicer to transfer monies from the Collection Accounts from time to time (to the extent that the Collection Account Bank does not undertake such task automatically). Pursuant to the Servicing Agreement, the Legal Title Holder will be obliged to procure that the Collection Account Bank transfers and, pursuant to the Collection Account Agreement, the Collection Account Bank will be obliged to transfer, at the end of each Business Day during a Calculation Period, amounts standing to the credit of the Collection Accounts in excess of (i) £15,000 (in aggregate) (the “**DD Retained Balance**”), (ii) any Borrower Repayment Amounts, (iii) any direct debit reversals or cheques to be repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer account and (iv) any fees payable to the Collection Account Bank, *firstly* into the Servicer Expense Account, until there is a credit balance on the Servicer Expense Account equal to £50,000 (the “**Servicer Expense Required Amount**”); and *secondly* into the Transaction Account. Borrower Repayment Amounts will be paid out of the Collection Accounts to the relevant recipient on any Business Day.

### Direct Debit Minimum Balance

The Legal Title Holder is required to maintain an amount which shall not be lower than the DD Retained Balance in the Collection Accounts at all times to meet any of the Issuer’s or the Legal Title Holder’s obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) or to satisfy any other amounts due to the Collection Account Bank under the Collection Account Agreement.

## **Servicer Expense Account**

The Servicer Expense Required Amount shall be transferred to the account held in the name of the Legal Title Holder at the Collection Account Bank (the “**Servicer Expense Account**”), in relation to which the Legal Title Holder shall have signing rights exclusively for the purpose of (i) applying amounts to satisfy any expenses of the Legal Title Holder in relation to Protective Advances and (ii) applying amounts to satisfy any expenses of the Servicer in accordance with the Servicing Agreement.

## **Transaction Account**

Pursuant to the Transaction Account Agreement, the Issuer will maintain the Transaction Account. The Issuer may, with the prior written consent of the Trustee, open additional or replacement bank accounts on terms as agreed between the parties from time to time.

Interest shall accrue on the daily credit balance of the Transaction Account at the rate agreed between the Issuer and the Transaction Account Bank and shall be credited to the Transaction Account.

## **Eligible Investments**

The Cash Manager may on any Business Day on which the same are not otherwise required for making any payment due by the Issuer under the terms of the Transaction Documents, instruct the Transaction Account Bank to withdraw (or keep withdrawn) funds from the Transaction Account for the purpose only of investing those funds in Eligible Investments. The Cash Manager shall direct all income, principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments are returned prior to the next succeeding Calculation Date and credited to the Transaction Account.

For this purpose, “**Eligible Investments**” means:

- (a) demand or time deposits, certificates of deposit and other short term unsecured debt obligations provided that, in each case, at the time the deposit is made or the certificate or obligation is acquired the then current rating of the unsecured and unguaranteed debt obligations of that institution (or, where the investment in question is guaranteed, of the guaranteeing institution) is AA- or A-1+ or AAAm by S&P; and at least one of (a) P-1 or at least A2 (if applicable) from Moody’s; (b) F1+ or AA- from Fitch; and (c) at least AA (low) or R-1 (middle) (if applicable) from DBRS, or in each case such other ratings as may be required by the Rating Agencies from time to time;
- (b) short term unsecured debt obligations issued by a body corporate provided that the then current rating of the unsecured and unguaranteed debt obligations of that body corporate (or where the debt obligations in question are guaranteed, of the guaranteeing institution) is AA- or A-1+ or AAAm by S&P; and at least one of (a) P-1 or at least A2 (if applicable) from Moody’s; (b) F1+ or AA- from Fitch; and (c) at least AA (low) or R-1 (middle) (if applicable) from DBRS, or in each case such other ratings as may be required by the Rating Agencies from time to time; or
- (c) money market funds that meet the European Securities and Markets Authority (ESMA) Short-Term Money Market Fund definition, set out in Guideline reference 10-049 of the Committee for European Securities Regulators, or money market funds that hold an AAAm money market fund from S&P and an equivalent money market fund rating from a recognised credit rating agency such as Moody’s Fitch or DBRS,

provided that, no withholding or deduction for or account of tax will be made on any payments of interest or principal in respect of any such deposit, bond, debenture, note or other investment or security evidencing debt, and provided further that no such instrument will be a volatile instrument (as specified in the Rating

Agencies' published criteria) and/or an instrument issued by a mutual fund or similar investment vehicle, and provided further that each such instrument shall mature (or otherwise be capable of being redeemed, terminated or broken (at no additional cost)) on or before the next succeeding Calculation Date so that such funds will be available for withdrawal on such date.

## **Ledgers**

The Cash Manager shall maintain the following ledgers in respect of amounts standing to the credit of the Transaction Account:

- (a) the Principal Ledger. Amounts credited to this ledger during a Calculation Period (such as Principal Receipts, a Principal Addition Amount and Revenue Reallocation Amounts) will be available on the following Interest Payment Date for application in accordance with the Pre-Enforcement Principal Payments Priorities;
- (b) the Revenue Ledger. Amounts credited to this ledger during a Calculation Period (such as Revenue Receipts, Principal Reallocation Amounts and (following redemption of the Notes) Residual Principal Allocation Amounts) will be available on the following Interest Payment Date for application in accordance with the Pre-Enforcement Revenue Payments Priorities;
- (c) the Issuer Profit Ledger. Amounts credited to this ledger on Interest Payment Dates will be applied in the satisfaction of the Issuer's income tax obligations and for payment to the shareholders of the Issuer by way of dividend;
- (d) the Liquidity Reserve Ledger. Amounts standing to the credit of this ledger may be credited to the Revenue Ledger for application on an Interest Payment Date to pay items (a) to (d) of the Pre-Enforcement Revenue Payments Priorities and any Interest Amount due and payable in respect of the Most Senior Class (prior to the making of a General Reserve Drawing and the application of any Principal Reallocation Amounts); and
- (e) the General Reserve Ledger. Amounts standing to the credit of this ledger may be credited to the Revenue Ledger for application on an Interest Payment Date in accordance with the Pre-Enforcement Revenue Payments Priorities (after the making of a Liquidity Reserve Drawing but prior to the application of amounts comprising Principal Reallocation Amounts).

A further ledger, the Principal Deficiency Ledger, will be maintained by the Cash Manager. That ledger does not relate to amounts standing to the credit of the Transaction Account but rather records (i) amounts of Principal Losses and Principal Reallocation Amounts (which are debited to the Principal Deficiency Ledger) and (ii) amounts transferred from the Revenue Ledger to the Principal Ledger comprising a Revenue Reallocation Amount (which are credited to the Principal Deficiency Ledger).

## **Ratings of Collection Account Bank and Transaction Account Bank**

If at any time the Transaction Account Bank ceases to be an Eligible Institution, the Transaction Account Bank shall, within 10 calendar days of becoming aware of such circumstance, give notice of such event to the Issuer (who will give notice to the Noteholders) and to the Trustee. The Transaction Account Bank shall use commercially reasonable efforts to assist the Issuer in identifying a replacement transaction account bank which is an Eligible Institution but if it is unable to identify such a replacement within such time period, the Transaction Account Bank shall have no liability or further obligation to any person with respect to identifying a replacement transaction account bank.

The Issuer shall, within 30 calendar days from the date on which the Transaction Account Bank has ceased to be an Eligible Institution, use all reasonable endeavours to replace the Transaction Account Bank with an

entity which is an Eligible Institution and, as a result, procure that the Transaction Account Bank transfers the amounts standing to the credit of the Transaction Account to that entity and procure that such entity establishes arrangements substantially similar to those contained in the Transaction Account Agreement. The Transaction Account Bank shall provide the Issuer with any assistance reasonably requested of it in order to effect such a transfer of banking arrangements. A failure on the part of the Issuer to procure such a transfer, having used all reasonable endeavours to do so, shall not constitute an Event of Default under Note Condition 12.1.2.

If at any time the Collection Account Bank ceases to be an Eligible Institution, the Issuer shall, within 10 calendar days of becoming aware of such circumstance, give notice of such event to the Noteholders and to the Trustee and, without prejudice to any provision or remedy contained in any Transaction Document, the Collection Account Bank shall, at the request and cost of the Issuer, use commercially reasonable efforts to assist the Issuer to (a) replace the Collection Account Bank with an entity which is an Eligible Institution, (b) transfer the Collection Accounts to that entity and (c) procure that such entity establishes arrangements substantially similar to those contained in the Collection Account Agreement.

Notwithstanding the above, the Issuer shall, within 30 calendar days from the date on which the Collection Account Bank has ceased to be an Eligible Institution, use all reasonable endeavours to replace such bank with an entity which is an Eligible Institution and, as a result, procure that the Collection Account Bank transfers the amounts standing to the credit of the Collection Accounts to that entity and procure that such entity establishes arrangements substantially similar to those contained in the Collection Account Agreement. A failure on the part of the Issuer to procure such a transfer, having used all reasonable endeavours to do so, shall not constitute an Event of Default under Note Condition 12.1.2.

**“Eligible Institution”** means:

- (a) in respect of the Transaction Account Bank, any depository institution, (1) the short-term unsecured and unsubordinated debt obligation of which are rated at least A-1 by S&P and R-1 low by DBRS and the long-term unsecured and unsubordinated debt obligations of which are rated at least A by S&P and A by DBRS or (2) if no S&P or DBRS short-term rating is available the long-term unsecured and unsubordinated debt obligation of which are rated at least A+ by S&P and A by DBRS, or
- (b) in respect of the Collection Account Bank, any depository institution, (1) the short-term unsecured and unsubordinated debt obligation of which are rated at least A-2 by S&P and R-1 low by DBRS and the long-term unsecured and unsubordinated debt obligations of which are rated at least BBB by S&P and BBB by DBRS or (2) if no S&P or DBRS short-term rating is available the long-term unsecured and unsubordinated debt obligation of which are rated at least BBB+ by S&P and BBB high by DBRS.

In cases where DBRS does not maintain a public rating of a specific third party institution, DBRS provides a private rating of the relevant institution (which will be monitored over the life of the transaction), and will notify the relevant institution if any such ongoing internal assessment results in a downgrade that breaches applicable rating triggers, so that such institution can decide which of the applicable remedies to implement.

In certain cases, DBRS may rely on public ratings assigned and monitored by other credit rating agencies.

The Legal Title Holder may revoke its appointment of the Collection Account Bank:

- (a) immediately on giving notice to the Collection Account Bank (with a copy to the Trustee) in the event of (a) the occurrence of an Insolvency Event in respect of the Collection Account Bank, (b) the occurrence of a Force Majeure Event, or (c) a material breach by the Collection Account Bank of its obligation under this Deed; and
- (b) by not less than 60 (sixty) calendar days' notice to the Collection Account Bank without cause,

provided that such revocation shall not take effect until a successor which is an Eligible Institution, previously approved in writing by the Trustee, has been duly appointed and has entered into a replacement collection account agreement on substantially the same terms of this Deed.

### **Remuneration of Cash Manager**

The Cash Manager will be paid at a rate as agreed between the Cash Manager and the Issuer from time to time.

### **Resignation of Cash Manager**

The Cash Manager may resign only on giving not less than 60 days' notice in writing to the Trustee and the Issuer (with a copy to the Transaction Account Bank) provided that (i) a successor cash manager acceptable to the Trustee has been appointed and a new cash management agreement is entered into on substantially the same terms as the Cash Management Agreement or on such terms as are satisfactory to the Trustee and the Issuer and (ii) the Rating Agencies have been notified in writing of such resignation and appointment.

### **Termination of Appointment of Cash Manager**

The Issuer may, with the written consent of the Trustee, or following the delivery of an Enforcement Notice the Trustee may itself upon written notice to the Cash Manager with a copy to the Transaction Account Bank, the Issuer and the Trustee (as applicable), terminate the Cash Manager's rights and obligations immediately if any of the following events occur:

- (a) default is made by the Cash Manager in ensuring the payment on the due date of any payment required to be made 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 the default and receipt by the Cash Manager of written notice from the Issuer or (following the delivery of an Enforcement Notice) the Trustee requiring the default to be remedied;
- (b) without prejudice to paragraph (a) above:
  - (i) 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;
  - (ii) any representation or warranty made by the Cash Manager pursuant to Clause 7 (*Representations and Warranties*) of the Cash Management Agreement proves to be untrue, incomplete or inaccurate in any material respect; or
  - (iii) 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, incomplete or inaccurate in any material respect,and (if such default is capable of remedy) such default continues unremedied for a period of 20 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 delivery of an Enforcement Notice) the Trustee requiring the same to be remedied;
- (c) it is or will become unlawful for the Cash Manager to perform any of its obligations under the Cash Management Agreement; or
- (d) any insolvency event occurs in relation to the Cash Manager.



Upon termination of the appointment of the Cash Manager, the Issuer will use its reasonable endeavours to appoint a substitute cash manager (and give notice of such appointment to the Rating Agencies). Any such substitute cash manager will be required to enter into an agreement on substantially the same terms as the Cash Management Agreement or on such terms as are satisfactory to the Trustee and the Issuer.

If the appointment of the Cash Manager is terminated or the Cash Manager resigns, the Cash Manager must deliver its books of account relating to the Notes and the Certificates to or at the direction of the Trustee. The Cash Management Agreement will terminate automatically on the Interest Payment Date following the realisation of Charged Property.

### **Governing Law**

The Cash Management Agreement and any non-contractual obligations arising out of or in relation to the Cash Management Agreement will be governed by English law.

## CASHFLOWS

### Payments on Business Days other than Interest Payment Dates

On each Business Day during a Calculation Period (other than an Interest Payment Date) prior to delivery of an Enforcement Notice, the Cash Manager shall, on behalf of the Issuer, effect payment from monies in the Transaction Account and recorded in the Revenue Ledger of the amounts due and payable by the Issuer on such Business Day in relation to the following matters in the amounts required (provided that payments to be made from and including a Cash Manager Determination Date to and including the following Interest Payment Date shall only be made from amounts paid into the Transaction Account during the Calculation Period in which that payment falls) (but in no order of priority, other than in respect of Trustee Fees and/or Trustee Liabilities, as described immediately below):

- (a) any amount payable by the Issuer and/or the Legal Title Holder (a) to a Borrower under the terms of the Mortgage Documents or by operation of law including (without limitation) amounts overpaid by a Borrower or proceeds of enforcement which exceed the amounts outstanding in respect of the Mortgage Loan (but subject to any right to refuse or withhold payment of such amount or any right of set off that has arisen by reason of such Borrower's breach of the terms of such Mortgage Documents) or (b) to any other person in respect of a payment relating to a Mortgage Loan which has not been accepted by the Legal Title Holder or the Servicer (a "**Borrower Repayment Amount**") of a revenue nature, to be paid into the Collection Accounts;
- (b) any tax payment and any amount due in respect of VAT at the rate applicable from time to time;
- (c) any Third Party Expenses;
- (d) any Agents' Fees and/or Agents' Liabilities;
- (e) any Transaction Account Bank Fees and/or Transaction Account Bank Liabilities;
- (f) any Servicer Fees and/or Servicer Liabilities;
- (g) any Corporate Services Provider Fees and/or Corporate Services Provider Liabilities;
- (h) any Trustee Fees and/or Trustee Liabilities; and
- (i) any amount necessary to be paid to the Collection Accounts to remedy an overdraft in relation to the Collection Accounts caused by a payment from the Collection Accounts by the Collection Account Bank to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Loans, or to pay any amounts due or owing to the Collection Account Bank,

provided that if on any Business Day (other than an Interest Payment Date) amounts are to be paid in respect of items (c), (d), (e), (f), (g) and (h), amounts in respect of item (h) shall be paid in priority to amounts in respect of items (c), (d), (e), (f) and (g).

On each Business Day during a Calculation Period (other than an Interest Payment Date) prior to delivery of an Enforcement Notice, the Cash Manager shall, on behalf of the Issuer, effect payment from monies in the Transaction Account and recorded in the Principal Ledger of the amounts due and payable by the Issuer on such Business Day in relation to the following matters in the amounts required (provided that payments to be made from and including a Cash Manager Determination Date to and including the following Interest

Payment Date shall only be made from amounts paid into the Transaction Account during the Calculation Period in which that payment falls) (but in no order of priority):

- (a) any Borrower Repayment Amount of a principal nature to be paid to the Collection Accounts; and
- (b) any direct debit reversals or cheques to be repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer account.

“**Direct Debit**” means a written instruction of a Borrower authorising its bank to honour a request of the Legal Title Holder to debit a sum of money on specified dates from the account of the Borrower for deposit into an account of the Legal Title Holder; and

“**Direct Debiting Scheme**” means the system for the manual or automated debiting of bank accounts by Direct Debit operated in accordance with the principal rules of certain members of the Association for Payment Clearing Services.

### **Pre-Enforcement Revenue Payments Priorities**

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, apply Available Revenue Funds 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 Payments Priorities**”):

- (a) in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:
  - (i) to the extent such amounts have not already been paid in accordance with Paragraph 13 of Part 3 of Schedule 1 of the Cash Management Agreement (*Payments from Revenue Ledger on any Business Day*), any Liabilities due and payable by the Issuer to the Trustee in accordance with the terms of the Trust Deed together with interest payable thereon in accordance with the terms of the Trust Deed (“**Trustee Liabilities**”); and
  - (ii) to the extent such amounts have not already been paid in accordance with Paragraph 13 of Part 3 of Schedule 1 of the Cash Management Agreement (*Payments from Revenue Ledger on any Business Day*), the fees due and payable by the Issuer to the Trustee, together with any interest payable thereon pursuant to the Trust Deed (“**Trustee Fees**”);
- (b) to the extent such amounts have not already been paid in accordance with Paragraph 13 of Part 3 of Schedule 1 of the Cash Management Agreement (*Payments from Revenue Ledger on any Business Day*), in or towards satisfaction of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained previously by the Issuer as profit under item (d) below) (“**Third Party Expenses**”);
- (c) to the extent such amounts have not already been paid in accordance with Paragraph 13 of Part 3 of Schedule 1 of the Cash Management Agreement (*Payments from Revenue Ledger on any Business Day*) in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:
  - (i) any Liabilities due and payable by the Issuer to the Agents in accordance with the terms of the Agency Agreement, in each case together with interest thereon as provided in the Agency Agreement (the “**Agents’ Liabilities**”);
  - (ii) the fees due and payable to the Principal Paying Agent for the account of the Agents in accordance with the terms of the Agency Agreement (the “**Agents’ Fees**”);

- (iii) any and all of: (a) amounts due to the Servicer in connection with the enforcement of any Mortgage Loan and/or the protection or enforcement of the Trustee's rights and remedies in relation to such enforcement in the immediately preceding Calculation Period; and (b) any other Liabilities properly and reasonably incurred by or on behalf of the Servicer in connection with the performance of the Servicer's functions under the Servicing Agreement (including without limitation, any costs, expenses and charges payable by the Issuer to the Servicer in accordance with the Servicing Agreement but excluding any amounts already paid to the Servicer from the Servicer Expense Account in satisfaction of such costs, expenses and charges) (the "**Servicer Liabilities**");
  - (iv) the fees, costs and expenses due and payable by the Issuer to the Servicer in accordance with the Servicing Agreement (the "**Servicer Fees**");
  - (v) any Liabilities properly and reasonably incurred by or on behalf of the Back-Up Servicer in connection with the performance of the Back-Up Servicer's functions under the Back-Up Servicing Agreement (the "**Back-Up Servicer Liabilities**");
  - (vi) the fees, costs and expenses due and payable by the Issuer to the Back-Up Servicer in accordance with the Back-Up Servicing Agreement (the "**Back-Up Servicer Fees**");
  - (vii) any Liabilities due and payable by the Issuer to the Cash Manager in accordance with the terms of the Cash Management Agreement (the "**Cash Manager Liabilities**");
  - (viii) the fees due and payable to the Cash Manager in accordance with the terms of the Cash Management Agreement (the "**Cash Manager Fees**");
  - (ix) any Liabilities due and payable to the Transaction Account Bank in accordance with the terms of the Transaction Account Agreement (the "**Transaction Account Bank Liabilities**");
  - (x) the fees, costs and expenses of the Transaction Account Bank for the operation of the Transaction Account as determined in accordance with the Transaction Account Agreement (the "**Transaction Account Bank Fees**");
  - (xi) any Liabilities due and payable by the Issuer to the Corporate Services Provider and the Share Trustee in accordance with the terms of the Corporate Services Agreement (the "**Corporate Services Provider Liabilities**");
  - (xii) the fees due and payable to the Corporate Services Provider and the Share Trustee in accordance with the terms of the Corporate Services Agreement (the "**Corporate Services Provider Fees**");
  - (xiii) to the Collection Account Bank, any Liabilities due and payable by the Issuer to the Collection Account Bank in accordance with the terms of the Collection Account Agreement (the "**Collection Account Bank Liabilities**"); and
  - (xiv) in reimbursement to the Legal Title Holder of any Protective Advances made by it not previously reimbursed to it from amounts standing to the credit of the Servicer Expense Account;
- (d) to credit an amount to the Issuer Profit Ledger up to an amount for the relevant accounting year of the Issuer equal to the Required Profit Amount for that accounting year;

- (e) any Interest Amount due and payable in respect of the Class A Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (f) to record a credit entry in the Class A Principal Deficiency Sub-Ledger in an amount equal to the Class A Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (g) any Interest Amount due and payable in respect of the Class B Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (h) to record a credit entry in the Class B Principal Deficiency Sub-Ledger in an amount equal to the Class B Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (i) any Interest Amount due and payable in respect of the Class C Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (j) to record a credit entry in the Class C Principal Deficiency Sub-Ledger in an amount equal to the Class C Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (k) any Interest Amount due and payable in respect of the Class D Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (l) to record a credit entry in the Class D Principal Deficiency Sub-Ledger in an amount equal to the Class D Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (m) any Interest Amount due and payable in respect of the Class E Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (n) to record a credit entry in the Class E Principal Deficiency Sub-Ledger in an amount equal to the Class E Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (o) any Interest Amount due and payable in respect of the Class F Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (p) to record a credit entry in the Class F Principal Deficiency Sub-Ledger in an amount equal to the Class F Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (q) prior to the earlier of the redemption of the Notes in full and a Market Portfolio Purchase or a Certificate Portfolio Purchase, to credit the General Reserve Ledger in an amount necessary to bring the credit balance of the General Reserve Ledger up to the General Reserve Fund Target Amount;

- (r) prior to the earlier of the redemption of the Notes in full and a Market Portfolio Purchase or a Certificate Portfolio Purchase, to credit the Liquidity Reserve Ledger in an amount necessary to bring the credit balance of the Liquidity Reserve Ledger up to the Liquidity Reserve Fund Target Amount;
- (s) to record a credit entry in the OC Principal Deficiency Sub-Ledger in an amount equal to the OC Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (t) *pro rata* and *pari passu* in or towards payment of:
  - (i) the Deferred MSA Payment;
  - (ii) any Liabilities properly and reasonably incurred by or on behalf of the Legal Title Holder in accordance with the performance of the Legal Title Holder's functions under the Mortgage Sale Agreement and the Servicing Agreement (the "**Legal Title Holder Liabilities**");
  - (iii) the fees due and payable to the Market Portfolio Purchase Agent in accordance with the terms of the Market Portfolio Purchase Agreement (the "**Market Portfolio Purchase Agent Fees**"); and
  - (iv) any Liabilities due and payable by the Issuer to the Market Portfolio Purchase Agent in accordance with the terms of the Market Portfolio Purchase Agreement (the "**Market Portfolio Purchase Agent Liabilities**");
- (u) in or towards payment to the Back-Up Servicer (following its appointment as the Servicer) of any indemnity in relation to TUPE under the relevant provisions of its replacement servicing agreement;
- (v) at any time when the Notes remain outstanding and the Principal Outstanding Balance of the Mortgage Loans which have an arrears balance greater than three Monthly Subscriptions exceeds 15 per cent. of the Principal Outstanding Balance of all Mortgage Loans, an amount equal to the Principal Addition Amount to be recorded as a credit entry in the Principal Ledger;
- (w) any interest due and payable in respect of the Reserve Subordinated Loan on such Interest Payment Date to the Reserve Subordinated Loan Provider;
- (x) in repayment of the principal amount outstanding of the Reserve Subordinated Loan to the Reserve Subordinated Loan Provider; and
- (y) any excess amounts in payment *pro rata* and *pari passu* to the holders of the Certificates.

