

# TWIN BRIDGES 2017-1 PLC

(Incorporated under the laws of England and Wales with limited liability, registered number 10766231)

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate*	Margin (payable from (and including) the Closing Date to (but excluding) the Optional Redemption Date)	Step-Up Margin (payable from (and including) the Optional Redemption Date)	Ratings (Fitch/Moody's)	Final Maturity Date
Class A Notes	£237,800,000	100%	Three Month LIBOR**	0.78% per annum	1.17% per annum	AAA(sf)/Aaa(sf)	The Interest Payment Date falling in September 2044
Class B Notes	£20,300,000	100%	Three Month LIBOR**	1.45% per annum	2.175% per annum	AA+(sf)/Aa1(sf)	The Interest Payment Date falling in September 2044
Class C Notes	£17,400,000	100%	Three Month LIBOR**	1.80% per annum	2.70% per annum	A+(sf)/Aa3(sf)	The Interest Payment Date falling in September 2044
Class D Notes	£5,800,000	100%	Three Month LIBOR**	2.20% per annum	3.30% per annum	A(sf)/A3(sf)	The Interest Payment Date falling in September 2044
Class X1 Notes	£8,700,000	100%	4.25% per annum***	N/A	N/A	BB(sf)/Ba3(sf)	The Interest Payment Date falling in September 2044
Class X2 Notes	£5,800,000	100%	6.40% per annum****	N/A	N/A	BB-(sf)/B2(sf)	The Interest Payment Date falling in September 2044
Class Z1 Notes	£8,700,000	100%	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in September 2044
Class Z2 Notes	£5,800,000	100%	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in September 2044

ARRANGER  
**NATIXIS**  
 LEAD MANAGER  
**NATIXIS**  
 CO-MANAGER  
**SMBC NIKKO**

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

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

\*\*\* Prior to the Interest Payment Date falling in September 2019. On and from the Interest Payment Date falling in September 2019, the Class X1 Notes will not bear interest.

\*\*\*\* Prior to the Interest Payment Date falling in June 2021. On and from the Interest Payment Date falling in June 2021, the Class X2 Notes will not bear interest.

The date of this Prospectus is 19 July 2017

<b>Issue Date</b>	The Issuer will issue the Notes (in the classes set out above) and the Residual Certificates on or about 21 July 2017 (the " <b>Closing Date</b> ").
<b>Standalone/Programme Issuance</b>	Standalone issuance.
<b>Listing</b>	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the " <b>Prospectus Directive</b> "). This Prospectus has been approved by the Central Bank of Ireland (the " <b>Central Bank</b> ") as the competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (together, the " <b>Collateralised Rated Notes</b> "), the Class X1 Notes, the Class X2 Notes (together, the " <b>Class X Notes</b> " and the Class X Notes together with the Collateralised Rated Notes, the " <b>Rated Notes</b> "), the Class Z1 Notes and the Class Z2 Notes (together, the " <b>Class Z Notes</b> "). The Collateralised Rated Notes together with the Class Z1 Notes are the " <b>Collateralised Notes</b> " and the Rated Notes together with the Class Z Notes are the " <b>Notes</b> ". The Notes are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the " <b>Markets in Financial Instruments Directive</b> ") and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the " <b>Irish Stock Exchange</b> ") for the Notes to be admitted to the official list (the " <b>Official List</b> ") and trading on its regulated market (the " <b>Main Securities Market</b> "). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising buy-to-let mortgage loans sold by Paratus AMC Limited (the "<b>Seller</b>") which were originated by the Seller (the "<b>Originator</b>") directly or under the lending platform established by Landbay Partners Limited ("<b>Landbay</b>") with Landbay as initial lender of record (the "<b>Initial Lender of Record</b>") and secured over residential properties located in England and Wales (the "<b>Closing Mortgage Portfolio</b>") which will be purchased by the Issuer from the Seller on the Closing Date. With respect to the Mortgage Loans originated under the lending platform established by Landbay, with Landbay as initial lender of record, all related mortgage applications were underwritten by the Seller using the Seller's systems and processes and each such Mortgage Loan was funded at origination by the Seller and the legal title of which has since been transferred to the Seller.</p> <p>In addition, on any date up to and excluding the Calculation Date preceding the first Interest Payment Date (the "<b>Final Additional Mortgage Loan Purchase Date</b>"), the Issuer may purchase the Additional Mortgage Loans and their Related Security originated by the Seller, subject to the satisfaction of the Additional Mortgage Loan Conditions.</p> <p>See the sections entitled "<i>Transaction Overview – Mortgage Portfolio and Servicing</i>", "<i>The Mortgage Portfolio and the Mortgage Loans</i>" and "<i>Characteristics of the Provisional Mortgage Portfolio</i>" for further details.</p>
<b>Credit Enhancement</b>	<p>Credit enhancement of the Notes is provided in the following manner:</p> <ul style="list-style-type: none"> <li>• in relation to each Class of the Collateralised Rated Notes, the overcollateralisation funded by Notes ranking junior to such Class</li> </ul>

of Notes (other than the Class X Notes and Class Z2 Notes) in the relevant Priority of Payments (if any);

- in relation to each Class of Notes, the amount by which Available Revenue Receipts exceed the amounts required to pay interest (and, in the case of the Class X Notes, principal) on the relevant Class of Notes and all other amounts ranking in priority thereto in accordance with the Pre-Enforcement Revenue Priority of Payments;
- in relation to the Class X1 Notes (i) the cumulative excess (if any) accumulating from the Closing Date until the Final Discharge Date of Available Revenue Receipts after providing for items (a) to (t) of the Pre-Enforcement Revenue Priority of Payments over the original principal amount of the Class X1 Notes, and (ii) following the Final Redemption Date, the overcollateralisation funded by the application of the Liquidity Reserve Fund and General Reserve Fund as Available Redemption Receipts;
- in relation to the Class X2 Notes (i) the cumulative excess (if any) accumulating from the Closing Date until the Final Discharge Date of Available Revenue Receipts after providing for items (a) to (u) of the Pre-Enforcement Revenue Priority of Payments over the original principal amount of the Class X2 Notes, and (ii) following the Final Redemption Date, the overcollateralisation funded by the application of the Liquidity Reserve Fund and General Reserve Fund as Available Redemption Receipts;
- in relation to the Collateralised Notes, Accumulated Overcollateralisation arising in prior periods (if any);
- the General Reserve Fund which will provide credit enhancement to all Classes of the Collateralised Rated Notes, subject to application in accordance with the relevant Priority of Payments; and
- following the delivery of an Enforcement Notice, the Liquidity Reserve Fund and General Reserve Fund will provide credit enhancement to the Notes in accordance with the Post-Enforcement Priority of Payments.

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

## **Liquidity Support**

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

- in relation to each Class of the Collateralised Rated Notes, the subordination in payment of those Classes of Notes (if any) ranking junior in the Pre-Enforcement Revenue Priority of Payments and the Residual Certificates;
- in relation to each Class of the Collateralised Rated Notes, the amount by which Available Revenue Receipts exceed the amounts required to pay interest on the relevant Class of Notes in accordance with the Pre-Enforcement Revenue Priority of Payments and all other amounts ranking in priority thereto;
- in relation to the Class A Notes and the Class B Notes only, Available Redemption Receipts applied as Principal Addition

Amounts to provide for any Revenue Deficits (i) in the case of the Class A Notes, at any time, (ii) in the case of the Class B Notes, conditionally on or prior to the Class A Note Redemption Date and thereafter unconditionally at any time;

- the Liquidity Reserve Fund, which will provide liquidity support:
  - (a) to the Class A Notes at all times;
  - (b) prior to the Class A Note Redemption Date, conditionally to the Class B Notes;
  - (c) after the Class A Notes have been redeemed in full (the "**Class A Note Redemption Date**") but on or prior to the date on which the Class A Notes and the Class B Notes have been redeemed in full (the "**Senior Note Redemption Date**"), to the Class B Notes at all times;
  - (d) to cover any shortfall in amounts required on an Interest Payment Date to pay items (a) to (e) of the Pre-Enforcement Revenue Priority of Payment (listed items the "**Senior Expenses**") (including, for the avoidance of doubt, following the Senior Note Redemption Date);
  - (e) on the Final Redemption Date, all amounts standing to the credit of the Liquidity Reserve Fund (after first, having applied any Liquidity Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Liquidity Availability Conditions)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments; and
  - (f) following delivery of an Enforcement Notice to all Classes of Notes in accordance with the Post-Enforcement Priority of Payments.
- in relation to the Collateralised Rated Notes, amounts standing to the credit of the General Reserve Fund.

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

## Swap Arrangements

The Issuer will enter into one or more swap transactions (each a "**Swap Transaction**"), which will be governed by an ISDA Master Agreement (the "**Swap Agreement**") entered into between the Issuer and the Swap Counterparty on or around the Closing Date in order to provide a hedge, to a certain extent, against the possible variance between the fixed rates of interest payable on Mortgage Loans in the Closing Mortgage Portfolio which pay interest on a fixed rate basis and the rate of interest of the Notes which is calculated, in relation to the Collateralised Rated Notes, by reference to LIBOR.

As a condition to the Issuer purchasing any Additional Mortgage Loans, the Issuer must first have entered into sufficient additional Swap Transactions to hedge any additional interest rate exposure arising from any Additional Mortgage Loans that are added to the Mortgage Portfolio

and which are Fixed Rate Mortgage Loans (the "**Additional Swap Transaction(s)**").

In each case, the fixed rate applicable to (i) the Initial Swap Transaction, and (ii) any Additional Swap Transaction(s) (or any replacement transaction in respect of the Initial Swap Transaction and/or the Additional Swap Transaction(s)) will not at any time exceed 0.86 per cent per annum.

See the section entitled "*Swap Arrangements*" for further details.

#### **Redemption Provisions**

Information on any mandatory redemption of the Notes is summarised on page 61 ("*Transaction Overview - Overview of the Characteristics of the Notes and the Residual Certificates*") and set out in full in Condition 8 (*Redemption*) of the terms and conditions of the Notes (the "**Conditions**").

#### **Credit Rating Agencies**

Fitch Ratings Limited ("**Fitch**") and Moody's Investors Service Limited ("**Moody's**") (each a "**Rating Agency**" and together, the "**Rating Agencies**"). As of the date of this prospectus (the "**Prospectus**"), each of the Rating Agencies is a credit rating agency established in the European Union (the "**EU**") and is registered under the Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation.

#### **Credit Ratings**

The ratings assigned by Fitch address, *inter alia*:

- in respect of the Class A Notes and the Class B Notes, the likelihood of full and timely payment of interest due to the holders of the Class A Notes and Class B Notes, respectively, on each Interest Payment Date;
- in respect of the Class C Notes, Class D Notes, Class X1 Notes and Class X2 Notes, the likelihood of full payment of interest and principal to the holders of the Class C Notes, Class D Notes, Class X1 Notes and Class X2 Notes, respectively, by a date that is not later than the Final Maturity Date; and
- the likelihood of full payment of principal to the holders of the Rated Notes, respectively, by a date that is not later than the Final Maturity Date.

The ratings assigned by Moody's address, *inter alia*:

- in respect of the Class A Notes, Class B Notes, Class C Notes and Class D Notes, the likelihood of full and timely payment of interest due to the holders of the Class A Notes, Class B Notes, Class C Notes and Class D Notes respectively, on each Interest Payment Date;
- in respect of the Class X1 Notes and Class X2 Notes, the likelihood of full payment of interest and principal to the holders of the Class X1 Notes and Class X2 Notes, respectively, by a date that is not later than the Final Maturity Date; and

- the likelihood of full payment of principal to the holders of the Rated Notes, respectively, by a date that is not later than the Final Maturity Date.

The Class Z1 Notes and the Class Z2 Notes will not be rated by the Rating Agencies.

The assignment of a rating to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X1 Notes and the Class X2 Notes by any Rating Agency is not a recommendation to invest in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X1 Notes or the Class X2 Notes respectively or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

#### **Obligations**

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

#### **Risk Retention Undertaking**

On the Closing Date and until all the Notes other than the Class Z Notes have been redeemed in full, Paratus AMC Limited, (the "**Retention Holder**") will, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation (each as defined below), retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the "**Capital Requirements Regulation**" or "**CRR**"), Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the "**AIFM Regulation**") and Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") (which, in each case, does not take into account any relevant national measures) (the "**Retention**"). As at the Closing Date, the Retention will be satisfied by the Retention Holder subscribing for and thereafter holding an interest in the first loss tranche, represented in this case by the retention by the Seller of the Class Z1 Notes and the Class Z2 Notes, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation. The aggregate Principal Amount Outstanding of the Class Z1 Notes and the Class Z2 Notes as at the Closing Date is equal to at least 5 per cent. of the nominal value of the securitised exposures. The Retention Holder will undertake to retain the material net economic interest and will give further undertakings with respect to the Retention (as to which, see the section entitled "*EU Risk Retention Requirements*"). Any change in the manner in which the interest is held will be notified to the Noteholders.

See the section entitled "*EU Risk Retention Requirements*" for further details.

The transaction is not intended to involve the retention by a sponsor for purposes of compliance with the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the "**U.S. Risk Retention Rules**"), but rather it is intended to rely on an exemption provided for in Rule 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Except with the prior written consent of Paratus AMC Limited and where such sale falls within the exemption provided by Rule 20 of the U.S. Risk Retention Rules, the Notes offered and sold by the Issuer may not be purchased by, or for the account or benefit of, any Risk Retention U.S. Person.

See the section entitled "*U.S. risk retention requirements*" for further

details.

**Residual Certificates**

In addition to the Notes, the Issuer will issue the Residual Certificates to the Seller on the Closing Date. The Residual Certificates represent the right to receive further consideration for the purchase of the Mortgage Portfolio (consisting of the Residual Payments in respect of the Mortgage Portfolio) and confer upon the majority holder of the Residual Certificates the right (but not the obligation) to purchase the Mortgage Portfolio from the Issuer following the Interest Payment Date immediately preceding the Optional Redemption Date as set out further herein and pursuant to the terms of the Deed Poll.

See the section entitled "*Terms and Conditions of the Residual Certificates*" for further details.

**Significant Investor**

The Seller will on the Closing Date purchase 100 per cent. of the Class Z1 Notes and 100 per cent. of the Class Z2 Notes and will hold 100 per cent. of the Residual Certificates.

**Volcker Rule**

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

**ERISA Considerations**

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

**THE "RISK FACTORS" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE**

**INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE  
ISSUES SUMMARISED IN THE SECTION.**



## IMPORTANT NOTICE

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, THE SELLER, THE RETENTION HOLDER, THE ORIGINATOR, THE INITIAL LENDER OF RECORD, THE ARRANGER, THE LEAD MANAGER, THE CO-MANAGER, THE SWAP COUNTERPARTY, THE SERVICER, THE BACK-UP SERVICER FACILITATOR, THE CASH MANAGER, THE PRINCIPAL PAYING AGENT, THE ISSUER ACCOUNT BANK, THE GLOBAL COLLECTION ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES (INCLUDING THEIR RESPECTIVE AFFILIATES) OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (TOGETHER, THE "RELEVANT PARTIES"). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE RELEVANT PARTIES OR BY ANY PERSON OTHER THAN THE ISSUER.**

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X1 Notes, the Class X2 Notes, the Class Z1 Notes and the Class Z2 Notes will each be represented on issue by a global note certificate in registered form (a "**Global Note**"). The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X1 Notes, the Class X2 Notes, the Class Z1 and the Class Z2 Notes may be issued in definitive registered form under certain circumstances.

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

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

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF PARATUS AMC LIMITED AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY RULE 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "U.S. RISK RETENTION RULES"), THE NOTES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "U.S. PERSON" IN REGULATION S. EACH PURCHASER OF NOTES, INCLUDING BENEFICIAL INTERESTS THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) IS NOT A RISK RETENTION U.S. PERSON (UNLESS IT HAS OBTAINED THE PRIOR WRITTEN CONSENT OF PARATUS AMC LIMITED), (2) IS ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE, AND (3) IS NOT ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES.

THIS PROSPECTUS IS BEING SENT AT YOUR REQUEST AND BY ACCESSING THE PROSPECTUS, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (I) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (II) YOU CONSENT TO DELIVERY OF THE PROSPECTUS BY ELECTRONIC TRANSMISSION, AND (III) YOU ARE NOT, AND ARE NOT ACTING FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S) 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 OR THE DISTRICT OF COLUMBIA.