For the avoidance of doubt, when applying Available Revenue Funds in the Pre-Enforcement Revenue Payments Priorities on any Interest Payment Date:

- (a) an amount equal to the Liquidity Reserve Drawing comprised in the Available Revenue Funds on such Interest Payment Date shall only be applied, prior to any General Reserve Drawing and Principal Reallocation Amounts on such Interest Payment Date, to items (a) to (d) of the Pre-Enforcement Revenue Payments Priorities and any Interest Amount due and payable in respect of the Most Senior Class;
- (b) an amount equal to the General Reserve Drawing comprised in the Available Revenue Funds on such Interest Payment Date shall only be applied after the application of any Liquidity Reserve Drawing but without taking into account any Principal Reallocation Amounts on such Interest Payment Date; and

- (c) an amount equal to the Principal Reallocation Amount comprised in the Available Revenue Funds on such Interest Payment Date shall be applied after all other Available Revenue Funds have been applied and shall only be applied:
- (i) prior to the redemption in full of the Class A Notes, to items (a) to (g) (excluding item (f)), and, for so long as the Class A Notes remain outstanding, such funds shall only be available to reduce or eliminate a shortfall under item (g) of the Pre-Enforcement Revenue Payments Priorities to the extent that the debit balance on the Class B Principal Deficiency Sub-Ledger is less than or equal to 80 per cent. of the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date; or
  - (ii) after the redemption in full of the Class A Notes, to items (a) to (d) of the Pre-Enforcement Revenue Payments Priorities and any Interest Amount due and payable in respect of the Most Senior Class.

“**Deferred MSA Payment**” means an annual payment per annum to the Legal Title Holder equal to 15 basis points multiplied by the Current Balance of the Mortgage Loans as at (in relation to the First Interest Payment Date) the Closing Date or (in relation to subsequent Interest Payment Dates) the last day of the immediately preceding Calculation Period, calculated on a *pro rata* basis for each quarterly payment, for so long as there is no Insolvency Event in respect of the Legal Title Holder.

“**Entitled Persons**” means, in relation to payment of interest or principal in respect of a Class of Notes, the Noteholders of the relevant Class and/or, to the extent that the Principal Paying Agent and/or the Paying Agents have properly paid any such amounts to the Noteholders of such Class and not been paid by the Issuer pursuant to Clause 8.1 (*Issuer to pay Principal Paying Agent*) of the Agency Agreement, the Principal Paying Agent for itself and/or the Paying Agents.

“**Liabilities**” means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including proper legal fees and any Taxes and penalties incurred by that person.

“**Reserve Subordinated Loan**” means the subordinated loan advanced by the Beneficial Title Seller on the Closing Date, the proceeds of which will be used in order fully to fund the General Reserve Fund and the Liquidity Reserve Fund on the Closing Date only.

### **Pre-Enforcement Principal Payments Priorities**

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, apply Available Principal Funds 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) (provided that following a Market Portfolio Purchase or Certificate Portfolio Purchase no amounts shall be applied in respect of item (a)) (the “**Pre-Enforcement Principal Payments Priorities**”):

- (a) an amount equal to the Principal Reallocation Amount (if any) determined as at the related Calculation Date, such amount to be recorded as a credit entry in the Revenue Ledger and a debit entry in the Principal Deficiency Ledger;
- (b) any Principal Amount Outstanding due and payable in respect of the Class A Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);

- (c) any Principal Amount Outstanding due and payable in respect of the Class B Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (d) any Principal Amount Outstanding due and payable in respect of the Class C Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (e) any Principal Amount Outstanding due and payable in respect of the Class D Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (f) any Principal Amount Outstanding due and payable in respect of the Class E Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (g) any Principal Amount Outstanding due and payable in respect of the Class F Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person); and
- (h) any Residual Principal Allocation Amount, such amount to be recorded as a credit entry in the Revenue Ledger.

#### **Post-Enforcement Payments Priorities**

After an Enforcement Notice is delivered by the Trustee, all monies held in the Transaction Account (other than all monies received or recovered by the Trustee which do not constitute Trust Proceeds, which monies shall be paid to or retained by the persons entitled to such monies, except for any Borrower Repayment Amounts, which shall be paid to the Collection Accounts and not to Borrowers directly) and all other Trust Proceeds shall (after deduction of all costs and expenses incurred by the Trustee in obtaining receipt or recovery of the Trust Proceeds) shall be held by the Trustee upon trust to be applied in payment, in the amounts required, each in the following order of priority (the “**Post-Enforcement Payments Priorities**”):

- (a) *pro rata* and *pari passu*:
  - (i) to the Trustee, the Trustee Liabilities;
  - (ii) to the Trustee, all amounts of Trustee Fees due on or prior to the date of payment;
  - (iii) to any Receiver, any out-of-pocket expenses, liabilities, losses, damages, proceedings, claims and demands then due and payable by the Issuer to any Receiver in accordance with the Security Deed or incurred by a Receiver together with interest payable provided in the Trust Deed;
  - (iv) to any Receiver, all remuneration due to the Receiver in accordance with the terms of his appointment on or prior to the date of payment;
- (b) *pro rata* and *pari passu*:
  - (i) to the Collection Account Bank, any Collection Account Bank Liabilities; and
  - (ii) to the Transaction Account Bank, any Transaction Account Bank Liabilities and Transaction Account Bank Fees due on or prior to the date of payment;
- (c) *pro rata* and *pari passu*:



- (i) to the Agents, the Agents' Fees due on or prior to the date of payment and the Agents' Liabilities;
  - (ii) to the Cash Manager, the Cash Manager Liabilities and the Cash Manager Fees due on or prior to the date of payment;
  - (iii) to the Corporate Services Provider, the Corporate Services Provider Liabilities and the Corporate Services Provider Fees due on or prior to the date of payment;
  - (iv) to the Servicer, the Servicer Fees due on or prior to the date of payment and the Servicer Liabilities;
  - (v) to the Back-Up Servicer, any unpaid Back-Up Servicer Fees and/or Back-Up Servicer Liabilities;
  - (vi) fees (other than commitment fees) and expenses accrued due and payable to a successor Servicer (after it has taken over as Servicer) agreed by the Issuer with the successor Servicer in relation to the successor Servicer's obligations under the replacement Servicing Agreement; and
  - (vii) in reimbursement to the Legal Title Holder of any Protective Advances made by it not previously reimbursed to it from amounts standing to the credit of the Servicer Expense Account;
- (d) to the relevant Entitled Persons, all amounts of interest due in respect of the Class A Notes (pro rata according to the amount of such interest due to be paid to each such Entitled Person);
  - (e) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class A Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
  - (f) to the relevant Entitled Persons, all amounts of interest due in respect of the Class B Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
  - (g) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class B Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
  - (h) to the relevant Entitled Persons, all amounts of interest due in respect of the Class C Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
  - (i) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class C Notes *pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
  - (j) to the relevant Entitled Persons, all amounts of interest due in respect of the Class D Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
  - (k) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class D Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
  - (l) to the relevant Entitled Persons, all amounts of interest due in respect of the Class E Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
  - (m) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class E Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
  - (n) to the relevant Entitled Persons, all amounts of interest due in respect of the Class F Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);

- (o) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class F Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (p) *pro rata* and *pari passu* in or towards payment of:
  - (i) the Deferred MSA Payment;
  - (ii) the Legal Title Holder Liabilities;
  - (iii) the Market Portfolio Purchase Agent Fees; and
  - (iv) the Market Portfolio Purchase Agent Liabilities;
- (q) in or towards payment to the Back-Up Servicer (following its appointment as the Servicer) of any indemnity in relation to TUPE under the relevant provisions of its replacement servicing agreement;
- (r) to the Reserve Subordinated Loan Provider, all amounts of interest due but unpaid in respect of the Reserve Subordinated Loan;
- (s) to the Reserve Subordinated Loan Provider, all amounts of principal due but unpaid in respect of the Reserve Subordinated Loan; and
- (t) to the holders of the Certificates, any and all amounts in respect of the Certificates (*pro rata* according to the amount due to be paid to each such holder of the Certificates).

“**Seller Covenants**” means the covenants of the Beneficial Title Seller set out in Schedule 5 to the Incorporated Terms Memorandum and the covenants of the Legal Title Holder set out in Schedule 6 to the Incorporated Terms Memorandum;

“**Seller Warranties**” means the representations and warranties set forth in Schedule 3 to the Incorporated Terms Memorandum (*Beneficial Title Seller’s and Legal Title Holder’s Representations and Warranties*) to the Incorporated Terms Memorandum;

“**Trust Proceeds**” means all recoveries, receipts and benefits received by the Trustee by virtue of the Trust Property save for monies or other assets which it is entitled to retain for its own account or which are earmarked for receipt by a third party other than as part of the Trust Property; and

“**Trust Property**” means the Covenant to Pay, the Issuer Covenants, the Seller Covenants, the Issuer Warranties, the Seller Warranties, the Security, all proceeds of the Security and any other rights conferred on the Trustee on behalf of the Secured Creditors under the Transaction Documents.

## CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT

The Notes and the Certificates are obligations of the Issuer only and will not be the obligations of, or the responsibility of, or guaranteed by, any other party. However, there are a number of features of the transaction which enhance the likelihood of timely receipt of payments by the relevant Classes of the Noteholders, as follows:

- (a) The Principal Outstanding Balance of Mortgage Loans as at the Cut-Off Date is expected to be approximately £15,391,178 higher than the Principal Amount Outstanding of the Notes on the Closing Date.
- (b) Payment of interest and principal on the Notes on each Interest Payment Date in sequential order to the Classes of Notes.
- (c) A Senior Revenue Shortfall on any Interest Payment Date may be reduced or eliminated by applying amounts standing to the Liquidity Reserve Ledger and, if thereafter there remains a Senior Revenue Shortfall, by applying amounts standing to the General Reserve Ledger and, if thereafter there still remains a Senior Revenue Shortfall, by applying Principal Reallocation Amounts.
- (d) A Revenue Shortfall on any Interest Payment Date may be reduced or eliminated by applying amounts standing to the credit of the General Reserve Ledger.
- (e) Principal Losses and Principal Reallocation Amounts will be debited to the sub-ledgers of the Principal Deficiency Ledger: first to the OC Principal Deficiency Sub-Ledger, second to the Class F Principal Deficiency Sub-Ledger, third to the Class E Principal Deficiency Sub-Ledger, fourth to the Class D Principal Deficiency Sub-Ledger, fifth to the Class C Principal Deficiency Sub-Ledger, sixth to the Class B Principal Deficiency Sub-Ledger and lastly to the Class A Principal Deficiency Sub-Ledger.
- (f) Revenue Reallocation Amounts will be credited to the sub-ledgers of the Principal Deficiency Ledger in sequential order: first to the Class A Principal Deficiency Sub-Ledger, second to the Class B Principal Deficiency Sub-Ledger, third to the Class C Principal Deficiency Sub-Ledger, fourth to the Class D Principal Deficiency Sub-Ledger, fifth to the Class E Principal Deficiency Sub-Ledger and lastly to the Class F Principal Deficiency Sub-Ledger.
- (g) Available Revenue Funds will be applied to replenish the General Reserve Fund and the Liquidity Reserve Fund.
- (h) In certain circumstances, Principal Addition Amounts may be applied to repay the Principal Amount Outstanding under the Notes.

Each of these factors and certain other factors relating to credit enhancement and/or liquidity support are considered in more detail below.

### **Overcollateralisation**

The Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date was £307,021,178, while the initial Principal Amount Outstanding of the Notes on the Closing Date will be £291,630,000.

On the basis of the Issuer's performance expectations for the Mortgage Loans it is anticipated that, during the life of the Notes, the interest to be paid by Borrowers on the Mortgage Loans will be sufficient so that the Available Revenue Funds (excluding General Reserve Drawings and Liquidity Reserve Drawings) will be available to pay the amounts payable under items (a) to (p) of the Pre-Enforcement Revenue Payments Priorities. The actual amount of any excess will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Mortgage Loans in the Mortgage Portfolio

(as to which, see the section entitled “*Credit Enhancement and Liquidity Support*”) and the performance of the Mortgage Portfolio.

**Liquidity support provided by use of Liquidity Reserve Fund, General Reserve Fund and Available Principal Funds**

On the Business Day falling 3 Business Days prior to the related Interest Payment Date, the Cash Manager will, to the extent such information is available to it, determine whether Available Revenue Funds (excluding any Liquidity Reserve Drawings, General Reserve Drawings and Principal Reallocation Amounts) are sufficient to pay or provide for payment of items (a) to (d) of the Pre-Enforcement Revenue Payments Priorities and any Interest Amount due and payable in respect of the Most Senior Class. To the extent that such Available Revenue Funds (excluding any Liquidity Reserve Drawings, General Reserve Drawings and Principal Reallocation Amounts) are insufficient for this purpose, the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (i) debit the Liquidity Reserve Ledger by the lower of the amount of such shortfall and the credit balance of the Liquidity Reserve Ledger and (ii) credit the Revenue Ledger in an amount to reduce or eliminate such shortfall.

If following application of Available Revenue Funds (including Liquidity Reserve Drawings but excluding General Reserve Drawings and Principal Reallocation Amounts), the Cash Manager determines that such Available Revenue Funds (including Liquidity Reserve Drawings but excluding both General Reserve Drawings and Principal Reallocation Amounts) are insufficient to satisfy items (a) to (p) of the Pre-Enforcement Revenue Payments Priorities, the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (i) debit the General Reserve Ledger by the lower of the amount of such shortfall and the credit balance of the General Reserve Ledger and (ii) credit the Revenue Ledger in an amount to reduce or eliminate such shortfall.

If following application of Available Revenue Funds (including both General Reserve Drawings and Liquidity Reserve Drawings but excluding Principal Reallocation Amounts), the Cash Manager determines that such Available Revenue Funds (including both General Reserve Drawings and Liquidity Reserve Drawings but excluding Principal Reallocation Amounts) are insufficient to satisfy:

- (i) prior to the redemption in full of the Class A Notes, (A) items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities, and (B) item (g) of the Pre-Enforcement Revenue Payments Priorities, provided that, if the Class A Notes remain outstanding, item (g) of the Pre-Enforcement Revenue Payments Priorities shall only be taken into account for the purposes of such calculation if the debit balance on the Class B Principal Deficiency Sub-Ledger is less than or equal to 80 per cent. of the Principal Amount Outstanding of the Class B Notes on the relevant Interest Payment Date; or
- (ii) following the redemption in full of the Class A Notes, items (a) to (d) of the Pre-Enforcement Revenue Payments Priorities and any Interest Amount due and payable in respect of the Most Senior Class,

the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (i) debit the Principal Ledger by the lower of the amount of such shortfall and the credit balance of the Principal Ledger and (ii) credit the Revenue Ledger in an amount to reduce or eliminate such shortfall.

**Principal Losses, Liquidity Reserve Drawings and Principal Reallocation Amounts allocated to the Principal Deficiency Ledger**

For each Calculation Date, the Servicer will determine the amount of Principal Losses on the Mortgage Portfolio and for each Cash Manager Determination Date, the Cash Manager will determine the amount of any Principal Reallocation Amount and the Cash Manager will be required to allocate such amounts to the sub-ledgers of the Principal Deficiency Ledger.

A principal deficiency ledger (the “**Principal Deficiency Ledger**”), comprising 7 sub-ledgers (one not relating to the Notes (the “**OC Principal Deficiency Sub-Ledger**”), one relating to the Class A Notes (the “**Class A Principal Deficiency Sub-Ledger**”), one relating to the Class B Notes (the “**Class B Principal Deficiency Sub-Ledger**”), one relating to the Class C Notes (the “**Class C Principal Deficiency Sub-Ledger**”), one relating to the Class D Notes (the “**Class D Principal Deficiency Sub-Ledger**”), one relating to the Class E Notes (the “**Class E Principal Deficiency Sub-Ledger**”) and one relating to the Class F Notes (the “**Class F Principal Deficiency Sub-Ledger**”) will be established on the Closing Date in order to record (i) any Principal Losses on the Mortgage Portfolio, and (ii) the application of any Principal Reallocation Amounts to meet any Senior Revenue Shortfall.

Principal Losses and Principal Reallocation Amounts will be recorded as a debit to the Principal Deficiency Ledger as follows:

- (a) *first*, to the OC Principal Deficiency Sub-Ledger up to a maximum being the difference between the Principal Amount Outstanding under the Notes on the Closing Date and the Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date;
- (b) *second*, to the Class F Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class F Notes;
- (c) *third*, to the Class E Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class E Notes;
- (d) *fourth*, to the Class D Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class D Notes;
- (e) *fifth*, to the Class C Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class C Notes;
- (f) *sixth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes; and
- (g) *seventh*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Available Revenue Funds on each Interest Payment Date will be applied to the extent of funds available for such purpose pursuant to:

- (a) item (f) of the Pre-Enforcement Revenue Payments Priorities to credit the Class A Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (b) item (h) of the Pre-Enforcement Revenue Payments Priorities to credit the Class B Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (c) item (j) of the Pre-Enforcement Revenue Payments Priorities to credit the Class C Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (d) item (l) of the Pre-Enforcement Revenue Payments Priorities to credit the Class D Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (e) item (n) of the Pre-Enforcement Revenue Payments Priorities to credit the Class E Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (f) item (p) of the Pre-Enforcement Revenue Payments Priorities to credit the Class F Principal Deficiency Sub-Ledger to reduce the debit balance to zero; and

- (g) item (s) of the Pre-Enforcement Revenue Payments Priorities to credit the OC Principal Deficiency Sub-Ledger to reduce the debit balance to zero.

Available Revenue Funds allocated as described above will be applied in or towards redemption of the Notes as Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities.

#### **Source of funds to establish and replenish the General Reserve Fund**

The proceeds of the Reserve Subordinated Loan will be used by the Issuer to initially fund the General Reserve Fund on the Closing Date.

The General Reserve Fund will initially be funded in an amount equal to £4,605,318 which is approximately 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date. Thereafter, the General Reserve Fund will be funded in accordance with the Pre-Enforcement Revenue Payments Priorities from Available Revenue Funds to the level of the General Reserve Fund Target Amount. Accordingly, the size of the General Reserve Fund may decrease (or increase) from time to time, as further described in this section below.

The Cash Manager will maintain the General Reserve Ledger to record the balance from time to time of the General Reserve Fund, and the monies representing the General Reserve Fund will be held in the Transaction Account.

The amount of the General Reserve Fund, which is represented by the credit balance of the General Reserve Ledger, may increase and decrease over time.

The amount of the General Reserve Fund may decrease by virtue of debit entries to the General Reserve Ledger to increase Available Revenue Funds to reduce or eliminate any Revenue Shortfall. For details of the required balance of the General Reserve Fund, see the definition of “General Reserve Fund Target Amount” in the section entitled “*Terms and Conditions of the Notes*” below.

Following the earlier of the redemption of the Notes in full and the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase, the Issuer shall not be required to maintain the General Reserve Fund Target Amount and the General Reserve Fund Target Amount shall be reduced to zero, in which case, all amounts standing to the credit of the General Reserve Ledger shall be: (i) (in the event that the Notes are redeemed in full) credited to the Revenue Ledger and applied as Available Revenue Funds in accordance with the Pre-Enforcement Revenue Payments Priorities or (ii) (upon the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) credited to the Principal Ledger and applied as Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities.

The amount of the General Reserve Fund may increase on each Interest Payment Date to the extent that Available Revenue Funds are available to replenish the General Reserve Fund at item (q) of the Pre-Enforcement Revenue Payments Priorities but only to the extent necessary to bring the credit balance of the General Reserve Ledger up to an amount equal to the General Reserve Fund Target Amount.

#### **Source of funds to establish and replenish the Liquidity Reserve Fund**

The proceeds under the Reserve Subordinated Loan will also be used by the Issuer to initially fund the Liquidity Reserve Fund on the Closing Date.

The Liquidity Reserve Fund will initially be funded in an amount equal to £4,605,318 which is approximately 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date. Thereafter, the Liquidity Reserve Fund will be funded in accordance with the Pre-Enforcement Revenue Payments Priorities from Available Revenue Funds to the level of the Liquidity Reserve Fund Target Amount.

Accordingly, the size of the Liquidity Reserve Fund may decrease (or increase) from time to time, as further described in this section below.

The Cash Manager will maintain the Liquidity Reserve Ledger to record the balance from time to time of the Liquidity Reserve Fund, and the monies representing the Liquidity Reserve Fund will be held in the Transaction Account.

The amount of the Liquidity Reserve Fund, which is represented by the credit balance of the Liquidity Reserve Ledger, may increase and decrease over time

The amount of the Liquidity Reserve Fund may decrease by virtue of debit entries to the Liquidity Reserve Ledger to increase Available Revenue Funds to reduce or eliminate any Senior Revenue Shortfall. For details of the required balance of the Liquidity Reserve Fund, see the definition of “Liquidity Reserve Fund Target Amount” in the section entitled “*Terms and Conditions of the Notes*” below.

Following the earlier of the redemption of the Notes in full and the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase, the Issuer shall not be required to maintain the Liquidity Reserve Fund Target Amount and the Liquidity Reserve Fund Target Amount shall be reduced to zero, in which case, all amounts standing to the credit of the Liquidity Reserve Ledger shall be (i) (in the event that the Notes are redeemed in full) credited to the Revenue Ledger and applied as Available Revenue Funds in accordance with the Pre-Enforcement Revenue Payments Priorities or (ii) (upon the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) credited to the Principal Ledger and applied as Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities. The amount of the Liquidity Reserve Fund may increase on each Interest Payment Date to the extent that Available Revenue Funds are available to replenish the Liquidity Reserve Fund at item (r) of the Pre-Enforcement Revenue Payments Priorities but only to the extent necessary to bring the credit balance of the Liquidity Reserve Ledger up to an amount equal to the Liquidity Reserve Fund Target Amount.

#### **Principal Addition Amount applied to repay Notes**

To the extent that the Issuer has Available Revenue Funds available to it after satisfying obligations set forth in items (a) to (u) of the Pre-Enforcement Revenue Payments Priorities, at any time when the Notes remain outstanding and the Principal Outstanding Balance of the Mortgage Loans which have an arrear balance greater than three Monthly Subscriptions exceeds 15 per cent. of the Principal Outstanding Balance of all Mortgage Loans, the Cash Manager shall take the following actions in relation to such Principal Addition Amounts: (i) debit the Revenue Ledger and (ii) credit the Principal Ledger.

#### **Certificates redeemed with Residual Principal Allocation Amount**

Following the redemption of the Notes, any Residual Principal Allocation Amount shall be credited to the Revenue Ledger and applied, as Available Revenue Funds, to the Pre-Enforcement Revenue Payments Priorities. Accordingly any such funds remaining, after payment of any expenses due and payable and set out in the Pre-Enforcement Revenue Payments Priorities, will be applied in payment to the holders of the Certificates.

## MATURITY AND PREPAYMENT CONSIDERATIONS

The term “**weighted average life**” refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Mortgage Loans in the Mortgage Portfolio.

The model used in this Prospectus for the Mortgage Loans represents an assumed constant per annum rate of prepayment (“**CPR**”) each month relative to the then current principal balance of a pool of mortgages, after taking into account the scheduled payments due in the period. CPR does not purport to be either an historical description of the prepayment experience of any pool of loans or a prediction of the expected rate of prepayment of any Mortgage Loans, including the Mortgages to be included in the Mortgage Portfolio.

The following tables were prepared based on the characteristics of the Mortgage Loans included in the Mortgage Portfolio and the following additional assumptions (the “**Modelling Assumptions**”):

- (a) there are no arrears (other than those specified herein) or enforcements, and so the Mortgage Loans are fully performing until the Final Maturity Date;
- (b) no Mortgage Loan is sold by the Issuer;
- (c) there is no debit balance with respect to the Notes on any sub-ledger of the Principal Deficiency Ledger on any Interest Payment Date;
- (d) neither of the Sellers are in breach of the terms of the Mortgage Sale Agreement;
- (e) no Mortgage Loan is repurchased by either of the Sellers and, in particular, no Further Advances or Ports are made in respect of the Mortgage Portfolio;
- (f) no Permitted Variations are made in respect of the Mortgage Portfolio;
- (g) all Interest Periods (including the first Interest Period) are assumed to be three months long;
- (h) 3 month LIBOR is equal to 0.52 per cent.;
- (i) in the case of tables stating “*With Early Redemption on Optional Redemption Date*”, the Notes are redeemed at their Principal Amount Outstanding on the Optional Redemption Date;
- (j) the Notes will be redeemed in accordance with the Note Conditions;
- (k) no Security has been enforced;
- (l) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (m) the Mortgage Portfolio will be purchased on the Closing Date and is derived from the Provisional Mortgage Portfolio, which has the characteristics described in this Prospectus;
- (n) the interest rate on each Mortgage Loan remains constant for the life of the loan;
- (o) No Available Principal Funds are used as a Principal Reallocation Amount;
- (p) the interest and principal collections of the Mortgage Portfolio are calculated on a Mortgage Loan by Mortgage Loan basis, or where the Mortgage Loan has more than one part, a part by part basis;
- (q) the amortisation of any repayment Mortgage Loan is calculated as an annuity loan; and
- (r) all Mortgage Loans which are not repayment Mortgage Loans are assumed to be interest only Mortgage Loans.



The actual characteristics and performance of the Mortgage Loans are likely to differ from these assumptions. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Mortgage Loans will prepay at a constant rate until maturity, that all of the Mortgage Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Mortgage Loans. Moreover, the diverse remaining terms to maturity and mortgage rates of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average mortgage rates of the Mortgage Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Mortgage Loans, or actual prepayment of loss experience, will affect the percentage of the initial amount outstanding of the Notes which are outstanding over time and cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage CPR.

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of the Notes by the number of years from the date of issuance of the Notes to the related Interest Payment Date and (ii) adding the results and dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Notes. These average lives have been calculated on an 30/360 fixed basis:

Class\CPR .....	Without any Early Redemption							
	0%	2%	4%	6%	8%	10%	12%	15%
A .....	11.30	8.21	6.29	4.89	3.99	3.34	2.85	2.34
B .....	18.25	17.09	13.72	12.10	9.92	8.46	7.41	6.06
C .....	18.28	18.22	17.03	14.12	12.66	10.90	9.37	7.86
D .....	18.50	18.32	18.24	17.48	14.97	13.36	12.05	9.96
E .....	18.59	18.50	18.40	18.26	18.00	16.36	14.36	12.56
F .....	19.94	18.64	18.50	18.50	18.25	18.17	16.97	14.09

Class\CPR .....	With Early Redemption On Optional Redemption Date							
	0%	2%	4%	6%	8%	10%	12%	15%
A .....	4.69	4.33	3.98	3.65	3.33	3.03	2.74	2.33
B .....	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
C .....	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
D .....	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
E .....	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
F .....	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

## EARLY REDEMPTION OF NOTES

### Portfolio Option

The Issuer will, by the Deed Poll, grant to the holder of the highest number of Certificates (the “**Portfolio Option Holder**”) an option (the “**Portfolio Option**”) to require the Issuer to (a) sell to the Portfolio Option Holder the beneficial title to all Mortgage Loans and Related Security in the Mortgage Portfolio and (b) transfer to the Portfolio Option Holder the right to have the legal title to all Mortgage Loans and Related Security in the Mortgage Portfolio transferred to it.

The Portfolio Option may be exercised by notice to the Issuer with a copy to the Trustee at any time in the period from the Business Day falling 15 Business Days prior to the Optional Redemption Date until the date on which the Issuer has completed the Market Portfolio Purchase. The right of the Portfolio Option Holder shall be suspended in the period from the date on which the Issuer has entered into an agreement to sell and transfer the Mortgage Portfolio in relation to a Market Portfolio Purchase to the date on which either (i) the beneficial title of the Mortgage Loans is so transferred or (ii) the Issuer is no longer required to sell the Mortgage Portfolio to any other party. Completion of the purchase by the Portfolio Option Holder will occur on the Business Day falling five Business Days prior to the next Interest Payment Date to occur after the exercise date, provided that if the Portfolio Option is exercised later than 10 Business Days prior to the next Interest Payment Date, the completion date shall occur on the Business Day falling five Business Days prior to the second Interest Payment Date to occur after the date of exercise.

The purchase price for the Mortgage Portfolio under the Portfolio Option shall be the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Certificate Portfolio Purchase Completion Date, and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Notes as at the Certificate Portfolio Purchase Completion Date plus an amount not less than the amount required to satisfy items (a) to (o) (excluding items (f), (h), (j), (l) and (n)) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Certificate Portfolio Purchase Completion Date, less the credit balance of the General Reserve Fund and the Liquidity Reserve Fund.

### Sale of Portfolio

In the event that the Portfolio Option Holder does not acquire the Mortgage Portfolio on the Optional Redemption Date, the Issuer will direct the Market Portfolio Purchase Agent to seek offers to purchase the Mortgage Portfolio for a price which is not less than the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Market Portfolio Purchase Completion Date, and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Notes as at the Market Portfolio Purchase Completion Date plus (A) an amount not less than the amount required to satisfy items (a) to (o) (excluding items (f), (h), (j), (l) and (n)) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Market Portfolio Purchase Completion Date, less the credit balance of the General Reserve Fund and the Liquidity Reserve Fund and (B) an amount equal to all fees, costs and expenses payable to the Market Portfolio Purchase Agent under the Market Portfolio Purchase Agreement.

The Market Portfolio Purchase Agent shall not take any such action to seek offers to purchase the Mortgage Portfolio until the Issuer has confirmed that it has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006.

## **Redemption of Notes**

Upon sale of the Mortgage Portfolio, that part of the purchase price constituting Revenue Receipts shall be applied in accordance with the Pre-Enforcement Revenue Payments Priorities on the relevant Interest Payment Date. That part of the purchase price constituting Principal Receipts shall be applied in accordance with the Pre-Enforcement Principal Payments Priorities on the relevant Interest Payment Date, and will result in the Notes being redeemed in full.

Upon the occurrence of a Certificate Portfolio Purchase or a Market Portfolio Purchase, the General Reserve Fund Target Amount and the Liquidity Reserve Fund Target Amount shall be reduced to zero and the entire credit balance of the General Reserve Fund and the Liquidity Reserve Fund shall constitute Available Principal Funds, to be applied to repay the Notes.

Following redemption of the Notes in full, the Residual Principal Allocation Amount will be credited to the Revenue Ledger and may be applied, together with Revenue Receipts, in payment to the Certificateholders in accordance with the Pre-Enforcement Revenue Payments Priorities.

## **Market Portfolio Purchase Agent**

The Market Portfolio Purchase Agent will provide (i) certain services to the Issuer in relation to the Market Portfolio Purchase on and after the Optional Redemption Date and (ii) certain information to the Portfolio Option Holder in connection with the exercise of the Portfolio Option, in each case on the terms and subject to the conditions contained in the Market Portfolio Purchase Agreement.

## SECURITY FOR THE ISSUER'S OBLIGATIONS

### Security Deed

The Issuer will grant the following security to be held by the Trustee for itself and on trust for the benefit of the other Secured Creditors (which definition includes the Noteholders and the Certificateholders):

- (a) a first fixed charge over the benefit of the Issuer in each English Mortgage Loan, English Mortgage and other Related Security relating to such English Mortgage Loan, each English Mortgage Document and all English Receivables;
- (b) a first fixed charge over the benefit of the Issuer in each Northern Irish Mortgage Loan, Northern Irish Mortgage and other Related Security relating to such Northern Irish Mortgage Loan, each Northern Irish Mortgage Document and all Northern Irish Receivables;
- (c) an assignment in security of the Issuer's beneficial interest as a beneficiary under the Scottish Declaration of Trust;
- (d) an assignment of rights held by the Issuer against certain third parties and insurers;
- (e) a first fixed charge of the benefit of any bank or other accounts of the Issuer in which the Issuer may at any time have or acquire any benefit;
- (f) assignment of the benefit of the Issuer under each relevant Transaction Document to which the Issuer is a party (other than the Trust Documents and the Subscription Agreement), including:
  - (i) the Agency Agreement;
  - (ii) the Cash Management Agreement;
  - (iii) the Collection Account Declaration of Trust;
  - (iv) the Collection Account Agreement;
  - (v) the Corporate Services Agreement;
  - (vi) the Mortgage Sale Agreement;
  - (vii) the Servicing Agreement;
  - (viii) the Back-Up Servicing Agreement;
  - (ix) the Transaction Account Agreement;
  - (x) the Reserve Subordinated Loan Agreement; and
  - (xi) the Market Portfolio Purchase Agreement; and
- (g) a first floating charge over all the assets and undertakings of the Issuer to the extent not effectively charged pursuant to paragraphs (a) to (f) above but extending over all assets and undertakings of the Issuer situated in, or otherwise governed by the laws of Scotland.

### Collection Account Declaration of Trust

The Collection Accounts and the Servicer Expense Account are bank accounts held by the Legal Title Holder with the Collection Account Bank. Each of the Collection Accounts is a bank account to which the Servicer directs payment of Principal Collections and Revenue Collections. The Legal Title Holder may apply amounts

standing to the credit of the Servicer Expense Account towards payment of expenses incurred by the Legal Title Holder in making Protective Advances. The Legal Title Holder will, on or about the Closing Date, declare a trust over the Collection Accounts and the Servicer Expense Account in favour of the Issuer pursuant to the Collection Account Declaration of Trust.

### **Post-Enforcement Payments Priorities**

The Security Deed sets out the order of priority for the application of cash following the service of an Enforcement Notice by or on behalf of the Trustee (or a receiver of the Issuer appointed by the Trustee pursuant to the Security Deed). This order of priority is described in the section entitled “*Cashflows*”.

### **Enforcement**

The Security shall only become enforceable on the service of an Enforcement Notice pursuant to Note Condition 12 (*Events of Default*) or, following the redemption in full of the Notes, Certificate Condition 11 (*Events of Default*). The Security Deed will set out the procedures by which the Trustee may take steps to enforce the Security.

### **No withdrawals from Charged Accounts**

From and including the date on which the Trustee delivers a notice substantially in the form set out in Schedule 1 to the Security Deed (a “**Security Protection Notice**”) to the Issuer pursuant to the Security Deed and unless and until it is withdrawn, no amount may be withdrawn from the Transaction Account (or any other account over which the Issuer has created Security in favour of the Trustee) without the prior written consent of the Trustee, provided that, unless an Enforcement Notice has been delivered, the Trustee shall not act in such a way as to require any payment other than in accordance with the Pre-Enforcement Payments Priorities or the Cash Management Agreement.

### **Application of monies standing to General Reserve Ledger and Liquidity Reserve Ledger**

After an Enforcement Notice is delivered by the Trustee, all monies standing to the credit of the General Reserve Ledger and the Liquidity Reserve Ledger shall be held by or on behalf of the Trustee upon trust to be applied in payment of the amount required in the order of priority specified in the Post-Enforcement Payments Priorities.

### **Governing Law**

The Security Deed and any non-contractual obligation arising out of or in relation to the Security Deed will be governed by English law although provisions thereof and security documents supplemental thereto which relate to Scottish Mortgage Loans and/or Scottish Related Security shall be governed by and construed in accordance with Scots law and any terms provisions thereof relating to Northern Irish Mortgage Loans and/or Northern Irish Related Security shall be governed by and construed in accordance with Northern Irish law.

## THE TRUST DEED

The Issuer and the Trustee will enter into a Trust Deed on the Closing Date. The Trust Deed will contain the forms of the Notes of each Class and the forms of the Certificates. Under the Trust Deed, the Issuer will covenant to the Trustee to pay all amounts due under the Notes and the Certificates. The Trustee will hold the benefit of the Issuer's covenant to pay on trust for the Noteholders and Certificateholders.

### **Conflicts / Relationship with Noteholders and Certificateholders**

The Trust Deed will provide that, except where expressly provided otherwise, where the Trustee is required to have regard to the interests of the Noteholders, the Trustee shall have regard to the interests of all the Noteholders equally as a Class, provided that to the extent of any conflict between the interests of any Classes of Noteholders, the Trustee shall have regard only to the interests of the holders of the Most Senior Class.

The Trust Deed contains provisions limiting the powers of:

- (a) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders;
- (b) the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders and/or the Class B Noteholders;
- (c) the Class D Noteholders, the Class E Noteholders and the Class F Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders and/or the Class C Noteholders;
- (d) the Class E Noteholders and the Class F Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and/or the Class D Noteholders;
- (e) the Class F Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and/or the Class E Noteholders.

Except with regard to Reserved Matters, the Trust Deed imposes no such limitations on the powers of:

- (a) the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Certificateholders;
- (b) the Class B Noteholders, the exercise of which will be binding on the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Certificateholders;
- (c) the Class C Noteholders, the exercise of which will be binding on the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Certificateholders;
- (d) the Class D Noteholders, the exercise of which will be binding on the Class E Noteholders, the Class F Noteholders and the Certificateholders;
- (e) the Class E Noteholders, the exercise of which will be binding on the Class F Noteholders and the Certificateholders;

- (f) the Class F Noteholders, the exercise of which will be binding on the Certificateholders.

Other than with regard to Reserved Matters, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Trustee and the Trustee may only be directed by the Certificateholders and any Extraordinary Resolution of the Certificateholders will only be effective (i) if the Trustee is of the opinion that the effect of the same will not be materially prejudicial to the interests of any Class of Noteholders or (ii) the Trustee's action is sanctioned by an Extraordinary Resolution of each Class of Noteholders.

The Trustee shall not be bound to take any action in relation to the Notes, the Certificates or the Transaction Documents, including delivering an Enforcement Notice, unless it has been directed to do so either by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding or in writing by the holders of more than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding. If there are no Notes outstanding, the Trustee shall not be bound to take any action in relation to the Certificates or the Transaction Documents, unless (subject to being indemnified and/or secured and/or prefunded to its satisfaction) it has been directed to do so by an Extraordinary Resolution of the Certificateholders.

The Trustee is not obliged to take any action unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all liabilities, proceedings, claims, demands, costs, charges and expenses to which it may thereby become liable or which may be incurred by it in connection therewith.

### **Modification and waiver**

The Trust Deed provides that, without the consent or sanction of the Instrumentholders or any of the other Secured Creditors, the Trustee may at any time and from time to time:

- (a) agree with the Issuer and any other relevant parties in making any modification to the Note Conditions, the Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provision of the Trust Documents referred to in the definition of Reserved Matter), the Instruments or the Transaction Documents in relation to which its consent is required:
- (i) which in the opinion of the Trustee is made to correct a manifest error or is of a formal, minor or technical nature; or
  - (ii) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the holders of the Most Senior Class;
- (b) in its sole discretion concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach of the covenants or provisions contained in the Trust Documents, the Instruments or any other Transaction Documents, if in the Trustee's sole opinion, the interests of the Most Senior Class will not be materially prejudiced thereby; and
- (c) in its sole discretion determine that any Event of Default or Potential Event of Default shall not be treated as such if, in the Trustee's sole opinion, the interests of the Most Senior Class will not be materially prejudiced thereby,

provided always that the Trustee shall not exercise any powers under paragraphs (a), (b) or (c) in contravention of any express direction given by an Extraordinary Resolution, or by a request in writing of the holders of more than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class then outstanding (but no such direction or request (a) shall affect any modification, waiver, authorisation or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the Noteholders and the Certificateholders have, by Extraordinary Resolution, so authorised its exercise).

Unless the Trustee otherwise agrees, the Issuer shall cause any such modification, waiver, authorisation or determination to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition for the Notes and the Certificates and the Transaction Documents as soon as practicable thereafter.

### **Fees and expenses**

The Issuer will reimburse the Trustee for all costs and expenses incurred in acting as Trustee. In addition, the Issuer shall pay to the Trustee a fee of such amount and on such dates as will be agreed from time to time by the Trustee and the Issuer subject to and in accordance with the Trust Deed.

### **Retirement and removal**

The Trustee may retire after giving not less than three calendar months' notice in writing to the Issuer. The Most Senior Class then outstanding may by an Extraordinary Resolution remove the Trustee.

The retirement or removal of the Trustee shall not become effective unless there remains at least one trustee under the Trust Deed and the Issuer will covenant in the Trust Deed to use its best endeavours to procure the appointment of a new Trustee after the resignation or removal of the existing Trustee. If the Issuer has failed to appoint a replacement Trustee prior to the expiry of the notice period given by the Trustee, the outgoing Trustee will be entitled to nominate a successor which shall be approved by an Extraordinary Resolution of the Most Senior Class then outstanding. The Rating Agencies shall be notified by the Issuer of such appointment.

### **Governing Law**

The Trust Deed and any non-contractual obligation arising out of or in relation to the Trust Deed will be governed by English law.