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

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

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

EXCEPT AS SPECIFICALLY EXCLUDED THEREIN, THE SELLER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE MORTGAGE PORTFOLIO AND THE MORTGAGE LOANS*" AND "*CHARACTERISTICS OF THE PROVISIONAL MORTGAGE PORTFOLIO*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SELLER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH IS IN

ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE SELLER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE AND NOT SPECIFICALLY EXCLUDED THEREIN) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

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

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

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

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

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

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

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE ORIGINATOR OR THE INITIAL LENDER OF RECORD AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES AND/OR THE RESIDUAL CERTIFICATES OR THEIR DISTRIBUTION. THE ORIGINATOR AND THE INITIAL LENDER OF RECORD (INCLUDING PARATUS AMC LIMITED, SOLELY IN ITS CAPACITY AS AN ORIGINATOR OF THE MORTGAGE LOANS) ARE NOT TRANSACTION PARTIES AND HAVE NO OBLIGATIONS IN RESPECT OF THE ISSUER, THE NOTES AND/OR THE RESIDUAL CERTIFICATES.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE RETENTION HOLDER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES AND/OR RESIDUAL CERTIFICATES OR THEIR DISTRIBUTION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE RETENTION HOLDER, THE SERVICER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE ORIGINATOR, THE INITIAL LENDER OF RECORD, THE ARRANGER, THE LEAD MANAGER, THE CO-MANAGER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE RETENTION HOLDER, THE SERVICER, THE SELLER, THE ORIGINATOR OR THE INITIAL LENDER OF RECORD IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ORIGINATOR, THE INITIAL LENDER OF RECORD, THE RETENTION HOLDER, THE SERVICER, THE SELLER, THE LEAD MANAGER, THE CO-MANAGER OR THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE LEAD MANAGER, THE CO-MANAGER, THE RETENTION HOLDER, THE SERVICER, THE SELLER, THE ORIGINATOR, THE INITIAL LENDER OF RECORD, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAVE SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE ARRANGER, THE LEAD MANAGER, THE CO-MANAGER, THE RETENTION HOLDER, THE SERVICER, THE SELLER, THE ORIGINATOR, THE INITIAL LENDER OF RECORD, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR (OTHER THAN AS SET OUT ABOVE) ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS

PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

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

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

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

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

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

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

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Mortgage Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "**may**", "**will**", "**could**", "**believes**", "**expects**", "**anticipates**", "**continues**", "**intends**", "**plans**" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**") which have been prepared in reliance on information provided by the Issuer. Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security

cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Relevant Parties has attempted to verify any forward-looking statements 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 nor any of the Relevant Parties assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.

## PRIIPs REGULATION

The Notes and Residual Certificates are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or Residual Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or Residual Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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## **RISK FACTORS**

*The following is a summary of certain matters relating to the issue of 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**

#### ***Liabilities under the Notes are 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. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Relevant Parties or by any person other than the Issuer.

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

The ability of the Issuer to meet its obligations to pay (a) amounts under the Notes and Residual Certificates 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) monies received under the Swap Agreement, (iii) amounts of interest received from the Issuer Account Bank under the Issuer Account Bank Agreement and (iv) amounts constituting the General Reserve Fund, the Liquidity Reserve Fund and the Pre-Funding Reserves. Other than the foregoing, the Issuer will not have any other funds available to it to make payments under the Notes and Residual Certificates and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priorities of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priorities of Payments. The recourse of the Noteholders to the Charged Assets following service of an Enforcement Notice is described below (see further: "*Risks Related to the Notes - Limited recourse*") (see "*Risks Related to the Mortgage Loans – Limitation of Seller's Liability*" below).

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

The Notes will be limited recourse obligations of the Issuer. If, and to the extent that, after the Charged Assets has been realised and the proceeds thereof have been applied in accordance with the applicable Priorities of Payments, the amounts recovered on realisation of the Charged Assets 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.

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

As of the Optional Redemption Date, the margin applicable to the Collateralised Rated Notes will be increased. There will, however, be no additional receipts or other sources of funds available to the Issuer as of the Optional Redemption Date, nor is it expected that any of the sources of income available to the Issuer prior to the Optional Redemption Date will be increased.

#### ***Deferral of interest payments on the Notes***

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Notes (other than the Most Senior Class of Notes) after having paid or provided for items of higher priority in accordance with the relevant Priorities of Payments or by means of Liquidity Reserve Fund Drawings, then such amounts of interest shall not be due and payable on that Interest Payment Date and the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the

insufficiency) in respect of the Notes (other than the Most Senior Class of Notes) until the next Interest Payment Date. Such deferral shall not constitute an Event of Default or Potential Event of Default until the Final Maturity Date and such amounts would only become due and payable on the Final Maturity Date. As such, the Note Trustee and the Security Trustee will not be able to accelerate the Notes until after the Final Maturity Date (subject to the grace periods thereunder) or such earlier date on which the Notes are redeemed in accordance with the Conditions, and prior to such date will not be able to take any action to enforce the Security or effect a sale or disposal of the Issuer's beneficial interest in the Mortgage Loans and Related Security in respect of a failure by the Issuer to pay such amounts until the Final Maturity Date (subject to the grace periods thereunder) or such earlier date.

For the avoidance of doubt, failure to pay interest or amounts due in respect of the Most Senior Class of Notes shall constitute an Event of Default under the Notes and the Residual Certificates which may result in the Note Trustee or the Security Trustee (as the case may be) enforcing the provisions of the Notes, the Residual Certificates or the Trust Deed, or the Deed of Charge (as applicable), or enforcing the Security.

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

The Issuer is subject to the risk of default in payment by the Borrowers and the risk of failure by the Servicer, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of a relevant Mortgage Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrower under such Mortgage Loan. 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 Structure*". However, no assurance can be made as to the effectiveness or sufficiency of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

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

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers (where, for example, such funds relate to a preceding Collection Period but are received after the Servicer has calculated the Collections relating to such Collection Period). This risk may adversely affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by the conditional provision of liquidity from alternative sources as described in the section entitled "*Credit Structure - Liquidity and Credit Support for the Notes provided by Available Revenue Receipts*". However, no assurance can be made as to the effectiveness or sufficiency of such liquidity support features, or that such liquidity support features will protect the Noteholders from all risk of loss.

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

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

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

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

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

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

The Class X1 Notes and the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes.

Prior to the service of an Enforcement Notice (a) the Class X1 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of items ranking senior thereto in the Pre-Enforcement Revenue Priority of Payments, and (b) the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Class X1 Notes and other items ranking senior thereto in the Pre-Enforcement Revenue Priority of Payments.

Following the service of an Enforcement Notice, the Class X1 Notes and the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes.

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

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

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

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 and the Residual Certificates 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 more senior classes of Notes (including the Most Senior Class of Notes) from all or any risk of loss.

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

### ***Yield and Prepayment Considerations***

The yield to maturity of the Notes of each Class will depend on, among other things, whether amounts in the Pre-Funding Reserves are applied, in full or at all, in the purchase of Additional Mortgage Loans or whether such amounts are applied, after the Final Additional Mortgage Loan Purchase Date to repay the Notes early, the extent and timing of payments of principal and interest (including full and partial prepayments, proceeds of disposal of Mortgage Loans, proceeds of enforcement of Mortgage Loans or repurchase by the Seller of any Mortgage Loans (including upon an unremedied breach of any Mortgage Loan Warranty) 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 prepayment 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 (which may require in some cases notification to the Seller and in other cases the consent of the Seller), 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 generally lead to a reduction in the weighted average life of the Notes (other than the Class X Notes where accelerated prepayments would generally lead to an increase in their weighted average life).

On the Closing Date, the Issuer will credit an amount equal to approximately £49,570,520.78 to Pre-Funding Reserves. Prior to the Final Additional Mortgage Loan Purchase Date, the Issuer will only be entitled to apply the Pre-Funding Reserves to purchase Additional Mortgage Loans which satisfy certain conditions. If the conditions for the purchase of Additional Mortgage Loans by the Issuer are not met prior to the Final Additional Mortgage Loan Purchase Date, then the Issuer will not be able to purchase such Additional Mortgage Loans, or may not be able to purchase Additional Mortgage Loans in an amount so as to fully utilise the Pre-Funding Reserves set aside on the Closing Date for that purpose which may result in Available Redemption Receipts and Available Revenue Receipts in the form of amounts standing to the credit of the Pre-Funding Reserve Ledger instead being used to repay respectively the Collateralised Notes early in sequential order and the Class X Notes in sequential order. (For more information, see the section entitled "*Assignment of the Mortgage Loans and Related Security*").

Generally, when market interest rates increase in relation to the rate of interest currently paid by a borrower, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease in relation to the rate of interest currently paid by a borrower, borrowers (in particular those paying by reference to a fixed interest rate, where there are no or minimal associated early repayment charges) are generally more likely to prepay their mortgage loans. Borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action). In addition, should a Borrower elect, subject to the agreement of the Seller and the Servicer, to change the terms of their Mortgage Loan from an Interest Only Mortgage Loan to a Repayment Mortgage Loan, the Issuer would receive principal payments in respect of the relevant Mortgage Loan earlier than would otherwise be anticipated. If the Seller is required to repurchase a Mortgage Loan and its Related Security or make a payment in lieu of such repurchase because, for example, one of the Mortgage Loans does not comply with the Mortgage Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of such Mortgage Loan. (For more information, see the section entitled "*The Mortgage Portfolio and the Mortgage Loans*").

Pursuant to the terms of the Deed Poll and the Portfolio Call Option granted therein, the Portfolio Call Option Holder may, subject to certain conditions, purchase all (but not some) of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio, at no less than the Portfolio Minimum Purchase Price. The Portfolio Call Option Holder may give notice of its exercise of such option no earlier than the Business Day immediately following the Interest Payment Date immediately preceding the Optional Redemption Date. Such purchase will be completed no later than two Business Days prior to the Interest Payment Date immediately following the date on which the notice is given.

The exercise of the Portfolio Call Option may adversely affect the yield to maturity on the Notes.