## DESCRIPTION OF THE GLOBAL NOTES

### General

Each Class of Notes shall be initially represented by a temporary global note in bearer form, without coupons or talons (each a “**Temporary Global Note**”) (a) in the case of the Class A Notes, in the principal amount of £185,740,000, (b) in the case of the Class B Notes, in the principal amount of £32,230,000, (c) in the case of the Class C Notes, in the principal amount of £29,160,000, (d) in the case of the Class D Notes, in the principal amount of £23,020,000, (e) in the case of the Class E Notes, in the principal amount of £16,880,000 and (f) in the case of the Class F Notes, in the principal amount of £4,600,000. Each Temporary Global Note will be deposited on or around the Closing Date with a common depository (the “**Common Depository**”) for Euroclear Bank SA / NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) and together with Euroclear, the “**Clearing Systems**”).

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

Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than 40 days after the issue date of the Notes (the “**Exchange Date**”) for interests in a permanent global note (each a “**Permanent Global Note**”) and together with the Temporary Global Notes, the “**Global Notes**”), in bearer form, without coupons or talons, in the principal amount of the Notes of the relevant Class. No payments of principal, interest or any other amounts payable in respect of the Notes will be made under the Temporary Global Notes unless exchange for interests in the relevant Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Book-Entry Interests in respect of the Notes are recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (“**Participants**”) or persons that hold interests in the Book-Entry Interests through Participants (“**Indirect Participants**”), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants’ accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Lead Manager. 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 the Common Depository holds a Global Note underlying the Book-Entry Interests, it will be considered the sole Noteholder of the Notes represented by that Global Note for all purposes under the Trust Deed. Except as set forth under “*Description of the Global Notes - Issuance of Definitive Notes*”, below, Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Notes in definitive 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 “*Description of the Global Notes - Action in Respect of the Global Notes and the Book-Entry Interests*”, below.

Unlike legal owners or holders of the Notes, and subject as described in this section below under ‘*Written Resolution and Electronic Consent*’, 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 Note Conditions, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Note 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 Book-Entry Interests are exchanged for Definitive Notes, the Notes held by the Common Depository may not be transferred except as a whole by that Common Depository to a successor of the Common Depository.

Purchasers of Book-Entry Interests in a Note will hold Book-Entry Interests in the Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth in the section entitled “*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 each 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 Lead Manager, the 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 Notes**

Each of the Permanent Global Notes will become exchangeable in whole, but not in part, for Definitive Notes of the relevant Class in denominations of £100,000, or above £100,000 in increments of £1,000 at the request of the bearer of the relevant Permanent Global Note against presentation and surrender of such Permanent Global Note to the Principal Paying Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so (an “**Exchange Event**”).

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons (as defined in the Note Conditions) attached, in an aggregate principal amount equal to the principal amount of the relevant Permanent Global Note to the bearer of such Permanent Global Note against the surrender of

such Permanent Global Note at the Specified Office (as defined in the Note Conditions) of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

### **Payments on Global Notes**

All payments in respect of each Temporary Global Note and each Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Note or (as the case may be) the relevant Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the 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 Common Depositary or its nominee in respect of those 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 neither the Issuer, the Principal Paying Agent 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 Common Depositary, 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. 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, and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Lead Manager or the 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 provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing

corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

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

The Issuer understands that under existing industry practices, if any of the Issuer or the 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 Security Deed, 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 any 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 Common Depository and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Issuer for cancellation. 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 Note (or portion thereof) relating thereto. For any redemptions of a 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 Note 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.

### **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 the section entitled "*Description of the Global Notes - General*" above).

Beneficial interests in the Global Notes may be held only through Euroclear or Clearstream, Luxembourg. The Global Notes will bear a legend substantially identical to that appearing under "*Transfer Restrictions and Investor Representations*", below and neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.

## **Action in Respect of the Global Notes and the Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notice in respect of the Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Notes, 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 Notes 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 Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under the section entitled “*Description of the Global Notes - General*” above, with respect to soliciting instructions from their respective Participants.

## **Notices**

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear or Clearstream, Luxembourg, notices to the relevant Noteholders may be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders or by publishing the notice on a Relevant Screen and, so long as the Notes are listed on the Stock Exchange, notices shall also be published in any other way as the rules of the Stock Exchange require (see also Note Condition 22 (*Notices*)).

## **Meetings of Noteholders**

The holder of a Global Note will be deemed to be two persons for the purpose of forming a quorum at a meeting of Noteholders.

## **Written Resolution and Electronic Consent**

### ***Electronic Consent***

For so long as all the outstanding Notes of a Class are represented by a Temporary Global Note and/or a Permanent Global Note and held within the Clearing Systems, then, in respect of any resolution proposed by the Issuer or the Trustee in respect of that Class of Notes where the terms of the proposed resolution have been notified to the Noteholders of the relevant Class through the relevant Clearing Systems, each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing Systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding (“**Electronic Consent**”) by the close of business on the Relevant Date. Any resolution passed in such manner shall be binding on the relevant Class of Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. None of the Issuer or the Trustee shall be liable or responsible to anyone for such reliance.

- (i) When a proposal for a resolution to be passed as an Electronic Consent has been made, at least 10 days’ notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the relevant Class of Noteholders through the relevant Clearing System(s). The notice shall specify, in sufficient detail to enable the relevant Class of Noteholders to give their consents in relation to the proposed resolution, the method by which their

consents may be given (including, where applicable, blocking of their accounts in the relevant Clearing System(s)) and the time and date (the “**Relevant Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant Clearing System(s).

- (ii) If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents are insufficient to pass the resolution, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so determines, be deemed to be defeated. Such determination shall be notified in writing to the other party or parties to the Trust Deed. Alternatively, the Proposer may give a further notice to the relevant Class of Noteholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Trustee (unless the Trustee is the Proposer). Such notice must inform the relevant Class of Noteholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph (i) above. For the purpose of such further notice, references to the “Relevant Date” shall be construed accordingly.

### ***Written Resolution***

For so long as all the outstanding Notes of a Class are represented by a Temporary Global Note and/or a Permanent Global Note and held within the Clearing Systems, then, in respect of any resolution proposed by the Issuer or the Trustee in respect of that Class of Notes and where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, each of the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the Clearing System with entitlements to such Global Note and/or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and/or the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting or implementation of such consent or instruction. Any resolution passed in such manner shall be binding on all Noteholders of such Class and Couponholders of such Class, even if the relevant consent or instruction proves to be defective.

As used in the foregoing paragraph, “**commercially reasonable evidence**” includes any certificate or other document and/or issued by the relevant Clearing System, and/or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant Clearing System (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## TERMS AND CONDITIONS OF THE NOTES

### 1 General

- 1.1 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed.
- 1.2 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.3 Certain provisions of these Note Conditions are summaries of the Trust Documents and the Agency Agreement and are subject to their detailed provisions.
- 1.4 The Noteholders are bound by the terms of the Trust Documents, and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.5 Copies of the Transaction Documents (excluding any schedules containing personal information) are available for inspection by Noteholders during normal business hours at the registered office of the Issuer, the initial registered office of which is set out below.

### 2 Definitions

- 2.1 In these Note Conditions and where used elsewhere in this Prospectus, the following defined terms have the meanings set out below:

“**Account Details**” means the details of each of the Accounts which are set out in Schedule 9 (*Account Details*) of the Incorporated Terms Memorandum;

“**Accounts**” means, together or in combination, each of the Collection Accounts, the Servicer Expense Account and the Transaction Account, each an “**Account**”;

“**Affiliate**” means, in relation to any party, any subsidiary or parent company of that party and any subsidiary of any such parent company, in each case from time to time;

“**Agency Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

“**Agent Bank**” means Citibank, N.A., London Branch in its capacity as agent bank in accordance with the terms of the Agency Agreement;

“**Agents**” means the Agent Bank, the Paying Agents and the Registrar and “**Agent**” means any one of them;

“**Agents’ Fees**” means the fees due and payable to the Principal Paying Agent for the account of the Agents in accordance with the terms of the Agency Agreement;

“**Agents’ Liabilities**” means any Liabilities due and payable by the Issuer to the Agents in accordance with the terms of the Agency Agreement, in each case together with interest thereon as provided in the Agency Agreement;

“**Asset Warranties**” means the asset warranties given by the Beneficial Title Seller to the Issuer in Schedule 1 of the Mortgage Sale Agreement and “**Asset Warranty**” means any of them;

“**Asset Warranty Claim**” means any claim for a Relevant Breach of Asset Warranty made by the Issuer against the Beneficial Title Seller under the terms of the Mortgage Sale Agreement;

“**Available Principal Funds**” means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to the amount by which (a) exceeds (b) where:

- (a) is the aggregate of:
  - (i) the Principal Receipts received by the Issuer during the related Calculation Period;
  - (ii) the Revenue Reallocation Amount (if any) to be entered as a credit entry on the Principal Ledger on such Interest Payment Date;
  - (iii) Principal Addition Amounts;
  - (iv) (upon the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) all amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund to be recorded as a credit entry on the Principal Ledger on such Interest Payment Date; and
- (b) is any amounts which the Cash Manager debited to the Principal Ledger during the immediately preceding Calculation Period pursuant to Paragraph 14 (*Payments from Principal Ledger on any Business Day*) of Part 3 of Schedule 1 of the Cash Management Agreement;

“**Available Redemption Funds**” means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to the amount by which (a) exceeds (b) where:

- (a) is the aggregate of the Available Principal Funds for that Calculation Period; and
- (b) is the sum of Principal Reallocation Amounts to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date;

“**Available Revenue Funds**” means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Receipts received during such Calculation Period;
- (b) (prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) the Liquidity Reserve Drawing to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;
- (c) (prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) the Principal Reallocation Amount (if any) to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;
- (d) (prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) the General Reserve Drawing to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;
- (e) (upon the redemption in full of the Notes prior to the occurrence of a Market Portfolio Purchase or a Certificate Portfolio Purchase) all amounts standing to the credit of the General Reserve Ledger and the Liquidity Reserve Ledger;
- (f) any interest earned during such Calculation Period on amounts in the Transaction Account and credited to such account; and
- (g) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amounts,



less the following amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period pursuant to Paragraph 13 (*Payments from Revenue Ledger on any Business Day*) of Part 3 of Schedule 1 of the Cash Management Agreement:

- (i) any Borrower Repayment Amount of a revenue nature;
- (ii) any tax payment or any amount due in respect of VAT;
- (iii) any Third Party Expenses;
- (iv) any Agents' Fees or Agents' Liabilities;
- (v) any Transaction Account Bank Fees and/or Transaction Account Bank Liabilities;
- (vi) any Servicer Fees and/or Servicer Liabilities;
- (vii) any Corporate Services Provider Fees and/or Corporate Services Provider Liabilities;
- (viii) any Trustee Fees and/or Trustee Liabilities; and
- (ix) any amount necessary to be paid to the Collection Accounts to remedy an overdraft in relation to the Collection Accounts caused by a payment from the Collection Accounts by the Collection Account Bank to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Loans, or to pay any amounts due or owing to the Collection Account Bank;

**“Back-Up Servicer”** means Homeloan Management Limited in its capacity as back-up servicer in accordance with the terms of the Back-Up Servicing Agreement;

**“Back-Up Servicing Agreement”** means a back-up servicing agreement to be entered into between, among others, the Issuer, the Legal Title Holder and the Back-Up Servicer on or about the Closing Date;

**“Beneficial Title Seller”** means Raphael Mortgages Limited, a private limited company incorporated under the laws of Ireland (registered number 532729) with its registered office at 53 Merrion Square, Dublin 2, Ireland;

**“Beneficial Title Seller Power of Attorney”** means the power of attorney granted by the Beneficial Title Seller on or about the Closing Date in favour of the Issuer and the Trustee, substantially in the form set out in Part 2 of Schedule 3 of the Mortgage Sale Agreement;

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

**“Breach of Duty”** means:

- (a) in relation to any person other than the Trustee, a wilful default, fraud, gross negligence or material breach of any agreement or breach of trust by such person; and
- (b) in relation to the Trustee, gross negligence, wilful default or fraud by the Trustee;

**“Business Day”** means:

- (a) in relation to any day falling prior to the Redenomination Date, a day on which commercial banks and foreign exchange markets settle payments in London; and
- (b) in relation to any day falling on or after the Redenomination Date, a day on which the TARGET2 system is operating;

“**Calculation Date**” means in relation to an Interest Payment Date, the first calendar day of each of February, May, August, and November in each year (or, if such day is not a Business Day, the next Business Day), or, in the case of the first Calculation Date, 1 November 2014, and in relation to any Interest Payment Date, the “**related Calculation Date**” means, unless the context otherwise requires, the Calculation Date immediately preceding such Interest Payment Date;

“**Calculation Period**” means each three month period ending on January, April, July, October in each year (or in respect of the first Calculation Period, the period from and including the Closing Date to and including October 2014) and, in relation to an Interest Payment Date, the “**related Calculation Period**” means, unless the context otherwise requires, the Calculation Period ending immediately prior to the related Calculation Date;

“**Cash Management Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager and the Trustee;

“**Cash Manager**” means Mars Capital Finance Limited in its capacity as cash manager under the Cash Management Agreement;

“**Cash Manager Determination Date**” means the business day falling three Business Days prior to the related Interest Payment Date;

“**Certificate Conditions**” means the terms and conditions to be endorsed on the Certificates in, or substantially in, the form set out in Schedule 6 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Certificate Condition shall be construed accordingly;

“**Certificate Portfolio Purchase**” means a purchase of all (but not part) of the Mortgage Loans and their Related Security by the Portfolio Option Holder;

“**Certificate Portfolio Purchase Completion Date**” means the completion date of the Certificate Portfolio Purchase;

“**Certificateholders**” means the persons who for the time being are registered in the Register as the holders of the Certificates;

“**Certificates**” means the 100 certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof;

“**Charged Property**” means all the property, rights and assets of the Issuer which is subject to the Security;

“**Class A Definitive Notes**” means any Class A Notes issued in definitive bearer form in, or substantially in, the form set out in Part 1 of Schedule 3 of the Trust Deed;

“**Class A Global Notes**” means the Class A Temporary Global Note and the Class A Permanent Global Note;

“**Class A Noteholders**” means the persons who for the time being are holders of the Class A Notes;

“**Class A Notes**” means the £185,740,000 Class A Mortgage Backed Floating Rate Notes due November 2049 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Class A Definitive Notes or Class A Global Notes;

“**Class A Permanent Global Note**” means the permanent global note representing any Class A Note in, or substantially in, the form set out in Schedule 2 of the Trust Deed;

“**Class A Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger applicable to the Class A Notes created in accordance with Paragraph 9.3 (*Principal Deficiency sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

“**Class A Revenue Reallocation Amount**” means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class A Principal Deficiency Sub-Ledger as at such Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount and Liquidity Reserve Drawing) available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts determined in accordance with items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities;

“**Class A Temporary Global Note**” means the temporary global note representing any Class A Notes in, or substantially in, the form set out in Schedule 1 of the Trust Deed;

“**Class B Definitive Notes**” means any Class B Notes issued in definitive bearer form in, or substantially in, the form set out in Part 1 of Schedule 3 of the Trust Deed;

“**Class B Global Notes**” means the Class B Temporary Global Note and the Class B Permanent Global Note;

“**Class B Noteholders**” means the persons who for the time being are holders of the Class B Notes;

“**Class B Notes**” means the £32,230,000 Class B Mortgage Backed Floating Rate Notes due November 2049 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Class B Definitive Notes or Class B Global Notes;

“**Class B Permanent Global Note**” means the permanent global note representing any Class B Note in, or substantially in, the form set out in Schedule 2 of the Trust Deed;

“**Class B Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger applicable to the Class B Notes created in accordance with Paragraph 9.3 (*Principal Deficiency sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

“**Class B Revenue Reallocation Amount**” means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class B Principal Deficiency Sub-Ledger as at such Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount and Liquidity Reserve Drawing) available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts determined in accordance with items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities;

“**Class B Temporary Global Note**” means the temporary global note representing any Class B Notes in, or substantially in, the form set out in Schedule 1 of the Trust Deed;

“**Class C Definitive Notes**” means any Class C Notes issued in definitive bearer form in, or substantially in, the form set out in Part 1 of Schedule 3 of the Trust Deed;

“**Class C Global Notes**” means the Class C Temporary Global Note and the Class C Permanent Global Note;

“**Class C Noteholders**” means the persons who for the time being are holders of the Class C Notes;

“**Class C Notes**” means the £29,160,000 Class C Mortgage Backed Floating Rate Notes due November 2049 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Class C Definitive Notes or Class C Global Notes;

“**Class C Permanent Global Note**” means the permanent global note representing any Class C Note in, or substantially in, the form set out in Schedule 2 of the Trust Deed;

“**Class C Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger applicable to the Class C Notes created in accordance with Paragraph 9.3 (*Principal Deficiency sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

“**Class C Revenue Reallocation Amount**” means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class C Principal Deficiency Sub-Ledger as at such Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount and Liquidity Reserve Drawing) available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts determined in accordance with items (a) to (i) of the Pre-Enforcement Revenue Payments Priorities;

“**Class C Temporary Global Note**” means the temporary global note representing any Class C Notes in, or substantially in, the form set out in Schedule 1 of the Trust Deed;

“**Class D Definitive Notes**” means any Class D Notes issued in definitive bearer form in, or substantially in, the form set out in Part 1 of Schedule 3 of the Trust Deed;

“**Class D Global Notes**” means the Class D Temporary Global Note and the Class D Permanent Global Note;

“**Class D Noteholders**” means the persons who for the time being are holders of the Class D Notes;

“**Class D Notes**” means the £23,020,000 Class D Mortgage Backed Floating Rate Notes due November 2049 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Class D Definitive Notes or Class D Global Notes;

“**Class D Permanent Global Note**” means the permanent global note representing any Class D Note in, or substantially in, the form set out in Schedule 2 of the Trust Deed;

“**Class D Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger applicable to the Class D Notes created in accordance with Paragraph 9.3 (*Principal Deficiency sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

“**Class D Revenue Reallocation Amount**” means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class D Principal Deficiency Sub-Ledger as at such Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount and Liquidity Reserve Drawing) available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts determined in accordance with items (a) to (k) of the Pre-Enforcement Revenue Payments Priorities;

“**Class D Temporary Global Note**” means the temporary global note representing any Class D Notes in, or substantially in, the form set out in Schedule 1 of the Trust Deed;

“**Class E Definitive Notes**” means any Class E Notes issued in definitive bearer form in, or substantially in, the form set out in Part 1 of Schedule 3 of the Trust Deed;

“**Class E Global Notes**” means the Class E Temporary Global Note and the Class E Permanent Global Note;

“**Class E Noteholders**” means the persons who for the time being are holders of the Class E Notes;

“**Class E Notes**” means the £16,880,000 Class E Mortgage Backed Floating Rate Notes due November 2049 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Class E Definitive Notes or Class E Global Notes;

“**Class E Permanent Global Note**” means the permanent global note representing any Class E Note in, or substantially in, the form set out in Schedule 2 of the Trust Deed;

“**Class E Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger applicable to the Class E Notes created in accordance with Paragraph 9.3 (*Principal Deficiency sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

“**Class E Revenue Reallocation Amount**” means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class E Principal Deficiency Sub-Ledger as at such Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount and Liquidity Reserve Drawing) available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts determined in accordance with items (a) to (m) of the Pre-Enforcement Revenue Payments Priorities;

“**Class E Temporary Global Note**” means the temporary global note representing any Class E Notes in, or substantially in, the form set out in Schedule 1 of the Trust Deed;

“**Class F Definitive Notes**” means any Class F Notes issued in definitive bearer form in, or substantially in, the form set out in Part 1 of Schedule 3 of the Trust Deed;

“**Class F Global Notes**” means the Class F Temporary Global Note and the Class F Permanent Global Note;

“**Class F Noteholders**” means the persons who for the time being are holders of the Class F Notes;

“**Class F Notes**” means the £4,600,000 Class F Mortgage Backed Floating Rate Notes due November 2049 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Class F Definitive Notes or Class F Global Notes;

“**Class F Permanent Global Note**” means the permanent global note representing any Class F Note in, or substantially in, the form set out in Schedule 2 of the Trust Deed;

“**Class F Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger applicable to the Class F Notes created in accordance with Paragraph 9.3 (*Principal Deficiency sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

“**Class F Revenue Reallocation Amount**” means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class F Principal Deficiency

Sub-Ledger as at such Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount and Liquidity Reserve Drawing) available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts determined in accordance with items (a) to (o) of the Pre-Enforcement Revenue Payments Priorities;

“**Class F Temporary Global Note**” means the temporary global note representing any Class F Notes in, or substantially in, the form set out in Schedule 1 of the Trust Deed;

“**Clearing Systems**” means Euroclear Bank SA / NV and Clearstream Banking, *société anonyme*;

“**Closing Date**” means 7 August 2014 or such other date as the Issuer and the Lead Manager may agree pursuant to the Subscription Agreement;

“**Closing Transaction Documents**” means the Agency Agreement, the Back-Up Servicing Agreement, the Cash Management Agreement, the Collection Account Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed Poll, the Mortgage Sale Agreement, the Scottish Declaration of Trust, the Security Deed, the Servicing Agreement, the Beneficial Title Seller Power of Attorney, the Legal Title Holder Power of Attorney, the Transaction Account Agreement, the Reserve Subordinated Loan Agreement, the Market Portfolio Purchase Agreement and the Trust Deed;

“**Collection Accounts**” means the Legal Title Holder’s accounts so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be the Collection Account(s);

“**Collection Account Agreement**” means the agreement so named dated on or about the Closing Date between the Legal Title Holder, the Collection Account Bank, the Issuer and the Trustee;

“**Collection Account Bank**” means Barclays Bank PLC in its capacity as account bank in accordance with the terms of the Collection Account Agreement;

“**Collection Account Declaration of Trust**” means the declaration of trust so named in relation to the Collection Accounts and the Servicer Expense Account dated on or about the Closing Date;

“**Collections Procedures**” means the collections procedures of the Servicer, as amended from time to time with the prior written consent of the parties as required by the Servicing Agreement (except in the case of any amendment (i) which is necessary for the Servicer to comply with any change in any law, rule, regulation or regulatory policy applicable to it or (ii) which is not, in the reasonable opinion of the Servicer (acting as a Prudent Mortgage Servicer), material);

“**Corporate Services Agreement**” means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee and the Issuer;

“**Corporate Services Provider**” means Structured Finance Management Limited (registered number 3853947), a private limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen’s, London, EC3A 6AP or such other person or persons for the time being acting as corporate services provider to the Issuer under the Corporate Services Agreement;

“**Corporate Services Provider Fees**” means the fees due and payable to the Corporate Services Provider and the Share Trustee in accordance with the terms of the Corporate Services Agreement;

“**Corporate Services Provider Liabilities**” means any Liabilities due and payable by the Issuer to the Corporate Services Provider and the Share Trustee in accordance with the terms of the Corporate Services Agreement;

“**Couponholders**” means the persons who for the time being are holders of the Coupons;

“**Coupons**” means the interest coupons related to the Class A Definitive Notes, Class B Definitive Notes, Class C Definitive Notes, Class D Definitive Notes, Class E Definitive Notes or Class F Definitive Notes in, or substantially in, the form set out in Part 2 of Schedule 3 of the Trust Deed and for the time being outstanding or, as the context may require, a specific number of such coupons;

“**Covenant to Pay**” means the covenants of the Issuer in respect of the Notes contained in Clause 5 (*Covenant to Repay Principal*) and Clause 6 (*Covenant to Pay Interest and Residual Payments*) of the Trust Deed and, in respect of the Secured Amounts, contained in Clause 3 (*Issuer’s Undertaking to Pay*) of the Security Deed;

“**Current Balance**” means, in relation to any Mortgage Loan as at any date, all sums owing by a Borrower to a Seller under that Mortgage Loan as at that date including, but not limited to any amount which has become due and payable by the Borrower but remains unpaid in respect of the period up to, but not beyond, that date;

“**Cut-Off Date**” means 25 July 2014;

“**Day Count Fraction**” means in respect of an Interest Period for the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes:

- (i) prior to the Redenomination Date, the actual number of days in such period divided by 365; or
- (ii) on or after the Redenomination Date the actual number of days in such period divided by 360;

“**DBRS**” means DBRS Ratings Limited;

“**Deed Poll**” means the portfolio option deed poll dated on or about the Closing Date, executed by the Issuer, in favour of the Portfolio Option Holder, from time to time;

“**Deferred Interest Amount Arrears**” has the meaning given to it in Condition 7.10 (*Interest Deferred*);

“**Definitive Notes**” means any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes issued in definitive bearer form in, or substantially in, the form set out in Part 1 of Schedule 3 of the Trust Deed;

“**Electronic Consent**” means, for so long as all the outstanding Notes of a Class are represented by a Temporary Global Note and/or a Permanent Global Note and held within the Clearing Systems, in respect of any resolution proposed by the Issuer or the Trustee, where the terms of the proposed resolution have been notified to the relevant Class of Noteholders through the relevant Clearing Systems, approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing Systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding;

“**Eligible Investments**” means:

- (a) demand or time deposits, certificates of deposit and other short term unsecured debt obligations provided that, in each case, at the time the deposit is made or the certificate or obligation is acquired the then current rating of the unsecured and unguaranteed debt obligations of that institution (or, where the investment in question is guaranteed, of the guaranteeing institution) is AA- or A-1+ or AAAm by S&P; and at least one of (a) P-1 (short-term) or at least A2 (long-

term) (if applicable) from Moody's; (b) F1+ or AA- from Fitch; and (c) at least R-1 (middle) (short-term) or AA (low) (long-term) (if applicable) from DBRS, or in each case such other ratings as may be required by the Rating Agencies from time to time;

- (b) short term unsecured debt obligations issued by a body corporate provided that the then current rating of the unsecured and unguaranteed debt obligations of that body corporate (or where the debt obligations in question are guaranteed, of the guaranteeing institution) is AA- or A-1+ or AAAm by S&P; and at least one of (a) P-1 (short-term) or at least A2 (long-term) (if applicable) from Moody's; (b) F1+ or AA- from Fitch; and (c) at least R-1 (middle) (short-term) or AA (low) (long-term) (if applicable) from DBRS, or in each case such other ratings as may be required by the Rating Agencies from time to time; or
- (c) money market funds that meet the European Securities and Markets Authority (ESMA) Short-Term Money Market Fund definition, set out in Guideline reference 10-049 of the Committee for European Securities Regulators, or money market funds that hold an AAAm money market fund rating from S&P and an equivalent money market fund rating from a recognised credit rating agency such as Moody's, Fitch or DBRS,

provided that no withholding or deduction for or account of tax will be made on any payments of interest or principal in respect of any such deposit, bond, debenture, note or other investment or security evidencing debt, and provided further that no such instrument will be a volatile instrument (as specified in the Rating Agencies' published criteria) and/or an instrument issued by a mutual fund or similar investment vehicle, and provided further that each such instrument shall mature (or otherwise be capable of being redeemed, terminated or broken (at no additional cost)) on or before the next succeeding Calculation Date so that such funds will be available for withdrawal on such date.

**"Encumbrance"** means:

- (a) a mortgage, Standard Security, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

**"Enforcement Notice"** means:

- (a) in relation to the Notes, a notice delivered by the Trustee to the Issuer in accordance with Note Condition 12 (*Events of Default*); or
- (b) in relation to the Certificates, a notice delivered by the Trustee to the Issuer in accordance with Certificate Condition 10 (*Events of Default*);

**"Enforcement Procedures"** means the exercise of the rights and remedies against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with his Mortgage Loan or Related Security in accordance with the Collections Procedures of the Servicer;

**"euro"**, **"EUR"** or **"€"** means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended;



“**Euro Commencement Date**” means the date on which the United Kingdom becomes a Participating Member State;

“**Euro Reference Rate**” means, on any Interest Determination Date falling on, after or immediately prior to the Redenomination Date, the rate determined by the Agent Bank by reference to the Euro Screen Rate on such date or if, on such date, the Euro Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations, as at or about 11:00 a.m. (Brussels time) on that date, of the Reference Banks to major banks in the Euro-zone interbank market for euro deposits for the Relevant Period in the London interbank market in the Representative Amount, determined by the Agent Bank after request of the principal Euro-zone office of each of the Reference Banks; or
- (b) if, on such date, two or three only of the Reference Banks provide such quotations the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Euro Reserve Reference Rate;

“**Euro Reserve Reference Rate**” means on any Interest Determination Date falling on, after or immediately prior to the Redenomination Date:

- (a) the Rounded Arithmetic Mean of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank in consultation with the Issuer, at approximately 11:00 a.m. (Brussels time) on the first day of the relevant Interest Period for loans in euro to major European banks) for the Relevant Period and in the Representative Amount; or
- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Euro Reference Rate in effect for the immediately preceding Interest Period;

“**Euro Screen Rate**” means, in relation to an Interest Determination Date, the rate for euro deposits for the Relevant Period which appears on the Screen as at or about 11:00 a.m. (Brussels time) on that date;

“**Euro-zone**” means the region comprising member states of the European Union which adopt the euro in accordance with the Treaty;

“**Event of Default**” means any one of the events specified in Note Condition 12 (*Events of Default*);

“**Extraordinary Resolution**” means:

- (a) in relation to the Notes, (i) a resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast, (ii) a Written Resolution or (iii) an Electronic Consent; or
- (b) in relation to the Certificates, (i) a resolution passed at a Meeting of Certificateholders duly convened and held in accordance with the Provisions for Meetings of Certificateholders by a majority of not less than three quarters of the votes cast or (ii) a Written Resolution;

“**FATCA**” means the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), any inter-governmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the US Internal Revenue Service in connection with these provisions;

“**Final Discharge Date**” means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other monies and other liabilities due or owing by the Issuer have been paid or discharged in full;

“**Final Maturity Date**” means the Interest Payment Date falling in November 2049;

“**First Interest Payment Date**” means the Interest Payment Date falling in November 2014;

“**Fitch**” means Fitch Ratings Ltd or any successor to its rating business;

“**General Reserve Drawing**” means a drawing from the General Reserve Fund, which, for an Interest Payment Date, shall be the lower of (i) the amount standing to the credit of the General Reserve Fund for that Interest Payment Date and, (ii) the amount required to eliminate such Revenue Shortfall for that Interest Payment Date;

“**General Reserve Fund**” means the credit balance from time to time of the General Reserve Ledger which, on the Closing Date, will be an amount equal to £4,605,318 (being approximately 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date) funded initially from a drawing on the Reserve Subordinated Loan provided by the Beneficial Title Seller, and thereafter from Available Revenue Funds;

“**General Reserve Fund Target Amount**” means:

- (a) in respect of the Closing Date, 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date;
- (b) in respect of each Interest Payment Date prior to the redemption of the Notes in full, 3.2 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date; and
- (c) on the Interest Payment Date on which the Notes are redeemed in full and on each subsequent Interest Payment Date, an amount equal to zero;

“**General Reserve Ledger**” means the ledger in the books of the Issuer so named;

“**Global Notes**” means the Permanent Global Notes and the Temporary Global Notes;

“**holder**” means, in relation to a Note, the bearer of that Note and, in relation to a Certificate, the person whose name appears in the Register as the holder of that Certificate and the words “**holders**” and related expressions shall (where appropriate) be construed accordingly;

“**Incorporated Terms Memorandum**” means the document so named which is dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction Parties;

“**Insolvency Act**” means the Insolvency Act 1986;

“**Insolvency Event**” in respect of the Issuer means:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or
- (b) a moratorium is declared in respect of any indebtedness of such company; or
- (c) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or

- (d) any corporate action, legal proceedings or other procedure or step is taken in relation to, and has not been withdrawn or rejected or otherwise remedied within a period of 21 days from the occurrence of such corporate action, legal proceedings or other procedure:
- (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
  - (ii) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company; or
  - (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or
  - (iv) any distress, diligence, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or
- (e) any procedure or step is taken, or any event occurs, analogous to those set out in (a) to (d) above, in any jurisdiction.

“**Insolvency Official**” means, in relation to a company, a liquidator (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding), provisional liquidator, examiner, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

“**Instrumentholders**” means the persons who for the time being are holders of the Instruments;

“**Instruments**” means the Global Notes, the Definitive Notes, the Certificates and the Coupons and

“**Instrument**” means any one of them;

“**Interest Amount**” means:

- (a) in respect of a Note for the Interest Period beginning on the Closing Date, the Note Interest calculated on the Interest Determination Date falling on the Closing Date;
- (b) in respect of a Note for any subsequent Interest Period, the aggregate of:
  - (i) the Note Interest calculated on the related Interest Determination Date; and
  - (ii) the amount of any Deferred Interest Amount Arrears in respect of such Note on the preceding Interest Payment Date, together with accrued interest on such arrears in accordance with Note Condition 7.12 (*Additional Interest*);

- (c) in relation to a Class for the Interest Period beginning on the Closing Date or any subsequent Interest Period, the aggregate amount calculated in accordance with paragraph (a) or (b) respectively above in respect of such Class for such Interest Period;

“**Interest Determination Date**” means:

- (a) prior to the Redenomination Date, each Interest Payment Date or, in the case of the first Interest Period, the Closing Date; and
- (b) on or after the Redenomination Date, each day which is two TARGET2 Settlement Days prior to an Interest Payment Date,

and, in relation to an Interest Period, the “**related Interest Determination Date**” means, on or prior to the Redenomination Date, the Interest Determination Date which falls on the first day of such Interest Period and, after the Redenomination Date, the Interest Determination Date immediately preceding the commencement of such Interest Period;

“**Interest Payment Date**” means the 15<sup>th</sup> day of February, May, August and November in each year commencing on the First Interest Payment Date, provided that if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day;

“**Interest Period**” means each period from (and including) an Interest Payment Date (or in respect of the first Interest Period, from the Closing Date) to (but excluding) the next Interest Payment Date (or in respect of the first Interest Period, the First Interest Payment Date) and, in relation to an Interest Determination Date, the “**related Interest Period**” means the Interest Period in which such Interest Determination Date falls or, if such Interest Determination Date does not fall on an Interest Payment Date, the Interest Period next commencing after such Interest Determination Date;

“**Issuer**” means Thrones 2014-1 plc, a public limited company incorporated in England and Wales with registered number 9107519 as issuer of the Notes and the Certificates;

“**Issuer Covenants**” means the covenants of the Issuer set out in Schedule 7 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

“**Issuer Jurisdiction**” means England and Wales or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Note Condition 21 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

“**Issuer Profit Ledger**” means the ledger in the books of the Issuer so named;

“**Issuer Security Power of Attorney**” means the power of attorney contained in Clause 25 of the Security Deed;

“**Issuer Warranties**” means the representations and warranties of the Issuer set out in Schedule 4 (*Issuer’s Representations and Warranties*) of the Incorporated Terms Memorandum;

“**Lead Manager**” means Citigroup Global Markets Limited (registered number 1763297);

“**Legal Title Holder**” means Mars Capital Finance Limited (registered number 5859881);

“**Legal Title Holder Power of Attorney**” means the power of attorney granted on or about the Closing Date by the Legal Title Holder in favour of the Issuer and the Trustee substantially in the form in Part I of Schedule 3 of the Mortgage Sale Agreement;

“**Liabilities**” means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including proper legal fees and any Taxes and penalties incurred by that person;

“**LIBOR**” means London Interbank Offered Rate;

“**Liquidity Reserve Drawing**” means a drawing from the Liquidity Reserve Fund, which, for an Interest Payment Date, shall be the lower of (a) the amount standing to the credit of the Liquidity Reserve Ledger and (b) the amount required to eliminate the Senior Revenue Shortfall;

“**Liquidity Reserve Fund**” means the credit balance from time to time of the Liquidity Reserve Ledger which, on the Closing Date, will be an amount equal to £4,605,318 (being approximately 1.5 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date) funded initially from a drawing on the Reserve Subordinated Loan provided by the Beneficial Title Seller, and thereafter from the Available Revenue Funds;

“**Liquidity Reserve Fund Target Amount**” means:

- (a) on any Interest Payment Date prior to the redemption of the Notes in full, an amount equal to 1.5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Portfolio as at the Closing Date; or
- (b) on the Interest Payment Date on which the Notes are redeemed in full and on each subsequent Interest Payment Date, an amount equal to zero;

“**Liquidity Reserve Ledger**” means the ledger in the books of the Issuer so named;

“**Margin**” means:

- (a) in respect of the Class A Notes, 0.850 per cent. per annum;
- (b) in respect of the Class B Notes, 1.000 per cent. per annum;
- (c) in respect of the Class C Notes, 1.250 per cent. per annum;
- (d) in respect of the Class D Notes, 1.500 per cent. per annum;
- (e) in respect of the Class E Notes, 2.000 per cent. per annum; and
- (f) in respect of the Class F Notes, 2.250 per cent. per annum;

“**Market Portfolio Purchase**” means a purchase of all (but not part) of the Mortgage Loans and their Related Security by a party other than the Portfolio Option Holder;

“**Market Portfolio Purchase Agent**” means Mars Capital Finance Limited in its capacity as market portfolio purchase agent under the Market Portfolio Purchase Agreement or any replacement market portfolio purchase agent;

“**Market Portfolio Purchase Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Market Portfolio Purchase Agent and the Trustee;

“**Market Portfolio Purchase Completion Date**” means the completion date of the Market Portfolio Purchase;

“**Meeting**” means a meeting of Noteholders of any Class or Classes or a meeting of Certificateholders (whether originally convened or resumed following an adjournment);

“**MHA/CPA 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;

“**Minimum Amount**” means, prior to the Redenomination Date, one penny and thereafter 0.01 euro;

“**Minimum Denomination**” means:

- (a) prior to the Redenomination Date, £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000;
- (b) on and after the Redenomination Date, €100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of €1,000;

“**Mortgage**” means in respect of any Mortgage Loan, each first fixed charge by way of legal mortgage or first legal charge, and each other charge by way of legal mortgage or legal charge, which is sold by the Sellers to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant Mortgage Loan, including the Mortgage Documents applicable to it, and, together, the “**Mortgages**”;

“**Mortgage Document**” means any agreement (including a Mortgage) in relation to a Mortgage Loan between the relevant lender and a Borrower and “**Mortgage Documents**” means all or some of them as the context may require;

“**Mortgage Loan**” means a residential mortgage loan (including all advances, any accrued interest and any fees, costs and other amounts owing to any Seller from the Borrower (including all capitalised sums)) which is included in the Mortgage Portfolio;

“**Mortgage Portfolio**” means the portfolio of Mortgage Loans, the Mortgages, the Related Security and all rights, interest, benefit, income and payments sold to the Issuer by the Sellers on the Closing Date, as listed in Annexure 2 (The Mortgage Portfolio) of the Mortgage Sale Agreement, but excluding (for the avoidance of doubt) any Mortgage Loan and its Related Security which is repurchased by the Beneficial Title Seller or purchased by the Legal Title Holder, in each case pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

“**Mortgage Sale Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Sellers and the Trustee;

“**Most Senior Class**” means the Class A Notes whilst they remain outstanding, thereafter the Class B Notes whilst they remain outstanding, thereafter the Class C Notes whilst they remain outstanding, thereafter the Class D Notes whilst they remain outstanding, thereafter the Class E Notes while they remain outstanding, thereafter the Class F Notes while they remain outstanding and thereafter the Certificates;

“**Northern Irish Mortgage Document**” means a Mortgage Document entered into in connection with a Northern Irish Mortgage Loan;

“**Northern Irish Mortgage Loan**” means a Mortgage Loan secured by an Encumbrance over a Northern Irish Property;

“**Northern Irish Property**” means a Property located in Northern Ireland;

“**Northern Irish Receivables**” means Receivables arising under a Northern Irish Mortgage Document;

“**Note Conditions**” means the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 5 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Note Condition shall be construed accordingly;

“**Note Interest**” means, in respect of a Note for any Interest Period the amount of interest determined in respect of such Note for such Interest Period by, (i) multiplying (a) the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date or, after the Redenomination Date, next following such Interest Determination Date by (b) the Note Rate and (ii) multiplying (x) the amount so calculated by (y) the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

“**Note Principal Payment**” means, on any Interest Payment Date:

- (a) in the case of each Class A Note, an amount equal to the lesser of the Available Redemption Funds and the Principal Amount Outstanding of the Class A Notes, each determined as at the related Calculation Date, multiplied by a fraction whose numerator is an amount equal to the Principal Amount Outstanding under that Class A Note and whose denominator is the aggregate Principal Amount Outstanding under all Class A Notes, rounded down to the nearest multiple of the Minimum Amount;
- (b) in the case of each Class B Note, an amount equal to the lesser of the Available Redemption Funds (minus the amount to be applied in redemption of the Class A Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class B Notes, each determined as at the related Calculation Date, multiplied by a fraction whose numerator is an amount equal to the Principal Amount Outstanding under that Class B Note and whose denominator is the aggregate Principal Amount Outstanding under all Class B Notes, rounded down to the nearest multiple of the Minimum Amount;
- (c) in the case of each Class C Note, an amount equal to the lesser of the Available Redemption Funds (minus the aggregate of the amount to be applied in redemption of (i) the Class A Notes (if any) and (ii) the Class B Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class C Notes, each determined as at the related Calculation Date, multiplied by a fraction whose numerator is an amount equal to the Principal Amount Outstanding under that Class C Note and whose denominator is the aggregate Principal Amount Outstanding under all Class C Notes, rounded down to the nearest multiple of the Minimum Amount;
- (d) in the case of each Class D Note, an amount equal to the lesser of the Available Redemption Funds (minus the aggregate of the amount to be applied in redemption of (i) the Class A Notes (if any) and (ii) the Class B Notes (if any) and (iii) the Class C Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class D Notes, each determined as at the related Calculation Date, multiplied by a fraction whose numerator is an amount equal to the Principal Amount Outstanding under that Class D Note and whose denominator is the aggregate Principal Amount Outstanding under all Class D Notes, rounded down to the nearest multiple of the Minimum Amount; and
- (e) in the case of each Class E Note, an amount equal to the lesser of the Available Redemption Funds (minus the aggregate of the amount to be applied in redemption of (i) the Class A Notes (if any) and (ii) the Class B Notes (if any), (iii) the Class C Notes (if any) and (iv) the Class D Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class E Notes, each determined as at the related Calculation Date, multiplied by a fraction

whose numerator is an amount equal to the Principal Amount Outstanding under that Class E Note and whose denominator is the aggregate Principal Amount Outstanding under all Class E Notes, rounded down to the nearest multiple of the Minimum Amount;

- (f) in the case of each Class F Note, an amount equal to the lesser of the Available Redemption Funds (minus the aggregate of the amount to be applied in redemption of (i) the Class A Notes (if any) and (ii) the Class B Notes (if any), (iii) the Class C Notes (if any), (iv) the Class D Notes (if any) and (v) the Class E Notes on such Interest Payment Date) and the Principal Amount Outstanding of the Class F Notes, each determined as at the related Calculation Date, multiplied by a fraction whose numerator is an amount equal to the Principal Amount Outstanding under that Class F Note and whose denominator is the aggregate Principal Amount Outstanding under all Class F Notes, rounded down to the nearest multiple of the Minimum Amount;

“**Note Rate**” means, in respect of each Class of Notes for each Interest Period, the Reference Rate determined as at the related Interest Determination Date plus for the period from (and including) the Closing Date to (and including) the Optional Redemption Date, the Margin and from (but excluding) the Optional Redemption Date, the Step-Up Margin, in each case for each respective Class of Notes;