On the first Interest Payment Date immediately following the date on which the Portfolio Call Option has been exercised, the Issuer shall apply all funds available to it for such purposes pursuant to the provisions of the Post-Enforcement Priority of Payments. This may adversely affect the yield to maturity on the Notes as the exercise of the Portfolio Call Option is likely to lead to a reduction in the average weighted life of the Notes. See also the section entitled "*Early redemption of the Notes pursuant to the Portfolio Call Option or the Risk Retention Regulatory Change Option*".

Further, on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event, the Retention Holder (or its nominee) has the right (but not an obligation) pursuant to the Mortgage Sale Agreement to purchase the Mortgage Loans and their Related Security from the Issuer, and thereby effect a redemption of the Notes. The exercise of this right may adversely affect the yield to maturity on the Notes as it is likely to lead to a reduction in the average weighted life of the Notes. See also the section entitled "*Early redemption of the Notes pursuant to the Portfolio Call Option or the Risk Retention Regulatory Change Option*".

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

In relation to the risk of a mismatch between the rate of interest payable in respect of the Mortgage Loans and the rate of interest payable in respect of the Notes, (i) 5.3 per cent. of the Provisional Mortgage

Portfolio by aggregate Principal Outstanding Balance of the Mortgage Loans are Variable Rate Mortgage Loans and Tracker Mortgage Loans; (ii) 94.7 per cent. of the Provisional Mortgage Portfolio by aggregate Principal Outstanding Balance of the Mortgage Loans are currently Fixed Rate Mortgage Loans which pay a fixed rate of interest for a certain period. However, the Issuer's liabilities under the Collateralised Rated Notes are based on Three Month LIBOR for the relevant period as determined on the relevant Interest Determination Date. This may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors. As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Mortgage Loans and the rate of interest payable in respect of the Notes.

However, such risks are partially mitigated by (a) the Swap Transaction(s) entered into pursuant to the Swap Agreement, (b) the General Reserve Fund, (c) the Liquidity Reserve Fund, (d) subordination of certain junior classes of Notes and (d) the application of Available Redemption Receipts as Principal Addition Amounts in relation to the Class A and Class B Notes only. Additionally the interest rate on the Variable Rate Mortgage Loans, the Tracker Mortgage Loans and the Fixed to Tracker Mortgage Loans following the expiry of the relevant fixed period resets on the 12th of March, June, September and December of each year, whilst the Reference Rate referable to the Notes is intended to reset on like dates.

Under each Swap Transaction, the Issuer pays a fixed amount which is equal to the notional amount of the Swap Transaction multiplied by a fixed rate and the relevant day count fraction. This fixed rate is not intended to be an exact match to the interest rates that the Issuer receives in respect of the Fixed Rate Mortgage Loans in the Mortgage Portfolio.

The notional amount under each Swap Transaction is determined by reference to a fixed amortisation schedule. The amortisation schedule will be based on the expected repayment profile of the Fixed Rate Mortgage Loans assuming a 2% constant prepayment rate.

If the actual rate of repayment of the Fixed Rate Mortgage Loans is faster or slower than anticipated, this may lead to the aggregate notional amount of the Swap Transaction(s) to be, respectively, greater than or less than the outstanding amount of the Fixed Rate Mortgage Loans. In such circumstances, there would be a mismatch between the aggregate notional amount of the Swap Transaction(s) and the outstanding principal balance of the Fixed Rate Mortgage Loans.

Since (i) the fixed rate(s) under the Swap Transaction(s) may not match the interest rates applicable to the Fixed Rate Mortgage Loans in the Mortgage Portfolio, and/or (ii) the aggregate notional amount of the Swap Transaction may be higher or lower than the outstanding principal balance of the Fixed Rate Mortgage Loans, there may be circumstances in which the amount payable by the Issuer under the relevant Swap Transaction(s) exceeds the amount that the Issuer receives in respect of the Fixed Rate Mortgage Loans in the Mortgage Portfolio. This may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Secured Creditors.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to the Mortgage Loans other than Fixed Rate Mortgage Loans, and as a result there is no hedge in respect of the risk of any variances in the variable interest rate (the "**Floating Mortgage Rate**") (being referable to LIBOR) charged on any Mortgage Loans in the Mortgage Portfolio and interest set by reference to the Reference Rate on the Collateralised Rated Notes which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Secured Creditors. As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of such Mortgage Loans and the rate of interest payable in respect of the Notes. However, because LIBOR is used in determining the Floating Mortgage Rate charged on the Mortgage Loans in respect of which the interest payable thereon is set by reference to LIBOR and the Reference Rate in respect of the Collateralised Rated Notes is reset on or around the same date, the risk of such mismatch is limited.

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

All of the Mortgage Loans comprising the Mortgage Portfolio have interest rates which are subject to change over the course of the life of such Mortgage Loans. Such rates are set by reference to (i) the London inter-bank offered rate for three month borrowing periods in Sterling ("**Three Month LIBOR**"), or (ii) a fixed rate of interest for a certain period which will revert into rates set by reference to Three Month LIBOR. An increase in such reference rates could result in higher monthly repayments, which, in turn, could reduce the Borrowers' capacity to service their Mortgage Loans. The Issuer could therefore be

subject to a higher risk of default in payment by Borrowers over the course of the Transaction which may affect the ability of the Issuer to make payments on the Notes.

### ***Termination of Swap Agreement***

The Swap Agreement, or any Swap Transaction thereunder, may be terminated early in certain circumstances (see "*Summary of the Key Transaction Documents - Swap Agreement*"). If the Swap Agreement, or any individual Swap Transaction, is terminated early, the Issuer may be obliged to pay a termination payment to the Swap Counterparty. The amount of any such termination payment will be based on the market value of the relevant Swap Transaction(s) being terminated, computed in accordance with the Swap Agreement, which would generally be by reference to the cost of entering into a replacement swap transaction that would have the effect of preserving the respective full payment obligations of the parties, in accordance with the procedures set out in the Swap Agreement. There can be no assurance that the Issuer will have sufficient funds available to make any such termination payment or that the Issuer, following termination of the Swap Agreement or any Swap Transaction thereunder, will have sufficient funds to make subsequent payments to the Noteholders in respect of the relevant class of Notes.

Except where the termination of the Swap Agreement is attributable to the default of the Swap Counterparty or the failure by it to comply with any of its obligations under the Swap Agreement, any termination payment in respect of the Swap Agreement due from the Issuer will rank in priority to payments of interest due on the Notes under the Pre-Enforcement Revenue Priority of Payments. Therefore, if the Issuer is obliged to make a termination payment to the Swap Counterparty, this may reduce the amount of funds which the Issuer has available to make payments on the Notes of any class.

If the Swap Agreement, or any Swap Transaction thereunder, is terminated, there can be no assurance that the Issuer will be able to enter into a replacement swap transaction, and if one is entered into, there can be no assurance that the credit rating of the replacement Swap Counterparty will be sufficiently high as to prevent a downgrading of the then current ratings of one or more classes of the Collateralised Rated Notes by the Rating Agencies.

### ***Insolvency of Swap Counterparty***

In the event of the insolvency of the Swap Counterparty, the Issuer will be treated as a general creditor of the Swap Counterparty. Consequently, the Issuer will be subject to the credit risk of the Swap Counterparty. To mitigate this risk, under the terms of the Swap Agreement, in the event that the relevant ratings of the Swap Counterparty fail to meet the relevant required ratings, the Swap Counterparty will, in accordance with the terms of the Swap Agreement, be required to elect to take certain remedial measures (at its own cost) within the applicable time frame stipulated in the Swap Agreement which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity which does have the relevant required ratings, or procuring another entity with the required ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or taking such other action as would result in the Rating Agencies maintaining the then current rating of the Collateralised Rated Notes. However, no assurance can be given that, at the time that such actions are required, the Swap Counterparty will be able to provide collateral or that another entity with the required ratings will be available to become a replacement hedge provider, co-obligor or guarantor or that the Swap Counterparty will be able to take the requisite other action.

Accordingly, if any of the Collateralised Rated Notes remain outstanding in circumstances where the Swap Counterparty is insolvent and fails to make any payment to the Issuer required under the Swap Agreement, the Issuer will be subject to the potential variation between the fixed rates of interest payable in respect of the Fixed Rate Mortgage Loans in the Mortgage Portfolio and Three Month LIBOR. Unless one or more comparable replacement swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes after that date.

In addition, under BRRD, if resolution action is taken in respect of the Swap Counterparty, any termination amount payable by the Swap Counterparty under the Swap Agreement (after the application of any collateral previously provided by the Swap Counterparty) may be reduced by the application of the bail in tool described below (see "*Risk Factors – Banking Act 2009 and the European Union Bank Recovery and Resolution Directive*").