“**Noteholders**” means the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders;

“**Notes**” means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes;

“**Notices Condition**” means Note Condition 22 (*Notices*);

“**Notices Details**” means, in relation to any Agent, the provisions set out in Schedule 8 (*Notices Details*) of the Incorporated Terms Memorandum;

“**OC Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger created in accordance with Paragraph 9.3 (*Principal Deficiency sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

“**OC Revenue Reallocation Amount**” means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the OC Principal Deficiency Sub-Ledger as at such Calculation Date and (b) the amount of Available Revenue Funds available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts determined in accordance with items (a) to (r) of the Pre-Enforcement Revenue Payments Priorities;

“**Optional Redemption Date**” means the Interest Payment Date falling in August 2019;

“**outstanding**” means:

- (a) all the Notes other than:
- (i) those which have been redeemed in full and cancelled in accordance with the Note Conditions;
  - (ii) those in respect of which the date for redemption, in accordance with the provisions of the Note Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and,



where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Note Conditions;

- (iii) those which have become void under the Note Conditions;
- (iv) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Note Conditions; and
- (v) any Temporary Global Note to the extent that it shall have been exchanged for a Permanent Global Note of the same Class or any Permanent Global Note to the extent that it shall have been exchanged for the Definitive Notes of the same Class pursuant to the provisions contained therein and the Note Conditions;

provided that for each of the following purposes, namely:

- (A) the right to attend and vote at any meeting of Noteholders and resolve by Extraordinary Resolution;
- (B) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 16 (*Waiver*), Clause 17 (*Modifications*), Clause 20 (*Proceedings and Actions by the Trustee*), Clause 30 (*Appointment of Trustees*) and Clause 31 (*Notice of a New Trustee*) of the Trust Deed and Note Condition 12 (*Events of Default*), Note Condition 13 (*Enforcement*) and Note Condition 15 (*Meetings of Noteholders and Certificateholders*) and the Provisions for Meetings of Noteholders; and
- (C) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer or the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding provided that if all Notes of a particular Class are held by the Beneficial Title Seller, the Issuer, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the “**relevant Class of Notes**”) and no other Classes of Notes exist that rank junior or pari passu to the relevant Class of Notes, the relevant Class of Notes will be deemed to remain outstanding;

“**Participant**” means an accountholder with Euroclear or Clearstream, Luxembourg;

“**Participating Member State**” means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

“**Paying Agents**” means the paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes and the Certificates under the Agency Agreement;

“**Payments Priorities**” means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

“**Permanent Global Notes**” means the Class A Permanent Global Note, the Class B Permanent Global Note, the Class C Permanent Global Note, the Class D Permanent Global Note, the Class E Permanent Global Note and the Class F Permanent Global Note;

“**Portfolio Option**” means the option granted to the Portfolio Option Holder documented in the Deed Poll;

“**Portfolio Option Holder**” means the holder of the highest number of Certificates;

“**Post-Enforcement Payments Priorities**” means the provisions relating to the order of priority of payments from the Transaction Account, set out in Clause 16 (*Post-Enforcement Payments Priorities*) of the Security Deed;

“**Potential Event of Default**” means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

“**Pre-Enforcement Payments Priorities**” means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities;

“**Pre-Enforcement Principal Payments Priorities**” means the provisions relating to the order of priority of payments from the Principal Ledger set out in Paragraph 16 (*Payments from Principal Ledger on an Interest Payment Date*) of Part 3 of Schedule 1 of the Cash Management Agreement;

“**Pre-Enforcement Revenue Payments Priorities**” means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Paragraph 15 (*Payments from Revenue Ledger on an Interest Payment Date*) of Part 3 of Schedule 1 of the Cash Management Agreement;

“**Principal Addition Amount**” means, in relation to an Interest Payment Date to which item (v) of the Pre-Enforcement Revenue Payments Priorities applies, the amount by which the Available Revenue Funds exceed the aggregate of the amounts required to satisfy items (a) to (u) of the Pre-Enforcement Revenue Payments Priorities on that Interest Payment Date;

“**Principal Amount Outstanding**” means, on any day:

- (a) in relation to the Notes:
  - (i) in relation to a Note, the principal amount of that Note on the Closing Date less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and have been paid) on or prior to that day; and
  - (ii) in relation to a Class, the aggregate of the amount in paragraph (i) above in respect of all Notes outstanding in such Class; and
  - (iii) in relation to all the Notes outstanding at any time, the aggregate of the amount in paragraph (i) above in respect of all Notes outstanding; and
- (b) in relation to the Certificates, the number of Certificates outstanding;

“**Principal Collections**” means all Principal Receipts received by the Issuer;

“**Principal Deficiency Ledger**” means the ledger in the books of the Issuer so named;

“**Principal Ledger**” means the ledger in the books of the Issuer so named;

“**Principal Loss**” means, in relation to any Mortgage Loan on an Interest Payment Date, the amount (if any) determined in good faith by the Servicer on the related Calculation Date in respect of the related Calculation Period as being the amount of a principal nature due in respect of such Mortgage Loan

after the earlier of (a) completion of Enforcement Procedures over the related Property or (b) the sale (whether by way of voluntary sale by the mortgagor or following enforcement by or on behalf of the Borrower) of the related Property;

**“Principal Outstanding Balance”** means:

- (a) in relation to any Mortgage Loan and on any day, the aggregate of:
  - (i) the original principal amount advanced to any relevant Borrower pursuant to the related Mortgage Documents together with any further advance of principal made to such Borrower pursuant to the related Mortgage Documents; plus
  - (ii) any disbursement, legal expense, fee, charge or premium in respect of such Mortgage Loan; minus
  - (iii) any repayments or reduction of the amounts specified in (i) and (ii) above,but after completion of any Enforcement Procedures in relation to a Mortgage Loan, the Principal Outstanding 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 Principal Outstanding Balances in respect of the Mortgage Loans contained in that Mortgage Portfolio;

**“Principal Paying Agent”** means Citibank, N.A., London Branch in its capacity as principal paying agent in accordance with the terms of the Agency Agreement;

**“Principal Reallocation Amount”** means, in relation to any Interest Payment Date, the aggregate amount determined on the related Calculation Date, in accordance with the provisions of Paragraph 16 (*Payments from Principal Ledger on an Interest Payment Date*) of Part 3 of Schedule 1 of the Cash Management Agreement, as being the amount (if any) of Available Principal Funds (excluding any Revenue Reallocation Amount to be credited to the Principal Ledger on such Interest Payment Date) which are to be utilised by the Issuer to reduce or eliminate any Senior Revenue Shortfall on such Interest Payment Date after the making of any Liquidity Reserve Drawing and General Reserve Drawing on such Interest Payment Date;

**“Principal Receipts”** or **“Principal Receivables”** means, in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of (without double counting):

- (a) all amounts representing principal repayments under the Mortgage Loans and their Related Security (including capitalised interest, costs, expenses and arrears), received or recovered in respect of the Mortgage Loans and their Related Security during such Calculation Period;
- (b) all Recoveries representing principal repayments under the Mortgage Loans (including capitalised interest, expenses and arrears) recovered upon enforcement of the Related Security during such Calculation Period;
- (c) the net proceeds of the disposal by the Issuer of one or more Mortgage Loans during such Calculation Period to the extent such proceeds constitute principal; and
- (d) all insurance related proceeds received or recovered during such Calculation Period in respect of the Mortgage Loans in the Mortgage Portfolio and their Related Security to which the Issuer is beneficially entitled to the extent applied towards sums of the type referred to in paragraph (a) or (b) above;

“**Property**” means, in relation to a Mortgage Loan and its related Mortgage, the freehold or leasehold property or (if located in Scotland) the heritable or long lease property charged as security for the repayment of such Mortgage Loan;

“**Prospectus**” means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes;

“**Provisional Cut-Off Date**” means 31 May 2014;

“**Provisions for Meetings of Noteholders**” means the provisions contained in Schedule 7 of the Trust Deed;

“**Prudent Mortgage Servicer**” means a leading regulated mortgage servicer acting prudently in administering mortgage facilities to, and in compliance with all laws applicable to it in connection with mortgage loans made to borrowers in England, Wales, Scotland and Northern Ireland (including, but not limited to, corporate entities, the self-employed, independent contractors, and/or individuals who may have experienced previous credit problems including individuals who generally may not satisfy the lending criteria of other residential mortgage lenders providing first-ranking residential mortgage loans in England, Wales, Scotland and Northern Ireland);

“**Rating Agencies**” means DBRS and S&P and “**Rating Agency**” means any of them;

“**Realisation**” means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by a Borrower in accordance with the provisions of the Transaction Documents;

“**Receivables**” means the Principal Receivables and the Revenue Receivables;

“**Receiver**” means any receiver, manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 18.2 (*Appointment of a Receiver*) of the Security Deed;

“**Record Date**” means:

- (a) in respect of any payment, the close of business on the Business Day prior to the relevant date for payment; and
- (b) in respect of a Meeting of Certificateholders, such date determined in accordance with Paragraph 2.4 of the Provisions of Meetings for Certificateholders in Schedule 8 of the Trust Deed;

“**Recoveries**” means any payments received in respect of a Mortgage Loan after the Servicer has completed the Enforcement Procedures (including enforcement of security) in respect of such Mortgage Loan;

“**Redenomination Date**” means an Interest Payment Date falling on or after the Euro Commencement Date on which the Issuer intends to (or does) redenominate the currency of the Notes into euro;

“**Reference Banks**” means, prior to the Redenomination Date, the principal London office of four major banks in the London interbank market and after the Redenomination Date, the principal Euro-zone office of four major banks in the Euro-zone interbank market, in either case, selected by the Agent Bank in consultation with the Issuer at the relevant time;

“**Reference Rate**” means, on any (save for the final) Interest Determination Date prior to the Redenomination Date, the Sterling Reference Rate and, for the final Interest Determination Date prior to the Redenomination Date and, after the Euro Commencement Date, the Euro Reference Rate;

“**Register**” means the register on which the names and addresses of the holders of the Certificates and the particulars of the Certificates shall be entered and kept by the Issuer at the Specified Office of the Registrar pursuant to the Agency Agreement;

“**Registrar**” means the party responsible for maintaining the Register, which at the Closing Date is Citigroup Global Markets Deutschland AG acting in such capacity pursuant to the Agency Agreement;

“**Related Security**” means, in relation to a Mortgage Loan, the Mortgage or Mortgages relating thereto and all other collateral security for, and rights in respect of, such Mortgage Loan which is held on trust for, or assigned or transferred to, the Beneficial Title Seller including (but not limited to) (where applicable) any deeds of consent, MHA/CPA Documentation, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan (including any right, interest or benefit in connection with any representation, warranty or undertaking given by a seller of the Mortgage Loan to the Beneficial Title Seller or the Legal Title Holder) and any life policies, life policy assignments, priority letters, pension policies, guarantees, surety contracts, title insurance policies, 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 Mortgage Loan;

“**Relevant Date**” means, in respect of any payment in relation to the Notes or the Certificates, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with the Notices Condition;

“**Relevant Period**” means in relation to an Interest Determination Date, the length in months of the related Interest Period;

“**Relevant Screen**” means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Trustee and as has been notified to the Noteholders in accordance with the Notices Condition;

“**Representative Amount**” means an amount that is representative for a single transaction in the relevant market at the relevant time;

“**Required Paying Agent**” means any Paying Agent (which may be the Principal Paying Agent) which is the sole remaining Paying Agent with its Specified Office in any city where a stock exchange on which the Notes are listed requires there to be a Paying Agent;

“**Reserved Matter**” means any proposal:

- (a) to change any date fixed for payment of principal or interest (including, for the avoidance of doubt, the Final Maturity Date) or any other amount in respect of the Notes of any Class or the Certificates, to change the amount of principal or interest or any other amount due on any date in respect of the Notes of any Class or the Certificates or to alter the method of calculating the amount of any payment in respect of the Notes of any Class or the Certificates on redemption or maturity;

- (b) (except in accordance with Note Condition 21 (*Substitution of Issuer*) and Clause 18 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any Class or the Certificates for, or the conversion of such Notes or Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes of any Class or the Certificates are payable (other than pursuant to redenomination into euro);
- (d) to release any Security, other than as expressly contemplated in the Transaction Documents, other than for fair market value having regard to prevailing market conditions;
- (e) to alter the Payments Priorities or any other amounts in respect of the Notes of any Class or the Certificates;
- (f) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution;
- (g) to restrict the transferability of any Note or Certificate; or
- (h) to amend this definition;

**“Residual Payment”** means:

- (a) prior to the delivery of an Enforcement Notice, for an Interest Payment Date, the amount by which Available Revenue Funds exceed the amounts required to satisfy items (a) to (x) of the Pre-Enforcement Revenue Payments Priorities on that Interest Payment Date; and
- (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Payments Priorities, the amount by which amounts available for payment in accordance with the Post-Enforcement Payments Priorities exceed the amounts required to satisfy items (a) to (s) of the Post-Enforcement Payments Priorities on that date;

**“Residual Principal Allocation Amount”** means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to the amount by which the Available Redemption Funds exceed the aggregate Note Principal Payments in respect of all the Notes on such Interest Payment Date;

**“Revenue Collections”** means all Revenue Receipts received by the Issuer;

**“Revenue Ledger”** means the ledger in the books of the Issuer so named;

**“Revenue Reallocation Amount”** means any of a Class A Revenue Reallocation Amount, Class B Revenue Reallocation Amount, Class C Revenue Reallocation Amount, Class D Revenue Reallocation Amount, Class E Revenue Reallocation Amount, Class F Revenue Reallocation Amount or an OC Revenue Reallocation Amount;

**“Revenue Receipts”** or **“Revenue Receivables”** means, in relation to a Calculation Period, the aggregate (without double counting) of:

- (a) all amounts representing interest, fees and charges received or recovered in respect of the Mortgage Loans and their Related Security during such Calculation Period;
- (b) any Recoveries received during such Calculation Period other than such as are referred to under paragraph (b) of the definition of “Principal Receipts”;

- (c) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties received by the Issuer during such Calculation Period to the extent such proceeds are not attributable to principal;
- (d) all insurance related proceeds received or recovered during such Calculation Period in respect of the Mortgage Loans and their Related Security to which the Issuer is beneficially entitled to the extent applied towards sums of the type referred to in paragraph (a) or (b) above;
- (e) any sums received or recovered in connection with an Asset Warranty Claim during such Calculation Period;
- (f) any amounts representing income from Eligible Investments credited to the Transaction Account during the immediately preceding Calculation Period; and
- (g) any interest on the credit balance of the Collection Accounts from time to time and credited to the Collection Accounts during such Calculation Period;

“**Revenue Shortfall**” means, as at any Interest Payment Date, an amount equal to (a) minus (b) where:

- (a) is the amount of the Available Revenue Funds calculated in respect of the related Calculation Period, but:
  - (i) (for the purposes of calculating a Liquidity Reserve Drawing) without taking into account the amount of any Liquidity Reserve Drawing, General Reserve Drawing or Principal Reallocation Amount, to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date;
  - (ii) (for the purposes of calculating a General Reserve Drawing) taking into account any Liquidity Reserve Drawing but without taking into account the amount of any General Reserve Drawing or Principal Reallocation Amount, to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date;
  - (iii) (for the purposes of calculating a Principal Reallocation Amount) taking into account the amount of any Liquidity Reserve Drawing and General Reserve Drawing but without taking into account the amount of any Principal Reallocation Amount, to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date; and
- (b) is the aggregate of the amounts required by the Issuer to pay or to provide in full on such Interest Payment Date for the items falling in:
  - (i) (for the purposes of calculating a Liquidity Reserve Drawing) items (a) to (d) of the Pre-Enforcement Revenue Payments Priorities and any Interest Amount due and payable in respect of the Most Senior Class;
  - (ii) (for the purposes of calculating a General Reserve Drawing) items (a) to (p) of the Pre-Enforcement Revenue Payments Priorities; and
  - (iii) (for the purposes of calculating a Principal Reallocation Amount):
    - (I) prior to the redemption in full of the Class A Notes, (A) items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities, and (B) item (g) of the Pre-Enforcement Revenue Payments Priorities, provided that, if the Class A Notes remain outstanding, item (g) of the Pre-Enforcement Revenue Payments Priorities shall only be taken into account for the purposes of calculating a Principal Reallocation Amount if the debit balance on the Class B Principal Deficiency

Sub-Ledger is less than or equal to 80 per cent. of the Principal Amount Outstanding of the Class B Notes on the relevant Interest Payment Date,

- (II) following the redemption in full of the Class A Notes, items (a) to (d) of the Pre-Enforcement Revenue Payments Priorities and any Interest Amount due and payable in respect of the Most Senior Class,

provided that no Revenue Shortfall will arise if the amount of (a) minus (b) is equal to or greater than zero, in which case (i) a Liquidity Reserve Drawing or a General Reserve Drawing shall not be made and (ii) no Principal Reallocation Amount will be applied in accordance with the Pre-Enforcement Revenue Payments Priorities;

“**Rounded Arithmetic Mean**” means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

“**S&P**” means Standard & Poor’s Credit Market Services Europe Limited;

“**Scottish Declaration of Trust**” means the declaration of trust made pursuant to the Mortgage Sale Agreement by means of which the beneficial interest in the Scottish Mortgage Loans (together with the security thereof) are transferred to the Issuer substantially in the form set out in the Schedule of the Mortgage Sale Agreement entitled “Form of Scottish Declaration of Trust”;

“**Scottish Mortgage**” means a Standard Security over a Scottish Property securing a Scottish Mortgage Loan and all principal sums, interest, costs and other amounts secured or intended to be secured by that Standard Property;

“**Scottish Mortgage Loan**” means a Mortgage Loan secured by an Encumbrance over a Scottish Property;

“**Scottish Property**” means a Property located in Scotland;

“**Screen**” means, in relation to Sterling, the display as quoted on the Reuters page LIBOR01 and, in relation to euro, the display as quoted on the Reuters page EURIBOR01; or

- (a) such other page as may replace Reuters page LIBOR01 or, as the case may be, Reuters page EURIBOR01 on that service for the purpose of displaying such information; or
- (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen;

“**Secured Amounts**” means the aggregate of all monies and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes, the Certificates or the Transaction Documents;

“**Secured Creditors**” means (i) the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in Clause 16 (*Post-Enforcement Payments Priorities*) of the Security Deed and (ii) each such person so listed;

“**Security**” means the security created in favour of the Trustee pursuant to the Security Deed;

“**Security Deed**” means the deed so named dated on or about the Closing Date between the Issuer, the Trustee and the Legal Title Holder (including any security documents supplemental thereto);



“**Seller Covenants**” means the covenants of the Beneficial Title Seller set out in Schedule 5 to the Incorporated Terms Memorandum and the covenants of the Legal Title Holder set out in Schedule 6 to the Incorporated Terms Memorandum;

“**Seller Warranties**” means the representations and warranties set forth in Schedule 3 to the Incorporated Terms Memorandum (*Beneficial Title Seller’s and Legal Title Holder’s Representations and Warranties*) to the Incorporated Terms Memorandum;

“**Sellers**” means the Beneficial Title Seller and the Legal Title Holder;

“**Senior Revenue Shortfall**” means a Revenue Shortfall for the purposes of calculating a Liquidity Reserve Drawing or a Principal Reallocation Amount;

“**Servicer**” means Mars Capital Finance Limited in its capacity as servicer in accordance with the terms of the Servicing Agreement or any replacement servicer;

“**Servicer Fees**” means the fees, costs and expenses due and payable by the Issuer to the Servicer in accordance with the Servicing Agreement;

“**Servicer Liabilities**” means any and all of:

- (a) amounts due to the Servicer in connection with the enforcement of any Mortgage Loan and/or the protection or enforcement of the Trustee’s rights and remedies in relation to such enforcement in the immediately preceding Calculation Period; and
- (b) any other Liabilities properly and reasonably incurred by or on behalf of the Servicer in connection with the performance of the Servicer’s functions under the Servicing Agreement (including without limitation, any costs, expenses and charges payable by the Issuer to the Servicer in accordance with the Servicing Agreement but excluding any amounts already paid to the Servicer from the Servicer Expense Account in satisfaction of such costs, expenses and charges);

“**Servicing Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, the Legal Title Holder and the Trustee, as amended and restated from time to time;

“**Share Trust Deed**” means the deed so named dated 7 August 2014 and executed by the Share Trustee;

“**Share Trustee**” means SFM Corporate Services Limited as share trustee of one share in the Issuer or the trustee or trustees for the time being of the Share Trust Deed;

“**Signing Date**” means on or about 1 August 2014;

“**Signing Transaction Documents**” means the Prospectus and the Subscription Agreement;

“**Specified Office**” means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 14.8 (*Changes in Specified Offices*) of the Agency Agreement;

“**SPV Criteria**” means the criteria established from time to time by the Rating Agencies for a single purpose company in the Issuer Jurisdiction;

“**Standard Security**” means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

“**Step-Up Margin**” means:

- (a) in respect of the Class A Notes, 1.275 per cent. per annum;
- (b) in respect of the Class B Notes, 1.500 per cent. per annum;
- (c) in respect of the Class C Notes, 1.875 per cent. per annum;
- (d) in respect of the Class D Notes, 2.250 per cent. per annum;
- (e) in respect of the Class E Notes, 3.000 per cent. per annum; and
- (f) in respect of the Class F Notes, 3.375 per cent. per annum;

“**Sterling**” and “**£**” denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

“**Sterling Reference Rate**” means, on any Interest Determination Date falling more than two Business Days prior to the Redenomination Date, the rate determined by the Agent Bank by reference to the Sterling Screen Rate on such date or if, on such date, the Sterling Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Agent Bank after request of the principal London office of each of the Reference Banks;
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Sterling Reserve Reference Rate;