### *Insolvency of Seller*

In the event a liquidator or administrator were to be appointed in respect of the business and property of the Seller in the United Kingdom, a trust over the legal estate and title to the Mortgage Loans and their Related Security held by the Seller for the benefit of the Issuer will be validly constituted pursuant to the terms of the Mortgage Sale Agreement and the effect of the Mortgage Sale Agreement will be to remove the Mortgage Loans and their Related Security from the property of the Seller available to a liquidator or administrator of the Seller for distribution to the general creditors of the Seller. The Mortgage Sale Agreement details the Mortgage Loans and distinguishes them and their Related Security in all cases from other rights retained by the Seller so that the trust property satisfies the requirement that it be clearly identifiable. There can be no assurance, however, that a court would reach the same conclusions. It is possible that a liquidator or administrator appointed in relation to the business and property of the Seller may commence proceedings to challenge the validity and effectiveness of the trust constituted under the Mortgage Sale Agreement for the purposes of including the beneficial interest in the Mortgage Loans and their Related Security in the property and estate of the Seller. If proceedings were commenced against the Issuer or in relation to trusts constituted under the Mortgage Sale Agreement, delays in distributions on the Notes, possible reductions in the amount of payments of principal and interest on the Notes and limitations on the exercise of remedies under the Transaction Documents could occur.

The Seller currently receives collections which are paid other than by way of direct debit into the Global Collection Account, which is a bank account into which monies not related to the Mortgage Portfolio are also paid. On or before the Closing Date, the Seller will provide the Global Collection Account Bank with an account mandate authorising the Servicer to transfer monies that are identified as being referable to the Mortgage Portfolio from the Global Collection Account at the end of each Business Day (to the extent that the Global Collection Account Bank does not undertake such task automatically) into the General Transaction Collection Account. The Seller currently receives payments of collections which are paid by way of direct debit into the General Transaction Collection Account, which is a bank account into which only monies relating to the Mortgage Portfolio are paid. Monies in such General Transaction Collection Account, insofar as they are not required to make payments in respect of Third Party Amounts, will be swept to the Issuer Account, subject to certain conditions at the end of each Business Day. On or before the Closing Date, the Seller will provide the Collection Account Bank with a new account mandate authorising the Servicer to transfer monies from the General Transaction Collection Account at the end of each Business Day to the Issuer Account. In each case, there can be no assurance as to the length of time it will take for payments from Borrowers in respect of the Mortgage Portfolio, whether by direct debit or otherwise, to be transferred by means of the new account mandates. However, it is provided under the Servicing Agreement that all amounts credited in relation to the Mortgage Portfolio to the Global Collection Account that relate to the Mortgage Portfolio (save for any fees payable in respect of the Global Collection Account) are to be transferred to the General Transaction Collection Account at the end of each Business Day during a Collection Period, and that (subject to certain conditions) all amounts credited in relation to the Mortgage Portfolio to the General Transaction Collection Account are to be transferred to the Issuer Account at the end of each Business Day during a Collection Period.

The Seller (i) has, pursuant to a declaration of trust entered into prior to the Closing Date, declared a trust over all of its right, title and beneficial interest in respect of the Global Collection Account (to which the Issuer will accede as beneficiary in respect of amounts standing to the credit thereof that are referable to the Mortgage Loans by executing a deed of accession); and (ii) will, on or around the Closing Date, pursuant to a declaration of trust, declare a trust over all of its right, title and beneficial interest in respect of the Portfolio Transaction Accounts in favour of the Issuer in respect of amounts that are referable to the Mortgage Loans.

In the event of the insolvency of the Seller, the Issuer will be treated as an unsecured creditor of the Seller in respect of amounts in any other bank accounts over which the trust has not been declared. In order to mitigate this risk, the Seller will (a) declare a trust in favour of the Issuer in the Mortgage Sale Agreement over any amounts received in respect of the Mortgage Portfolio and agree to pass over such monies to the Issuer forthwith and (b) on the Closing Date provide a certificate containing certain statements about its solvency at such date.

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

The ratings assigned by Fitch address, *inter alia*:

- in respect of the Class A Notes and the Class B Notes, the likelihood of full and timely payment of interest due to the holders of the Class A Notes and Class B Notes, respectively, on each Interest Payment Date;
- in respect of the Class C Notes, Class D Notes, Class X1 Notes and Class X2 Notes, the likelihood of full payment of interest and principal to the holders of the Class C Notes, Class D Notes, Class X1 Notes and Class X2 Notes, respectively, by a date that is not later than the Final Maturity Date; and
- the likelihood of full payment of principal to the holders of the Rated Notes, respectively, by a date that is not later than the Final Maturity Date.

The ratings assigned by Moody's address, *inter alia*:

- in respect of the Class A Notes, Class B Notes, Class C Notes and Class D Notes, the likelihood of full and timely payment of interest due to the holders of the Class A Notes, Class B Notes, Class C Notes and Class D Notes respectively, on each Interest Payment Date;
- in respect of the Class X1 Notes and Class X2 Notes, the likelihood of full payment of interest and principal to the holders of the Class X1 Notes and Class X2 Notes, respectively, by a date that is not later than the Final Maturity Date; and
- the likelihood of full payment of principal to the holders of the Rated Notes, respectively, by a date that is not later than the Final Maturity Date.

The Class Z1 Notes and the Class Z2 Notes will not be rated by the Rating Agencies.

The expected ratings of the Rated Notes to be assigned on the Closing Date are set out under the section entitled "*Ratings*" below. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency if, in its judgement, circumstances (including a reduction in the perceived creditworthiness of third parties, including a reduction in the credit rating of the Issuer Account Bank, the Global Collection Account Bank or the Collection Account Bank or the Swap Counterparty) in the future so warrant. See also "*Servicing of the Mortgage Loans and Reliance on Third Parties*" below.

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

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

As highlighted above, the ratings assigned to the Rated Notes by each Rating Agency are based on, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Issuer Account Bank, the Global Collection Account Bank, the Collection Account Bank or the Swap Counterparty. In the event one or more of these transaction parties were downgraded below the requisite ratings trigger, such transaction parties would be subject to a replacement obligation in accordance with the terms of the relevant Transaction Documents. There can, however, be no assurance that a replacement of such counterparty which has at least the minimum ratings required to maintain the then current ratings of the Rated Notes will be found. If a replacement counterparty with at least the requisite ratings cannot be found, this could have an adverse impact on the ratings of the Rated Notes and, as a consequence, the resale price of the Rated Notes in the market.



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

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

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

Any such Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. Certain Rating Agencies have indicated that they will no longer provide Rating Agency Confirmations as a matter of policy (including, but not limited to, in respect of the purchase by the Issuer of the Additional Mortgage Loans from the Seller, under which circumstances the Seller as the Servicer may confirm in writing to the Security Trustee (upon which certificate the Security Trustee will be entitled to rely on without further investigation) that it has notified such Rating Agency of the proposed purchase and such Rating Agency has not raised any objections thereto). To the extent that a Rating Agency Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions. It should be noted that, depending on the nature of the request, the timing of delivery of the request and of any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. A Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Rating Agency Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Fitch has indicated that it will no longer provide Rating Agency Confirmations as a matter of policy (including, but not limited to, in respect of the purchase by the Issuer of Additional Mortgage Loans from the Seller, under which circumstances the Servicer may confirm in writing to the Security Trustee (upon which certificate the Security Trustee will be entitled to rely without further investigation) that it has notified Fitch of the proposed purchase and Fitch has not raised any objections thereto). In the absence of a Rating Agency Confirmation from Fitch, the Issuer or the Security Trustee may not be able to establish in advance whether or not a proposed action taken in accordance with the provisions of the Transaction Documents (and specifically the relevant modification and waiver provisions) will ultimately adversely affect Fitch's then current ratings of the Rated Notes. Accordingly, no assurance can be given that action taken in accordance with the provisions of the Transaction Documents will not adversely affect Fitch's then current ratings of the Rated Notes.

Where the Transaction Documents allow the Issuer, Note Trustee or the Security Trustee to seek a Rating Agency Confirmation and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer and (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement

by such Rating Agency that such Rating Agency Confirmation or response could not be given; and (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts, then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in sub-paragraphs (i) (A) or (B) and (ii) has occurred, the Issuer having sent a written request to each Rating Agency. Where a Rating Agency Confirmation is a condition to any action or step under any Transaction Document and it is deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the relevant request from the Issuer within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Rated Notes as a result of the action or step. Such a downgrade, qualification or withdrawal to the then current ratings of the Rated Notes may have an adverse effect on the value of the Rated Notes.