“**Sterling Reserve Reference Rate**” means on any Interest Determination Date falling more than two Business Days prior to the Redenomination Date:

- (a) the Rounded Arithmetic Mean of the rates at which deposits in Sterling are offered in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date by the principal London office of each of four major banks selected by the Agent Bank in consultation with the Issuer for Sterling loans for the Relevant Period in the Representative Amount to major European banks; or
- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Sterling Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the related Interest Determination Date;

“**Sterling Screen Rate**” means:

- (a) in relation to the first Interest Determination Date, the linear interpolation (by reference to the first Interest Period) of the offered quotation for Sterling deposits for a period of three months and for a period of six months;
- (b) for any other Interest Determination Dates, the offered quotations for Sterling deposits for the Relevant Period,

in each case, which appears on the Screen as at or about 11:00 a.m. (London time) on that date;

“**Stock Exchange**” means The Irish Stock Exchange p.l.c.;

“**Sub-Servicer**” means Target Servicing Limited in its capacity as sub-servicer of the Mortgage Loans originated by Edeus Mortgage Creators Limited (in liquidation) in accordance with the terms of the Sub-Servicing Agreement or any replacement servicer;

“**Sub-Servicing Agreement**” means the agreement so named dated 16 July 2014 between the Servicer and the Sub-Servicer;

“**Subscription Agreement**” means the agreement so named dated on or about the Signing Date between, the Issuer, the Beneficial Title Seller, the Legal Title Holder and the Lead Manager;

“**Substituted Obligor**” means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

“**TARGET2 Settlement Day**” means any day on which the TARGET2 system is open for the settlement of payments in euro;

“**TARGET2 system**” means the Trans European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**Tax**” shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of (or pursuant to any agreement with) any Tax Authority and “**Taxes**”, “**taxation**”, “**taxable**” and comparable expressions shall be construed accordingly;

“**Tax Authority**” means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty’s Revenue and Customs);

“**Tax Deduction**” means any deduction or withholding on account of Tax;

“**Temporary Global Notes**” means the Class A Temporary Global Note, the Class B Temporary Global Note, the Class C Temporary Global Note, the Class D Temporary Global Note, the Class E Temporary Global Note and the Class F Temporary Global Note;

“**Transaction Account**” means the sterling account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

“**Transaction Account Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Transaction Account Bank and the Trustee;

“**Transaction Account Bank**” means Citibank, N.A., London Branch in its capacity as account bank in accordance with the terms of the Transaction Account Agreement;

“**Transaction Account Bank Fees**” means the fees, costs and expenses of the Transaction Account Bank for the operation of the Transaction Account as determined in accordance with the Transaction Account Agreement;

“**Transaction Account Bank Liabilities**” means any Liabilities due and payable to the Transaction Account Bank in accordance with the terms of the Transaction Account Agreement;

“**Transaction Documents**” means the Signing Transaction Documents, the Closing Transaction Documents and any document designated as such by the Issuer and the Trustee;

“**Transaction Party**” means any person who is a party to a Transaction Document and “**Transaction Parties**” means some or all of them;

“**Treaty**” means the Treaty on the Functioning of the European Union;

“**Trust Deed**” means the deed so named dated on or about the Closing Date between the Issuer and the Trustee;

“**Trust Documents**” means the Trust Deed and the Security Deed and (unless the context requires otherwise) includes any deed or other document executed in accordance with or pursuant to the provisions of the Trust Deed or (as applicable) the Security Deed and expressed to be supplemental to the Trust Deed or the Security Deed (as applicable);

“**Trust Proceeds**” means all recoveries, receipts and benefits received by the Trustee by virtue of the Trust Property save for monies or other assets which it is entitled to retain for its own account or which are earmarked for receipt by a third party other than as part of the Trust Property; and

“**Trust Property**” means the Covenant to Pay, the Issuer Covenants, the Seller Covenants, the Issuer Warranties, the Seller Warranties, the Security, all proceeds of the Security and any other rights conferred on the Trustee on behalf of the Secured Creditors under the Transaction Documents.

“**Trustee**” means Citicorp Trustee Company Limited in its capacity as trustee under the Trust Deed;

“**Trustee Fees**” means the fees payable by the Issuer to the Trustee, together with interest payable thereon in accordance with the terms of the Trust Deed;

“**Trustee Liabilities**” means any Liabilities due and payable by the Issuer to the Trustee in accordance with the terms of the Trust Deed together with interest payable thereon in accordance with the terms of the Trust Deed;

“**VAT**” means:

- (a) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) (including, in relation to the United Kingdom, value added tax imposed by VATA and legislation and regulations supplemental thereto); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or elsewhere;

“**VATA**” means the Value Added Tax Act 1994;

“**Written Resolution**” means:

- (a) in the case of a Class of Notes, a resolution in writing signed by or on behalf of holders of not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes for the time being outstanding, who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes of such Class; or
- (b) in the case of the Certificates, a resolution in writing signed by or on behalf of all holders of the Certificates for the time being outstanding who for the time being are entitled to receive notice

of a Meeting in accordance with the provisions for the Meetings of Certificateholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Certificates.

## 2.2 *Interpretation*

Any reference in the Note Conditions to:

a “**Class**” shall be a reference to a class of the Notes being the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes and “**Classes**” shall be construed accordingly;

“**continuing**”, in respect of an Event of Default, shall be construed as a reference to an Event of Default which has not been waived in writing in accordance with the terms of the Note Conditions or, as the case may be, the relevant Transaction Document or which has not been remedied;

“**including**” shall be construed as a reference to “**including without limitation**”, so that any list of items or matters appearing after the word “**including**” shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word “including”;

“**indebtedness**” shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a “**law**” shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a “**person**” shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

“**principal**” shall, where applicable, include premium;

“**reasonable**” or “**reasonably**” and similar expressions when used in any of the Transaction Documents relating to the Trustee and any exercise of power, opinion, determination or other similar matter shall be construed as meaning reasonable or reasonably (as the case may be) having regard to, and taking into account the interests of the Noteholders only, and “**acting reasonably**” means, in relation to the Trustee, if acting reasonably in the interests of the Noteholders;

“**redeem**” and “**pay**” shall each include both of the others and “**redeemed**”, “**redeemable**” and “**redemption**” and “**paid**”, “**payable**” and “**payment**” shall be construed accordingly;

“**set-off**” includes equivalent or analogous rights under jurisdictions other than England and Wales;

a “**successor**” of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

a reference to any person defined as a “**Transaction Party**” in the Note Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests.

### 2.3 *Transaction Documents and other agreements*

Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

### 2.4 *Statutes and Treaties*

Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

### 2.5 *Schedules*

Any Schedule of, or Appendix to, a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.

### 2.6 *Headings*

Note Condition headings are for ease of reference only.

### 2.7 *Sections*

Except as otherwise specified in the Note Condition, reference in the Note Conditions to:

2.7.1 a “**Section**” shall be construed as a reference to a Section of such Transaction Document;

2.7.2 a “**Part**” shall be construed as a reference to a Part of such Transaction Document;

2.7.3 a “**Schedule**” shall be construed as a reference to a Schedule of such Transaction Document;

2.7.4 a “**Clause**” shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and

2.7.5 a “**Paragraph**” shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

### 2.8 *Number*

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

## 3 **Form, Denomination and Title**

### 3.1 *Form and Denomination*

The Notes are in bearer form in the Minimum Denomination with Coupons attached at the time of issue. Title to the Global Notes, the Definitive Notes and the Coupons will pass by delivery.

### 3.2 *Title*

The holder of any Global Note, Definitive Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder.

### 3.3 **Redenomination**

After the Euro Commencement Date and redenomination of the Notes pursuant to Note Condition 17 (*Redenomination, Renominalisation and Reconventioning*):

- 3.3.1 if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the Minimum Denomination or such other denomination as the Issuer, with the consent of the Trustee, shall determine and notify to the Noteholders in accordance with the Notices Condition; and
- 3.3.2 the amount of interest due in respect of the Notes will be calculated by reference to the Principal Amount Outstanding of such Notes and the amount of such payment shall be rounded down to the nearest €0.01.

## 4 **Status and Ranking**

### 4.1 **Status**

The Notes and the Coupons relating thereto constitute secured obligations of the Issuer.

### 4.2 **Ranking**

The Notes in each Class will at all times rank without preference or priority *pari passu* and rateably amongst themselves.

### 4.3 **Sole Obligations**

The Notes and the Coupons are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

### 4.4 **Pre-Enforcement Revenue Payments Priorities**

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and Residual Payments to the Certificates; payments of interest on the Class B Notes will at all times rank in priority to payments of interest on the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and Residual Payments to the Certificates; payments of interest on the Class C Notes will at all times rank in priority to payments of interest on the Class D Notes, the Class E Notes, the Class F Notes and Residual Payments to the Certificates; payments of interest on the Class D Notes will at all times rank in priority to payments of interest on the Class E Notes, the Class F Notes and Residual Payments to the Certificates; payments of interest on the Class E Notes will at all times rank in priority to payments of interest on the Class F Notes and Residual Payments to the Certificateholders; payment of interest on the Class F Notes will at all times rank in priority to Residual Payments to the Certificates, in each case in accordance with the Pre-Enforcement Revenue Payments Priorities.

### 4.5 **Payment Priorities**

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Funds and Available Principal Funds in accordance with the applicable Pre-Enforcement Payments Priorities. Following the delivery of an Enforcement Notice, the Issuer is required to apply Trust Proceeds in accordance with the Post-Enforcement Payments Priorities.

## **5 Security**

### **5.1 Security**

The Notes are secured by the Security.

### **5.2 Enforceability**

The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Note Condition 12 (*Events of Default*) and subject to the matters referred to in Note Condition 13 (*Enforcement*).

## **6 Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee, which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

## **7 Interest**

### **7.1 Accrual of Interest**

Each Note bears interest on its Principal Amount Outstanding from the Closing Date.

### **7.2 Cessation of Interest**

Each Class of Notes shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of the principal is improperly withheld or refused, in which case, it will continue to bear interest in accordance with this Note Condition (both before and after judgment) until whichever is the earlier of:

7.2.1 the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

7.2.2 the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such Class that it has received all sums due in respect of the Notes of such Class up to such seventh day (except to the extent that there is any subsequent default in payment).

### **7.3 Calculation Period of less than 1 year**

Whenever it is necessary to compute an amount of interest in respect of any Note for a period of less than a full year, such interest shall be calculated on the basis of the applicable Day Count Fraction.

### **7.4 Interest Payments**

Interest on each Class of Notes is payable in Sterling (or, after the Redenomination Date, in euro) in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

### **7.5 Calculation of Interest Amount**

Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Class of Notes for the related Interest Period.



**7.6 *Notification of Note Rate, Interest Amount and Interest Payment Date***

As soon as practicable after each Interest Determination Date, the Agent Bank will cause:

7.6.1 the Note Rate for each Class of the Notes for the related Interest Period;

7.6.2 the Interest Amount for each Class of the Notes for the related Interest Period; and

7.6.3 the Interest Payment Date next following the related Interest Period;

to be notified to the Issuer, the Cash Manager, the Trustee, the Principal Paying Agent and, for so long as the relevant Notes are listed on the Stock Exchange, the Stock Exchange.

**7.7 *Publication of Note Rate, Interest Amount and Interest Payment Date***

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Note Condition 7.6 (*Notification of Note Rate, Interest Amount and Interest Payment Date*), the Issuer will cause such Note Rate for each Class of Notes and the Interest Amount for each Class of Notes and the next following Interest Payment Date to be published by the Principal Paying Agent in accordance with the Notices Condition.

**7.8 *Amendments to Publications***

The Note Rate and the Interest Amount for each Class of Notes and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

**7.9 *Determination or Calculation by Trustee***

If neither the Issuer nor the Agent Bank (as applicable) at any time for any reason determines the Note Rate for each Class of Notes or the Interest Amount for each Class of Notes in accordance with this Note Condition, the Trustee (or an agent appointed by it) may (but without any liability accruing to the Trustee as a result):

7.9.1 determine the Note Rate for such Class at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Note Condition), it shall deem fair and reasonable in all the circumstances; and/or

7.9.2 calculate the Interest Amount for such Class in the manner specified in this Note Condition, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

**7.10 *Interest Deferred***

To the extent that funds available to the Issuer to pay Interest Amounts due and payable on any Note other than the Most Senior Class on an Interest Payment Date are insufficient to pay the full amount of such Interest Amounts, payment of the shortfall in respect of such Interest Amounts (“**Deferred Interest Amount Arrears**”) will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer’s liabilities of higher priority in accordance with the Payments Priorities and subject to and in accordance with these Note Conditions) to fund the payment of some or all of the Deferred Interest Amount Arrears, and will fall due on such Interest Payment Date to the extent of such available funds.

**7.11 *Notification of Deferred Interest Amount Arrears***

If, on any Calculation Date, the Issuer shall determine that any Deferred Interest Amount Arrears will arise on the immediately succeeding Interest Payment Date, notice to this effect shall be given by the Issuer in accordance with the Notices Condition, specifying the amount of Deferred Interest Amount Arrears in respect of each Class to be deferred on such following Interest Payment Date in respect of each relevant Note.

#### 7.12 *Additional Interest*

7.12.1 Any Deferred Interest Amount Arrears in respect of a Class shall bear interest (“**Additional Interest**”) during the period from (and including) the due date therefor in respect of such Class in respect of the relevant amount. Additional Interest shall accrue from day to day at the Note Rate from time to time applicable to the relevant Class and shall be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Note Conditions and after allowing for the Issuer’s liabilities of a higher priority in accordance with the Payments Priorities) to the Issuer to pay such Additional Interest, to the extent of such available funds.

7.12.2 Payment of Deferred Interest Amount Arrears and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which the relevant Notes fall to be redeemed in full in accordance with Note Condition 8 (*Final Redemption, Mandatory Redemption in part and Cancellation*) and any such amount which has not then been paid shall thereupon become due and payable in full.

#### 7.13 *Notification of Availability for Payment*

The Issuer shall cause notice of the availability for payment of any Deferred Interest Amount Arrears in respect of a Class and interest thereon (and date for payment thereof in respect of such Class) to be published in accordance with the Notices Condition.

## 8 **Final Redemption, Mandatory Redemption in part and Cancellation**

### 8.1 *Final Redemption*

Unless previously redeemed and cancelled as provided in this Note Condition, the Issuer shall redeem the Notes in each Class at their Principal Amount Outstanding on the Final Maturity Date together with any accrued (and unpaid) interest up to (and including) the Final Maturity Date.

### 8.2 *Redemption by Certificate Portfolio Purchase or Market Portfolio Purchase*

On the occurrence of a Certificate Portfolio Purchase or a Market Portfolio Purchase, the consideration received by the Issuer will be applied in accordance with the Pre-Enforcement Payments Priorities on the immediately succeeding Interest Payment Date with the result that the Notes will be redeemed in full in accordance with this Condition 8.2 (*Redemption by Certificate Portfolio Purchase or Market Portfolio Purchase*).

### 8.3 *Mandatory Redemption in part*

On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities, which shall include the redemption of the Notes to the extent that there are such amounts available to do so in accordance with the Pre-Enforcement Principal Payments Priorities.

8.4 ***Calculation of Note Principal Payment and Principal Amount Outstanding***

Not later than the Cash Manager Determination Date, the Issuer shall cause the Cash Manager to calculate (and the Cash Manager will calculate on behalf of the Issuer):

8.4.1 the aggregate of the Note Principal Payments due in relation to each Note of each Class on the Interest Payment Date immediately succeeding such Cash Manager Determination Date; and

8.4.2 the Principal Amount Outstanding of each Note of each Class on the Interest Payment Date immediately succeeding such Cash Manager Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such Class).

8.5 ***Calculations final and binding***

Each calculation by or on behalf of the Issuer of any Note Principal Payment or of the Principal Amount Outstanding of a Note of each Class shall in each case (in the absence of any Breach of Duty) be final and binding on all persons.

8.6 ***Trustee to determine amounts in case of Issuer default***

If the Issuer does not at any time for any reason calculate (or cause the Cash Manager to calculate) any Note Principal Payment due in relation to each Note of each Class or the Principal Amount Outstanding in relation to each Note of each Class in accordance with this Note Condition, such amounts may be calculated by the Trustee or an agent appointed by it (without any liability accruing to the Trustee as a result) in accordance with this Note Condition (based on information supplied to it by the Issuer or the Cash Manager) and each such calculation shall be deemed to have been made by the Issuer.

8.7 ***Notice of Calculation***

The Issuer will cause each calculation of the aggregate of the Note Principal Payment due in relation to each Class of Notes or the Principal Amount Outstanding in relation to each Note to be notified immediately after calculation by the Cash Manager to the Trustee, the Agents and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange, and will immediately cause details of each such calculation of the Principal Amount Outstanding in relation to each Class of Notes to be published in accordance with the Notices Condition by not later than three Business Days prior to each Interest Payment Date.

8.8 ***Notice of no Note Principal Payment***

If no Note Principal Payment is due to be made on the Notes in relation to any Class on any Interest Payment Date, a notice to this effect will be given to the Noteholders in accordance with the Notices Condition by not later than three Business Days prior to such Interest Payment Date.

8.9 ***Notice irrevocable***

Any such notice as is referred to in Note Condition 8.7 (*Notice of Calculation*) shall be irrevocable and the Issuer shall be bound to redeem the Notes to which such notice relates in an amount equal to the Note Principal Payment in respect of each Note calculated in respect of the relevant Interest Payment Date if effected pursuant to Note Condition 8.3 (*Mandatory Redemption in part*).

#### 8.10 *Cancellation of redeemed Notes*

All Notes redeemed in full will be cancelled forthwith by the Issuer together with all unmatured Coupons appertaining thereto or surrendered therewith, and no Global Notes, Definitive Notes or Coupons may be reissued or resold.

#### 8.11 *Agents*

The Issuer shall ensure that, so long as any of the Notes remain outstanding there shall at all times be an Agent Bank and a Principal Paying Agent. In the event of an Agent being unable or unwilling to continue to act as an Agent, the Issuer shall appoint such other person as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor agent bank is appointed in accordance with the Agency Agreement. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders in accordance with the Notices Condition.

### 9 **Limited Recourse**

#### 9.1 If at any time following:

##### 9.1.1 the occurrence of either:

- (a) the Final Maturity Date or any earlier date upon which all of the Notes are due and payable; or
- (b) the service of an Enforcement Notice; and

##### 9.1.2 realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Payments Priorities, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph 9.1.2 above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in paragraph 9.1.2 above, cease to be due and payable by the Issuer.

### 10 **Payments**

#### 10.1 *Principal*

Payments of principal shall be made only against:

##### 10.1.1 (in the case of final redemption, provided that payment is made in full) presentation and surrender of the relevant Notes; and

##### 10.1.2 in respect of any Note Principal Payment which becomes due on an Interest Payment Date, presentation and endorsement of the relevant Notes,

at the Specified Office of any Paying Agent outside the United States, prior to the Redenomination Date, by cheque drawn in Sterling, or by transfer to an account in Sterling maintained by the payee with a bank in London or, after the Redenomination Date, by cheque drawn in euro or by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET2 system.

## 10.2 ***Interest***

Payments of interest shall, subject to Note Condition 10.5 (*Payments on business days*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Note Condition 10.1 (*Principal*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

## 10.3 ***Payments subject to fiscal laws***

A payment will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer agrees to be subject, and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

## 10.4 ***Unmatured Coupons Void***

On the due date for final redemption of any Note pursuant to Note Condition 8.3 (*Mandatory Redemption in part*) or Note Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

## 10.5 ***Payments on business days***

If any Note or Coupon is presented for payment on a day which is not a business day in the place of presentation, payment shall not be made on such day but on the next succeeding business day in such place and no further interest or other payment in respect of any such delay shall be due in respect of such Note or Coupon.

## 10.6 ***Business Days***

In this Note Condition 10, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to an account in Sterling, or after the Redenomination Date, in euro, as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation or, after the Redenomination Date, on which the TARGET2 system is open.

## 10.7 ***Other Interest***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

## 10.8 ***Partial Payments***

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse on such Note or Coupon a statement indicating the amount and date of such payment.

## 10.9 ***Notifications to be final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Note Conditions, whether by the Reference Banks (or any of them), the Cash Manager, the Paying Agents, the Agent Bank or the Trustee shall (in the absence of any Breach of Duty, or manifest error) be binding on the Issuer and all Noteholders and Couponholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee,

the Noteholders or the Couponholders shall attach to the Reference Banks, the Cash Manager, the Agents, or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under these Note Conditions.

## **11 Taxation**

### **11.1 *Payments free of Tax***

All payments of principal and interest in respect of the Notes or Coupons shall be made free and clear of, and without withholding or deduction for, any Taxes imposed, levied, collected, withheld or assessed, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.

### **11.2 *No payment of additional amounts***

None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction.

### **11.3 *FATCA***

Notwithstanding any other provision in these Note Conditions, the Issuer shall be permitted to withhold or deduct any amounts in connection with FATCA. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder or any other person for any withholding deducted or withheld by the Issuer on account of FATCA, the Principal Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

### **11.4 *Taxing Jurisdiction***

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Issuer Jurisdiction, references in these Note Conditions to the Issuer Jurisdiction shall be construed as references to the Issuer Jurisdiction and/or such other jurisdiction.

### **11.5 *Tax Deduction not Event of Default***

Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction, making such deduction shall not constitute an Event of Default.

## **12 Events of Default**

### **12.1 *Events of Default***

Subject to the other provisions of this Note Condition, each of the following events shall be treated as an “**Event of Default**”:

12.1.1 *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment of such principal or fails to pay any amount of interest in respect of the Most Senior Class within ten days of the due date for payment of such interest. For the avoidance of doubt, any deferral of interest in accordance with Note Condition 7.10 (*Interest Deferred*) shall not constitute an Event of Default; or

12.1.2 *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or under the Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) being a default which is,

in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer, and provided that the Trustee shall have certified that in its opinion any such default is materially prejudicial to the interests of the Noteholders of the Most Senior Class; or

12.1.3 *Misrepresentation*: the Issuer makes any misrepresentation in respect of any Issuer Warranty and the matters giving rise to such misrepresentation are in the opinion of the Trustee, (a) incapable of remedy such that the representation could not be given by the Issuer without a misrepresentation being made or (b) capable of remedy such that the representation could be given by the Issuer without a misrepresentation being made, but remain unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such misrepresentation to the Issuer, and provided that the Trustee shall have certified that in its opinion any such default is materially prejudicial to the interests of the Noteholders of the Most Senior Class; or

12.1.4 *Insolvency Event*: an Insolvency Event occurs in relation to the Issuer; or

12.1.5 *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Documents.

## 12.2 ***Delivery of Enforcement Notice***

If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

12.2.1 if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding; or

12.2.2 if so directed by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding,

deliver an Enforcement Notice to the Issuer with a copy to the Servicer.

## 12.3 ***Conditions to delivery of Enforcement Notice***

Notwithstanding Note Condition 12.2 (*Delivery of Enforcement Notice*) the Trustee shall not:

12.3.1 deliver an Enforcement Notice following the occurrence of any of the events mentioned in Note Condition 12.1.2 (*Breach of other obligations*) or Note Condition 12.1.3 (*Misrepresentation*), unless and until the Trustee shall have certified in writing that such event is in its opinion materially prejudicial to the interests of the Most Senior Class or, if there are no Notes outstanding, the interests of the Certificateholders; and

12.3.2 be obliged to deliver an Enforcement Notice unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

## 12.4 ***Consequences of delivery of Enforcement Notice***

Upon the delivery of an Enforcement Notice, the Notes of each Class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued Deferred Interest Amount Arrears.

## **13 Enforcement**

### **13.1 *Proceedings***

At any time after the delivery of an Enforcement Notice the Trustee may, at its discretion and without further notice, institute such proceedings or take any other action or step as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each Class and the Certificates and under the other Transaction Documents and/or enforce the Security, but it shall not be bound to do so unless:

13.1.1 so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding; or

13.1.2 so directed by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

### **13.2 *Directions to the Trustee***

If the Trustee shall take any action, step or proceedings described in Note Condition 13.1 (*Proceedings*) it may take such action, step or proceedings without having regard to the effect of such action on individual Noteholders, Couponholders, Certificateholders or any other Secured Creditor, provided that so long as any of the Most Senior Class are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless:

13.2.1 to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the Classes of Notes ranking senior to such other Class; or

13.2.2 (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of the Notes ranking senior to such other Class.

### **13.3 *Restrictions on disposal of Issuer's assets***

If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

13.3.1 a sufficient amount would be realised to allow payment in full of all amounts owing to the holders of the Notes and the Coupons relating thereto after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; or

13.3.2 the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Note Condition 13.3.2 shall not apply), 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 due in respect of the Notes of each Class and the Coupons of each Class relating thereto after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; and



13.3.3 the Trustee shall not be bound to make the determination contained in Note Condition 13.3.2 unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

#### 13.4 *Third Party Rights*

No person shall have any right to enforce any Note Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

### 14 **No action by Noteholders, Couponholders or any other Secured Creditor**

14.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security or any other Transaction Document to which the Trustee is a party and no Noteholder, Couponholders or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security or pursue remedies available under or enforce any Transaction Document to which the Trustee is a party. In particular, none of the Noteholders, Couponholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

14.1.1 otherwise than as permitted by these Note Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security or any other Transaction Document to which the Trustee is a party;

14.1.2 to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders, Couponholders or any other Secured Creditors; or

14.1.3 until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or

14.1.4 to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

### 15 **Meetings of Noteholders and Certificateholders**

#### 15.1 *Convening*

The Trust Deed contains “Provisions for Meetings of Noteholders” for convening separate or combined meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Note Conditions or the Trust Deed which modifications may be sanctioned by an Extraordinary Resolution.

#### 15.2 *Separate and combined meetings*

The Trust Deed provides that:

15.2.1 an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one Class shall be transacted at a separate meeting of the Noteholders of that Class;

15.2.2 an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one Class of Notes and the holders of another Class of Notes shall be transacted either at separate meetings of the Noteholders of each such Class or at a single

meeting of the Noteholders of all such Classes of Notes as the Trustee shall determine in its absolute discretion; and

- 15.2.3 an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one Class and gives rise to any actual or potential conflict of interest between the Noteholders of one Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate meetings of the Noteholders of each such Class.

**15.3 *Request from Noteholders***

A meeting of Noteholders of a particular Class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular Class holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class.

**15.4 *Quorum***

The quorum at any meeting convened to vote on:

- 15.4.1 an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of Notes will be one or more persons holding or representing a majority of the Principal Amount Outstanding of the outstanding Notes in that Class or those Classes or, at any adjourned meeting, one or more persons holding or representing not less than in the aggregate 25 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant Class or Classes; and
- 15.4.2 an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each Class of Noteholders) will be one or more persons holding or representing in the aggregate 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant Class or Classes or, at any adjourned meeting, one or more persons holding or representing not less than in the aggregate 25 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant Class or Classes.

**15.5 *Relationship between Notes and Certificates***

In relation to the Notes and the Certificates:

- 15.5.1 no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes or by the holders of the Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes (to the extent that there are outstanding Notes in each such other Classes) and the Certificates;
- 15.5.2 no Extraordinary Resolution to approve any matter other than a Reserved Matter of any Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes ranking senior to such Class (to the extent that there are outstanding Notes ranking senior to such Class) unless the Trustee is of the opinion that the absence of such sanction would not be materially prejudicial to the interests of the holders of each of the other Classes of Notes ranking senior to such Class; and
- 15.5.3 any resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting and upon all Couponholders of such Class or Classes and, except in the case of a meeting relating to

a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class then outstanding duly convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes and the holders of the Coupons relating thereto.

15.6 ***Resolutions in writing***

A Written Resolution shall take effect as an Extraordinary Resolution.

15.7 ***Electronic Consent***

Electronic Consent shall take effect as an Extraordinary Resolution.

**16 Modification and Waiver**

16.1 ***Modification***

The Trustee may at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

16.1.1 any modification to these Note Conditions, the Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter), the Notes, the Certificates, any Instrument or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class; or

16.1.2 any modification to Trust Documents, the Notes, the Note Conditions, the Certificates, the Certificate Conditions, any Instrument or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

16.2 ***Waiver***

In addition, the Trustee may, at any time and from time to time at its sole discretion without the consent of the Noteholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach of any of the covenants or provisions contained in the Trust Documents, the Instruments or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class will not be materially prejudiced by such authorisation or waiver.

16.3 ***Restriction on power to waive***

The Trustee shall not exercise any powers conferred upon it by Note Condition 16.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class then outstanding, but so that no such direction or request shall affect (a) any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each Class of outstanding Notes and the holders of the outstanding Certificates has, by Extraordinary Resolution, so authorised its exercise.

16.4 ***Notification***

Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders, the Certificateholders and the other

Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

#### 16.5 ***Binding Nature***

Any authorisation, waiver, determination or modification referred to in Note Condition 16.1 (*Modification*) or Note Condition 16.2 (*Waiver*) shall be binding on the Instrumentholders and the other Secured Creditors.

### 17 **Redenomination, Renominalisation and Reconventioning**

#### 17.1 ***Notice of Redenomination***

If the United Kingdom becomes, or announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate an Interest Payment Date as the Redenomination Date.

#### 17.2 ***Redenomination***

Notwithstanding the other provisions of these Note Conditions with effect from the Redenomination Date:

17.2.1 the Notes in each Class will be deemed to be redenominated into euro in the denomination of euro 0.01 with the Principal Amount Outstanding of each Note being equal to the Principal Amount Outstanding of each Note in that Class in Sterling, converted into euro at the rate for conversion of Sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); and

17.2.2 notwithstanding Note Condition 17.2.1, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the Stock Exchange and the Paying Agents of such deemed amendments in accordance with the Notices Condition.

#### 17.3 ***Notice of Redenomination Date***

The Issuer will notify the Noteholders of the intended Redenomination Date in accordance with the Notices Condition.

#### 17.4 ***Effect of Redenomination***

With effect from the Redenomination Date:

17.4.1 if Definitive Notes have been issued by the Issuer, all unmatured Coupons denominated in Sterling (whether or not attached to the Notes) will become void and no payments will be made in respect of such Coupons;

17.4.2 the payment obligations contained in all Definitive Notes denominated in Sterling will become void but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Note Condition) shall remain in full force and effect;

17.4.3 if Definitive Notes have been issued by the Issuer, new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in accordance with the Notices Condition; and

17.4.4 all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State.

## **18 Prescription**

### **18.1 *Principal***

Claims for principal in respect of Notes shall become void unless the relevant Notes are presented for payment and surrendered or (in the case of any Note Principal Payment which became due on an Interest Payment Date) endorsement within 10 years of the appropriate Relevant Date.

### **18.2 *Interest***

Claims for interest in respect of Notes shall become void unless the relevant Coupons are presented for payment and surrendered within five years of the appropriate Relevant Date.

## **19 Replacement of Global Notes, Definitive Notes and Coupons**

If any Global Note, Definitive Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Global Notes, Definitive Notes and Coupons must be surrendered before replacements will be issued.

## **20 Trustee and Agents**

### **20.1 *Trustee's right to Indemnity***

Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

### **20.2 *Trustee not responsible for loss or for monitoring***

The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

### 20.3 *Regard to Classes of Noteholders*

In the exercise of its powers and discretions under these Note Conditions and the Trust Deed, the Trustee will:

20.3.1 have regard to the interests of each Class of Noteholders as a Class and will not be responsible for any consequence for individual Noteholders or Couponholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and

20.3.2 have regard only to the holders of the Most Senior Class and will not have regard to any lower ranking Class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

### 20.4 *Paying Agents solely agents of Issuer*

In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

### 20.5 *Initial Paying Agents*

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Agent.

### 20.6 *Maintenance of Agents*

The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank which, in the case of any Paying Agent, shall make payments from an office in a member state of the European Union which does not require amounts payable under these Note Conditions to be withheld pursuant to the EU Savings Directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

## 21 **Substitution of Issuer**

### 21.1 *Substitution of Issuer*

The Trustee may, without the consent of the Instrumentholders or any other Secured Creditor, subject to:

21.1.1 the consent of the Issuer; and

21.1.2 such further conditions as are specified in the Trust Deed,

agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Transaction Documents, the Notes, the Certificates and the Secured Amounts.

### 21.2 *Notice of Substitution of Issuer*

Not later than 14 days after any substitution of the Issuer in accordance with this Note Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders, the Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.

### 21.3 *Change of Law*

In the case of a substitution pursuant to this Note Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes or Coupons and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class, provided that the Rating Agencies are notified.

### 21.4 *No indemnity*

No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

## 22 **Notices**

### 22.1 *Valid Notices*

Any notice to Noteholders shall be validly given if such notice is:

#### 22.1.1

- (a) in respect of Notes represented by Global Notes, sent to the Clearing Systems for delivery to their accountholders; or
- (b) published on the Relevant Screen; and

22.1.2 sent in such other manner as may be required by the Stock Exchange.

### 22.2 *Date of publication*

Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, 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 publication is required or on the Relevant Screen.

### 22.3 *Other Methods*

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the relevant Noteholders in such manner as the Trustee shall require.

### 22.4 *Couponholders deemed to have notice:*

The Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Note Condition.

## 23 **Governing Law and Jurisdiction**

### 23.1 *Governing law*

The Trust Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by and shall be construed in accordance with English law except that (a) to the extent that the provisions of the Security Deed and any security documents supplemental thereto relate

to Scottish Mortgage Loans and Scottish Related Security, such provisions and documents shall be governed by and construed in accordance with Scots law and (b) to the extent that the provisions of the Security Deed relate to Northern Irish Mortgage Loans and Northern Irish Related Security, such provisions shall be governed by and construed in accordance with Northern Irish law.

### 23.2 ***Jurisdiction***

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 Coupons 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, Coupons 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, Coupons and/or the Transaction Documents may be brought in such Courts.



## **USE OF PROCEEDS**

The net proceeds from the issue of the Notes after deducting fees, expenses and commissions, if any, will equal £287,703,788 and will be used by the Issuer to pay the purchase price for the Mortgage Portfolio in accordance with the Mortgage Sale Agreement.

Citigroup Global Markets Limited will be paid a structuring fee for its role in the transaction.

## TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may not be binding and may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes (other than in relation to the comments below concerning stamp duty). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom. The withholding tax position in respect of the Certificates is not discussed below.

The section also includes a discussion of certain relevant provisions of EU and US law.

### **United Kingdom withholding tax**

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the main market of the Stock Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### **Provision of Information**

Noteholders should note that HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and

information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the holders of the Notes, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

### **EU Savings Directive**

Council Directive 2003/48/EC (the “**Savings Directive**”) requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted a Council Directive amending the Savings Directive on 24 March 2014 (the “**Amending Directive**”) which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

### **Other Rules Relating to United Kingdom Withholding Tax**

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “**interest**” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Note Condition 21 or otherwise and does not consider the tax consequences of any such substitution.

### **Stamp Duty and stamp duty reserve tax**

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue of the Notes or the Certificates.

## U.S. Foreign Account Tax Compliance

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), impose a withholding tax of 30 per cent. on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions must enter into agreements with the IRS (“**IRS Agreements**”) (as described below) or otherwise be exempt from the requirements of FATCA. Non-U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law (“**IGA legislation**”) intended to implement an intergovernmental agreement entered into pursuant to FATCA (“**IGAs**”) may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information or documentation made on or after (i) July 1, 2014 in respect of certain US source payments, (ii) January 1, 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) January 1, 2017 (at the earliest) in respect of “foreign passthru payments” and then, with respect to “obligations” that are not treated as equity for U.S. federal income tax purposes, only on such obligations that are issued or materially modified on or after the date that is six months after the date on which the final regulations defining “foreign passthru payments” are filed with the Federal Register.

On September 12, 2012, the UK. and the U.S. entered into the Intergovernmental Agreement to Improve International Tax Compliance and to Implement FATCA (the “**U.K. IGA**”) and the U.S. agreed to amendments proposed by the UK. on June 7, 2013. Section 222 of the Finance Act 2013 empowers Her Majesty’s Treasury to make regulations giving effect to the U.K. IGA; such regulations were made on August 6, 2013 and came into force on September 1, 2013. The U.K. IGA provides, *inter alia*, that the governments of the United States and the United Kingdom are committed to work together to develop a practical and effective alternative approach to achieve the policy objectives of foreign passthru payment and gross proceeds withholding. It is not yet certain how the U.S. and UK. will address withholding on foreign passthru payments, whether such withholding will be required at all.

Whilst the Notes are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

## SUBSCRIPTION AND SALE

Citigroup Global Markets Limited (the “**Lead Manager**”) have, pursuant to a subscription agreement dated on or about the Closing Date amongst the Lead Manager, the Beneficial Title Seller, the Legal Title Holder and the Issuer (the “**Subscription Agreement**”), agreed with the Issuer (subject to certain conditions) to subscribe and pay for the Class A Notes at the issue price of 99.187 per cent. of the aggregate principal amount of the Class A Notes, the Class B Notes at the issue price of 98.376 per cent. of the aggregate principal amount of the Class B Notes, the Class C Notes at the issue price of 97.704 per cent. of the aggregate principal amount of the Class C Notes, the Class D Notes at the issue price of 97.493 per cent. of the aggregate principal amount of the Class D Notes, the Class E Notes at the issue price of 97.082 per cent. of the aggregate principal amount of the Class E Notes and the Class F Notes at the issue price of 96.662 per cent. of the aggregate principal amount of the Class F Notes. As part consideration for the sale of the Mortgage Portfolio to the Issuer by the Beneficial Title Seller, the Beneficial Title Seller will also acquire the Certificates from the Issuer pursuant to the Note Purchase Agreement.

The Issuer and each Seller has agreed in the Subscription Agreement to indemnify the Lead Manager against certain liabilities in connection with the issue of the Notes.

Other than admission of the Notes to the main market of the Stock Exchange, no action will be taken by the Issuer, the Arranger or any Seller which would or is intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

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 nor will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in keeping with the limitations described under “*Transfer Restrictions and Investor Representations*” below. Accordingly, the Notes are being offered and sold by the Lead Manager solely to non-U.S. persons in offshore transactions in reliance on Regulation S. The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each of the Lead Manager and the Issuer have agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes as part of its distribution or at any time or otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and, it will have sent to each affiliate or other person (if any) to which it sells Notes during such 40 day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act. Offers and sales of the Notes within the United States or to U.S. persons is further restricted as specified in “*Transfer Restrictions and Investor Representations*” below.

## **United Kingdom**

The Lead Manager has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of, respectively, the Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes, from or otherwise involving the United Kingdom.

## **Ireland**

The Lead Manager has represented and agreed with the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Bank Acts 1942 - 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

## **General**

The Lead Manager 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 the Notes by it will be made on the same terms.

## **TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS**

### **Offers and Sales by the Lead Manager**

The Notes (including interests therein represented by a Global Note, a Definitive Note or a book entry interest) have not been registered under the Securities Act or any state securities laws and are subject to U.S. tax law requirements, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements and other requirements described herein. Accordingly, the Lead Manager is offering and selling the Notes solely to non-U.S. persons in offshore transactions pursuant to Regulation S.

### **Investor Representations and Restrictions on Resale Representations and restrictions applicable to all Notes**

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) by accepting delivery of this prospectus and the Notes will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, (ii) to or for the account or benefit of a U.S. person (as defined in Regulation S), if such person is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, or (iii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; provided that in no event under (ii) or (iii) above may Notes be transferred or resold to or for the account of a U.S. person until (A) at least 40 days after the Closing Date, and (B) such Notes are represented by a permanent global note; provided further that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the initial purchaser of the relevant Notes, and its Affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes will bear a legend to the following effect:

“THIS GLOBAL NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”). NEITHER THIS GLOBAL NOTE



NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY U.S. PERSON UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

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

### Authorisation

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 22 July 2014.

### Listing of the Notes

It is expected that admission of the Notes to the Official List and trading on its regulated market will be granted on or about 7 August 2014 subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the regulated market of the Stock Exchange.

The total expenses in relation to admission to trading will be approximately EUR6,541.20.

### Clearing and settlement

The Notes have been accepted for clearing through Clearstream, Luxembourg and Euroclear under the following ISINs and common codes:

Securities	ISIN	Common Code
Class A Notes	XS1092289401	109228940
Class B Notes	XS1092291308	109229130
Class C Notes	XS1092292025	109229202
Class D Notes	XS1092292298	109229229
Class E Notes	XS1092292454	109229245
Class F Notes	XS1092292702	109229270

### Litigation

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since 30 June 2014 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer.

### Accounts

No statutory or non-statutory accounts within the meaning of section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the regulated market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.

The Issuer did not trade during the period from its date of incorporation on 30 June 2014 to the date of this Prospectus nor has it received any income nor did it incur any expense nor pay any dividends. Consequently no profit and loss account has been prepared. Since the date of its incorporation, the Issuer has not commenced operations.

### **Significant or Material Change**

Since the date of its incorporation, the Issuer has not entered into any contract or arrangement not being in the ordinary course of business other than the Transaction Documents.

Since 30 June 2014 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.

### **Charges and Guarantees**

Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities nor has the Issuer created any mortgages or given any charges or guarantees.

### **Reports**

The Issuer intends to provide post issuance transaction information in the form of a Quarterly Investor Report, which will include information on the loans and payments in arrears and which will be prepared by the Cash Manager and will be published by the Cash Manager on [www.sf.citidirect.com](http://www.sf.citidirect.com). The Issuer will also make available information in relation to each Mortgage Loan, which will be accessible via the same website ([www.sf.citidirect.com](http://www.sf.citidirect.com)), subject to the terms and conditions set out therein. The content of these websites do not form part of this Prospectus and such reports are not incorporated by reference into this Prospectus.

### **Underlying Assets**

On the Closing Date the assets backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes. However, regard should be had to the characteristics of the Mortgage Portfolio and the risks to which they (and the Issuer and the Notes) may be exposed. Prospective Noteholders should consider the detailed information set out elsewhere in this document, including without limitation under “*Risk Factors*” and “*Cash Management and Liquidity Support*” above.

### **Documents Available**

From the date of this Prospectus, and for so long as the Notes are admitted to trading on the main market of the Stock Exchange, physical copies of the following documents (excluding any schedule containing personal information) may be inspected at the offices of the Issuer at 35 Great St. Helen’s, London EC3A 6AP on any week day (excluding Saturdays, Sundays and public holidays):

- (a) Memorandum and Articles of Association of the Issuer;
- (b) this Prospectus;
- (c) prior to the Closing Date, drafts (subject to amendment) and after the Closing Date copies of the following documents:
  - (i) the Agency Agreement;

- (iv) the Back-Up Servicing Agreement;
- (v) the Cash Management Agreement;
- (vi) the Corporate Services Agreement;
- (vii) the Deed Poll;
- (viii) the Mortgage Sale Agreement;
- (ix) the Security Deed;
- (x) the Beneficial Title Seller Power of Attorney;
- (xi) the Legal Title Holder Power of Attorney;
- (xii) the Collection Account Agreement;
- (xiii) the Collection Account Declaration of Trust;
- (xiv) the Servicing Agreement;
- (xv) the Transaction Account Agreement;
- (xvi) the Mortgage Portfolio Purchase Agreement; and
- (xvii) the Trust Deed.

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