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

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

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including the Conditions and the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) the other Transaction Documents to which it is a party or in respect of which (in the case of the Security Trustee) it holds security. In respect of and at any time after the service of an Enforcement Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 11 (*Events of Default*) or Residual Certificates Condition 10 (*Events of Default*)) unless it shall have been directed to do so by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes (or if no Notes remain outstanding, 25 per cent. in number of the Residual Certificates then in issue) or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes (or if no Notes remain outstanding, of the Residual Certificates then in issue) and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

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

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

In relation to the undertakings to be given by the Retention Holder in, *inter alia*, the Mortgage Sale Agreement in accordance with the CRR, the AIFM Regulation and the Solvency II Regulation regarding the material net economic interest to be retained by the Retention Holder in the securitisation and (in respect of the CRR only) certain requirements as to providing investor information in connection therewith, the Note Trustee will not be under any obligation to monitor the compliance by the Retention Holder with such undertakings and will not be under any obligation to take any action (or to procure the Security Trustee takes any action) in relation to non-compliance with such undertakings unless and until the Note Trustee has received actual written notice of the same from any party to any Transaction Document (a "**Transaction Party**"), in which event the only obligation of the Security Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take

such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the holders of the Most Senior Class of Notes.

## **Limited Liquidity**

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

No assurance can be provided that a secondary market for the Notes will exist at any time on or after the Closing Date.

None of the Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on their resale and transfer as set forth under "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*". To the extent that a secondary market develops for the Notes, it may not continue for the life of the Notes or it may not provide the Noteholders with liquidity of investment with the result that a Noteholder may not be able to find a buyer to buy its notes readily or at prices that will enable such Noteholder to realise a desired yield. Any investor in the Notes must be prepared to hold their Notes until the Final Maturity Date.

The secondary market for mortgage-backed securities similar to the Notes has at times experienced limited liquidity resulting from reduced investor demand for such securities. Limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

Whilst central bank schemes such as, amongst others, the Bank of England's Sterling Monetary Framework, the Funding for Lending Scheme or the European Central Bank's liquidity schemes provide an important source of liquidity in respect of eligible securities, further restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

### ***Denominations***

The Notes are issued in the denomination of £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 and integral multiples of £1,000 thereafter. If Definitive Notes are required to be issued in respect of the Notes represented by Global Notes, they will only be printed and issued in denominations of £100,000 and any amount in excess thereof in integral multiples of £1,000. Accordingly, if Definitive Notes are required to be issued in respect of the Global Notes, a Noteholder holding an interest in a Global Note of less than the minimum authorised denomination at the relevant time may not receive a Definitive Note in respect of such holding and may need to purchase a principal amount of the relevant Class of Notes such that their holding amounts to the minimum authorised denomination. If Definitive Notes are issued in respect of the Global Notes, 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 the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Notes to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

The Common Safekeeper will be considered the 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.

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

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

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

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

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

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

The Conditions and the Residual Certificates Conditions contain provisions for calling meetings of Noteholders and Certificateholders to consider matters affecting their interests generally. These provisions permit decisions of defined majorities to bind all Noteholders and Certificateholders (including Noteholders and Certificateholders who did not attend and vote at the relevant meeting and Noteholders and Certificateholders who voted in a manner contrary to the requisite majority for such vote).

The Conditions also provide that the Note Trustee may, and may direct the Security Trustee, without any consent or sanction of the Noteholders or the other Secured Creditors, but subject to receipt of the written consent from any of the Secured Creditors party to the Transaction Documents being modified, to concur with the Issuer in making (a) any modification (other than a Basic Term Modification) of, or the waiver or authorisation of, any actual breach (including an Event of Default or Potential Event of Default) or proposed breach of, the Conditions, the Residual Certificates Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders or, if there are no Notes outstanding, the Certificateholders or (b) any modification which, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error.

The Conditions and Residual Certificates Conditions also specify that certain categories of amendments (including changes to majorities required to pass resolutions or quorum requirements) would be classified as Basic Terms Modifications. Investors should note that a Basic Terms Modification is required to be sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable which are affected by such Basic Terms Modifications unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes and the holders of the Residual Certificates then in issue.

Further, the Note Trustee may be obliged and/or obliged to direct the Security Trustee, in certain circumstances, to agree to amendments to the Conditions and/or the Transaction Documents for the purpose of enabling the Issuer or any of the other Transaction Parties to comply with (i) any change in the criteria of one or more Rating Agencies; (ii) any changes in the requirements of Article 405 of the CRR, Article 17 of the AIFMD, Article 51(1) of AIFMR or Article 254(2) of Solvency II; (iii) FATCA; (iv) the CRA Regulation or (v) any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) ("**EMIR**") or any other obligation which applies to it under EMIR, (each, a "**Proposed Amendment**"), without the consent of Noteholders pursuant to and in accordance with the detailed provisions of Condition 13.6.

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

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of any Class of Notes have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

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

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

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

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

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

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

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

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

Further, the Trust Deed further provides that no Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification.

Prospective investors should note that the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may purchase some or all of any of the Notes (in addition to the Class Z1 Notes and the Class Z2 Notes to be acquired by the Retention Holder on the Closing Date) and/or the Residual Certificates, and in doing so, will not be prevented from being entitled to attend meetings of the Noteholders and/or the Certificateholders or vote at Noteholder and/or Certificateholder meetings or by way of written resolution (as applicable). The interests of the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may conflict generally with that of the other Noteholders and/or Certificateholders, and the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder are not required to vote in any particular manner.

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

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and Conditions 13.5 and 13.6 and Residual Certificates Condition 12.5.

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

#### *Eurosystem eligibility*

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended, upon issue, to be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem eligible collateral**") either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem eligible collateral.

### ***Bank of England eligibility***

Certain investors in the Class A Notes may wish to consider the use of the Class A Notes as eligible securities for the purposes of the Bank of England's Discount Window Facility ("**DWF**"), Funding for Lending Scheme ("**FLS**") or Term Funding Scheme ("**TFS**"). Recognition of the Class A Notes as eligible securities for the purposes of the DWF, FLS or TFS will depend upon satisfaction of the eligibility criteria as specified by the Bank of England. If the Class A Notes do not satisfy the criteria specified by the Bank of England, there is a risk that the Class A Notes will not be eligible DWF, FLS or TFS collateral. None of the Issuer, the Arranger, the Lead Manager, the Co-Manager or the Seller gives any representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or at any times during their life, satisfy all or any requirements for the DWF, FLS or TFS eligibility and be recognised as eligible DWF, FLS or TFS collateral. Any potential investor in the Class A Notes should make its own determinations and seek its own advice with respect to whether or not the Class A Notes constitute eligible DWF, FLS or TFS collateral. No assurance can be given that the Class A Notes will be eligible securities for the purposes of the DWF, FLS or TFS and no assurance can be given that any of the relevant parties have taken any steps to register such collateral.

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

#### ***Limitation of Seller's Liability***

None of the Arranger, the Lead Manager, the Co-Manager, the Issuer, the Note Trustee, nor the Security 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 Seller in relation to the Mortgage Loans beneficially owned by it to the Issuer in the Mortgage Sale Agreement (the "**Mortgage Loan Warranties**"). Mortgage Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Mortgage Loan had such matters been revealed. 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 breach of a Mortgage Loan Warranty in relation to a Mortgage Loan shall be the requirement that the Seller repurchase any Mortgage Loan which is the subject of the breach, **provided that** this shall not limit any other remedies available to the Issuer if the Seller fails to repurchase a Mortgage Loan when obliged to do so.

There can be no assurance that the Seller will honour or have the financial resources to honour such obligations under the Mortgage Sale Agreement. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Seller and neither the Issuer, the Note Trustee nor the Security Trustee will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations.

#### ***Provisional Mortgage Portfolio and Selection Process***

The information in the section entitled "*Characteristics of the Provisional Mortgage Portfolio*" was extracted from the administrative systems relating to the Mortgage Portfolio as at the Portfolio Reference Date. The Mortgage Portfolio was selected as at the Cut-Off Date and comprised 1,288 Mortgage Loans with an aggregate Principal Outstanding Balance of £242,789,980.21.

The characteristics of the Mortgage Portfolio as at the Closing Date will vary from those of the Provisional Mortgage Portfolio as a result of, *inter alia*, the exclusion of: (i) Mortgage Loans which redeem prior to the Closing Date (in accordance with their terms); and (ii) Mortgage Loans which at any time prior to the Cut-Off Date are found not to comply with the warranties to be given in respect of the Mortgage Loans on the Closing Date as set out in the Mortgage Sale Agreement. In addition, further Mortgage Loans may be purchased by the Issuer following the Closing Date as Additional Mortgage Loans. Additional Mortgage Loans may not have formed part of the Provisional Mortgage Portfolio. See section "*The Mortgage Portfolio and the Mortgage Loans*" for more detail.

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

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

### ***Enforcement***

In relation to enforcement generally, even assuming that the Properties provide adequate security for the Mortgage Loans, delays could be encountered in connection with enforcement of the Mortgages and recovery under 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.

The Court has a very wide discretion. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay.

In addition, certain regulatory measures, court orders or industry practice may restrict authorised firms (such as the Servicer) 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 such Borrower's circumstances, it is appropriate or required to take certain actions instead of a repossession, including (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments.

While each such forbearance option need not be explored at every stage of interaction with such Borrower, it is clear that these rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions which the relevant loan may be subject to as a result, *inter alia*, of such loan being contained within a securitisation transaction. As a result, the rules may operate in certain circumstances to require the Seller or the Servicer to take certain forbearance-related actions which would not otherwise comply with the Transaction Documents (and, in particular, the 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 on the Issuer's ability to make payments in full when due on the Notes, although the impact of this will depend on the number of Loans that involve Borrowers who experience payment difficulties.

Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements or may incur certain financial liabilities in respect of the Property. Actions for possession are regulated by statute and may incur certain financial liabilities in respect of the Property. 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 Loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Mortgage Loan.

Each of the Note Trustee and the Security Trustee has the absolute discretion at any time to refrain from taking any action under the Trust Deed or the Deed of Charge (as applicable) or any of the Transaction Documents including becoming a mortgagee in possession in respect of any property contained with 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.

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

The value of the Related Security in respect of the Mortgage Loans may be affected by, among other things, a decline in residential property values in the United Kingdom, generally or in a specific region thereof. If the residential property market in the United Kingdom generally or in a specific region thereof should experience an overall decline in property values (as has in some cases happened since the date of origination of the Mortgage Loans), such a decline could in certain circumstances result in the value of the Related Security being significantly reduced and, in the event that the Related Security is required to be enforced, may result in an adverse effect on payments on the Notes.

The Issuer cannot guarantee that the value of a property will remain at the same level as on the date of origination of the related Mortgage Loan, the Closing Date or the relevant Additional Mortgage Loan Purchase Date, if applicable. In certain cases, the value of the property is expected to be lower at the Closing Date or the relevant Additional Mortgage Loan Purchase Date, if applicable, than at the date of origination (see the section titled "*Characteristics of the Provisional Mortgage Portfolio*" for a breakdown of the LTV and Current LTV in the Provisional Mortgage Pool). Downturns in the performance of the United Kingdom economy generally may have a negative effect on the housing market. A fall in property prices resulting from a deterioration in the housing market could result in losses being incurred by the Issuer where the net recovery proceeds are insufficient to redeem any outstanding loan secured on such property. If the value of the Related Security backing the Mortgage Loans is reduced this may ultimately result in losses to Noteholders if the Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

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

There has been some recovery in the UK housing market with prices now above pre-crisis highs in some regions. There is a risk that house price growth will continue to accelerate faster than earnings, stretching affordability and leaving households more vulnerable to shocks, such as increases in interest rates that could ultimately lead to higher retail loan losses. There is potential for activity and prices to decline should the labour market situation deteriorate, or if strains in the financial system re-emerge and impair the flow of credit to the wider economy. This risk is particularly relevant to Interest Only Mortgage Loans. (See the section titled "*Risk of Losses Associated with Interest Only Mortgage Loans*" below for further detail).

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

Mortgage Loans in the Mortgage Portfolio may also be subject to geographic concentration risks within certain regions of the United Kingdom. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the United Kingdom, a concentration of the Mortgage Loans in such a region may be expected to exacerbate the risks relating to the Mortgage Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect regional employment levels and consequently the repayment ability of the Borrowers in that region or in the region that relies most heavily on that industry. The Issuer can predict neither when or where such regional economic declines

may occur nor to what extent or for how long such conditions may continue. Any natural disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon the sale of such Properties. These circumstances could affect receipts on the Mortgage Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Mortgage Loans in the Mortgage Portfolio, see "*Characteristics of the Provisional Mortgage Portfolio*".

### ***Additional Mortgage Loans***

Any Additional Mortgage Loan is required as at the date of its acquisition by the Issuer to comply with the representations and warranties specified in the Mortgage Sale Agreement and the acquisition of any Additional Mortgage Loan is subject to compliance by Issuer with the Mortgage Sale Agreement and the Servicing Agreement, including compliance with the Additional Mortgage Loan Conditions. Before such acquisition becomes effective, the Rating Agencies will have analysed and reviewed data provided to them relating to, among other things, the credit quality and characteristics of any relevant Additional Mortgage Loans being acquired by the Issuer, and the Rating Agencies (other than Fitch whose current policy is not to provide any Rating Agency Confirmation) will have confirmed that such acquisition will not adversely affect any of the then current ratings of the Notes. However, there can be no certainty that all Additional Mortgage Loans acquired by the Issuer will have similar proportions or similar concentration characteristics as set out in the tables in the section entitled "*Characteristics of the Provisional Mortgage Portfolio*" below in relation to the Mortgages constituting the Provisional Mortgage Portfolio. If on the Interest Payment Date following the Final Additional Mortgage Loan Purchase Date the aggregate amounts applied by the Issuer on the relevant Additional Mortgage Loan Purchase Date to purchase Additional Mortgage Loans is less than the amount (if any) of the amount standing to the credit of the Pre-Funding Reserves at that time, the amounts standing to the credit of the Pre-Funding Revenue Reserve will be applied as Available Revenue Receipts and the Pre-Funding Redemption Reserve will be applied as Available Redemption Receipts. The Additional Mortgage Loans are subject to certain Additional Mortgage Loan Conditions (including the Additional Mortgage Loan Portfolio Tests) and Lending Criteria. For further information on conditions applicable to the acquisition of Additional Mortgage Loans by the Issuer see "*The Mortgage Portfolio and the Mortgage Loans*" and "*Assignment of the Mortgage Loans and Related Security*".

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

In certain circumstances, the loan term, the repayment profile or other terms of a Mortgage Loan may have been altered to improve the affordability of the relevant Mortgage Loan for the relevant Borrower who was experiencing payment or repayment difficulties or who has otherwise requested such amendments. Additionally, some Borrowers may have breached other payment or non-payment obligations under the Mortgage Loans during the period since they were originated. Defaults may occur for a variety of reasons. The ability of the Borrowers to pay amounts owed under the Mortgage Loans may be affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect their ability to repay their Mortgage Loan. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies (and analogous arrangements) of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay their Mortgage Loans. Certain Borrowers may be, or may become, unemployed throughout the life of the Mortgage Loan taken out by them, which could affect their ability to make payments and repayments under such Mortgage Loan. Additionally, Borrowers who are self-employed may have an income stream which is more susceptible to change (including the reduction or loss of future earnings due to illness, loss of business, tax laws or general economic conditions) than Borrowers who are in full time employment. Each such Borrower may resultantly be more likely to fall into payment difficulties. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

### ***Lending Criteria***

The Mortgage Loans have been underwritten generally in accordance with the underwriting standards described in the section entitled "*The Mortgage Portfolio and the Mortgage Loans*" below. Those underwriting standards consider, among other things, a borrower's credit history, status, repayment ability, as well as the value of the property and the value of the rental stream.

There can also be no assurance that these underwriting standards were applied in all cases or that Mortgage Loans originated under different criteria have not been included in the Mortgage Portfolio.

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

As of the Portfolio Reference Date, approximately 96.5 per cent. of the Mortgage Portfolio by aggregate Principal Outstanding Balance of the Mortgage Loans 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 Current Balance of the relevant Mortgage Loan if such Borrower has not previously redeemed the relevant Mortgage Loan in full or in part. The ability of such Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower's ability to sell or refinance the Property. The inability of Borrowers to sell their respective Properties or refinance their respective Mortgage Loans may ultimately result in a reduction of amounts available to the Issuer and adversely affect its ability to make payments under the Notes.

As a result of UK Government attention, borrowers with interest-only loans which are mortgages have been encouraged to switch to a repayment loan, whereby the principal of the loan is repaid over its term. Should a Borrower elect, subject to the consent of the Seller and the Servicer, to amend the terms of its Mortgage Loan from an Interest Only Mortgage Loan to a Repayment Mortgage Loan, the relevant Mortgage Loan would remain with the Issuer as part of the Mortgage Portfolio, resulting in the Issuer and Noteholders receiving redemption payments on the relevant Mortgage Loan and the relevant Notes respectively, earlier than would otherwise have been the case. See further "*Risk Factors – Yield and Prepayment Considerations*" above.

### ***Particular Risks Associated with Buy-To-Let Loans***

The Mortgage Loans are non-owner occupied residential loans intended to be taken out by a Borrower in relation to the purchase or re-mortgage of a property for letting purposes (a "**Buy-To-Let Loan**").

In relation to Buy-To-Let Loans, the Borrower's ability to service such Mortgage Loans is likely to depend on the Borrower's ability to lease the relevant Properties on appropriate terms. The relevant Lending Criteria in respect of the Buy-To-Let Loans at the point of origination required that the relevant tenancy was an assured shorthold tenancy. However, no assurance can be given that such requirements were actually adhered to by the relevant Borrower and the existence of or type of tenancy arrangements entered into by Borrowers of Buy-To-Let Loans has not been verified. Therefore, there can be no assurance that each such Property will be the subject of an existing tenancy when the relevant Mortgage Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Mortgage Loan and/or that the rental income from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest obligations or capital repayments in respect of the Mortgage Loan and that any of these factors would not have an adverse effect on the ability of the Issuer to make repayments on the Notes. There can be no assurance that, in the event of a material downturn in the private rental market, the ability to make repayments on the Mortgage Loans would not be adversely affected and as a consequence, the ability of the Issuer to make repayments under the Notes would not be adversely affected. Such a downturn could be precipitated by a range of factors, which may include (but are not limited to) an expansion of owner-occupied lending should credit conditions loosen and/or legislative changes affecting the sector, such as the introduction of rental caps or the regulation of the market or parts thereof.

Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain, or may have difficulties in obtaining, vacant possession of the Property, for reasons including because the relevant tenancy may not be an assured shorthold tenancy. In such cases, the Servicer will only be able to sell the Property as an investment property with one or more

sitting tenants. This may affect the amount which the Servicer could realise upon enforcement of the Mortgage and the sale of the Property. In such a situation, amounts received in rent may not be sufficient to cover all amounts due in respect of the Mortgage Loan. However, enforcement procedures in relation to such Mortgages include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage Loan.

Any of the above may lead to the reduction of amounts available to the Issuer and, ultimately, affect its ability to make payments under the Notes.

The UK Government has passed legislation restricting the amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) to the basic rate of tax. Such restriction will be introduced gradually from 6 April 2017. From 1 April 2016, a higher rate of stamp duty land tax ("**SDLT**") has applied to the purchase of additional residential properties (such as buy-to-let properties). The current additional rate is three per cent. above the current SDLT rate. The introduction of these measures may adversely affect the private residential rental market in England and Wales in general, or (in the case of the restriction of income tax relief) the ability of individual Borrowers of Buy-to-Let Loans to meet their obligations under those Mortgage Loans.

#### ***Financial Services Compensation Scheme and "Help to Buy" Scheme not applicable***

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

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

#### ***Realisation of Charged Assets 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 is not at present 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 Security 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 Issuer (with the consent of the Security Trustee) to appoint a replacement servicer with experience of servicing residential property mortgage loans in the United Kingdom, **provided that** such appointment is on substantially the same terms as those set out in the Servicing Agreement and the then current ratings of the Notes are not adversely affected thereby. The ability of a replacement servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment.

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.

The Servicer has no obligation themselves to advance payments that Borrowers fail to make in a timely fashion.

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 Issuer Account Bank under the Issuer Account Bank 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 and the Residual Certificates. If any of the above parties (i) were to fail to perform their obligations under the respective agreements to which they are a party; or (ii) were to resign from their appointment; or (iii) if their appointment under the agreements to which they are a party were to be terminated in accordance with the terms of the Transaction Documents (in each case, without being replaced by a suitable replacement party that is able to perform such services, has at least the minimum required ratings and holds the required licences); or (iv) in the event of the insolvency of the Collection Account Bank, Global Collection Account Bank or Issuer Account Bank, the collections on the Mortgage Portfolio or the payments to the Noteholders and the Certificateholders may be disrupted or otherwise adversely affected, which, in turn, may negatively impact the value of the Notes and the ultimate return on the Notes. However, to an extent such risks are mitigated by provisions in the relevant agreements which stipulate that no resignation or termination of the relevant service provider will be effective unless a replacement service provider of certain required standing, with certain required qualifications, having at least the required ratings or holding the required licences (as applicable) is appointed in accordance with the terms of the relevant agreements.

### ***Title of the Issuer***

Legal title to all of the Mortgage Loans and their related Mortgages are currently vested in the Seller.

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, Mortgages and other Related Security, a *bona fide* purchaser from the Seller of any of such Mortgage Loans, Mortgages and other Related Security for value without notice of any of the interests of the Issuer or the Security 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 Security Trustee in this way is likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, gross negligence or mistake on the part of the Seller or the Issuer or its personnel or agents. Further, the rights of the Issuer and the Security Trustee may be or become subject to the direct rights of the Borrowers against the Seller. Such rights may include the rights of set off which arise in relation to transactions made between certain Borrowers and the Seller and the right of the relevant Borrowers to redeem their Mortgage Loans by repaying the relevant Mortgage Loan directly to the Seller. These rights may result in the Issuer receiving less monies than anticipated from the Mortgage Loans.

Until the Issuer obtains legal title to the Mortgage Loans, their related Mortgages and the Related Security, the sale of the Mortgage Loans and their related Mortgages and Related Security will take effect in equity only.

This means that in order for legal title to be transferred to the Issuer, transfers, conveyances and assignments would have to be registered or recorded at Her Majesty's Land Registry in England and Wales (the "**Land Registry**") and notice would have to be given to Borrowers of the transfer.

Further, unless notice of the assignment was given to the Borrowers in respect of the Mortgage Loans and their Related Security, equitable or independent set-off rights may accrue in favour of any Borrower against his or her obligation to make payments to the Seller under the relevant Mortgage Loan. These rights may result in the Issuer receiving reduced payments on the Mortgage Loans. The transfer of the benefit of any Mortgage Loans to the Issuer will continue to be subject to any prior rights any applicable Borrower may become entitled to after the transfer. Where notice of the assignment is given to any Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Mortgage Loan) may not arise after the date notice is given. For further information on the effects of set-off in relation to the Mortgage Portfolio, see "*Set-off may adversely affect the value of the Mortgage Portfolio or any part thereof*" below.

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

As described above, the sale by the Seller to the Issuer of the Mortgage Loans and their Related Security will be given effect by an assignment. As a result, legal title to the Mortgage Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of a Perfection Event. Therefore, the rights of the Issuer may be subject to certain set-off rights which the relevant Borrower has against the Seller.

The Borrowers may be entitled to exercise certain independent or equitable set-off rights against the Issuer. Subject to the paragraph below in relation to the crystallisation of Borrowers' rights of set-off following receipt of notice of assignment, independent set-off will arise in connection with transactions that are unconnected with the relevant Borrower's Mortgage Loan. Generally, an independent right of set-off could include, but is not limited to, claims by a Borrower for unpaid wages or pension liabilities (though the Seller will represent and warrant that the Borrowers are not its employees). An independent right of set-off could also arise where the legal title holder of the Mortgage Loans is a credit institution and the relevant borrower holds an unconnected savings or deposit account with such legal title holder. However, the Seller is not a deposit-taking institution and is not authorised to hold client money as at the date of this Prospectus.

Equitable set-off rights may arise in connection with a transaction connected with a Mortgage Loan. Once notice has been given to the Borrowers of the assignment of the Mortgage Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. In relation to the Landbay Mortgage Loans, independent set-off rights against Landbay would have crystallised on notice of transfer to the Seller. Set-off rights arising under "*transaction set-off*" (being those set-off claims arising out of a transaction connected with the Mortgage Loan) will not be affected by that notice and will continue to exist.

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

The amount of any such claim against the Seller for equitable set-off will, in many cases, be the cost to the Borrower of finding an alternative source of funds. In addition to the difference in the cost of borrowing, the relevant Borrower could also set off any direct losses arising from the Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

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

***LIBOR reform***

Following investigations into alleged manipulation of the London Inter-Bank Offered Rate as set by the British Bankers' Association (the "**BBA**") and other benchmarks, various reforms have been made, and continue to be made, to the regulation of benchmarks at UK, EU and international levels. The administration of the London Inter-Bank Offered Rate and certain other specified benchmarks has been a regulated activity in the UK since 2013. Also in 2013, the European Commission published a legislative proposal for a proposed Regulation on indices used as benchmarks in financial instruments and financial

contracts. The resulting Benchmarks Regulation was published in the Official Journal of the EU in June 2016 and will apply from 1 January 2018. The Benchmarks Regulation will impose new requirements on the administrators and users of, and contributors to, benchmarks used in the EU. In 2014, ICE Benchmark Administration Limited ("**IBA**") replaced the BBA as the administrator of the London Inter-Bank Offered Rate.

Investors should be aware that: (a) actions taken by IBA as the administrator of LIBOR, or further action taken by regulators or law enforcement agencies may affect LIBOR (and/or the determination thereof) in unknown ways, which could adversely affect the value and liquidity of the Collateralised Rated Notes; (b) amendments to the UK regulatory framework to reflect the requirements of the Benchmarks Regulation (Regulation (EU) 2016/1011) may affect the determination of LIBOR; and (c) reforms to the determination of LIBOR could have the effect of a sudden or prolonged increase or decrease in LIBOR and may have an adverse impact on the value of the Notes and the payment of interest thereunder.

Further, any uncertainty with respect to LIBOR may (i) affect the ability of the Borrowers to pay amounts owed under the Variable Mortgage Loans, Tracker Mortgage Loans and the Fixed to Tracker Mortgage Loans following the expiry of the relevant fixed period (as to which please see the section titled "*Delinquencies or Default by Borrowers in paying amounts due on their Mortgage Loans*" above) and (ii) impact upon the determination of the rate of interest payable on the Variable Mortgage Loans, Tracker Mortgage Loans and the Fixed to Tracker Mortgage Loans following the expiry of the relevant fixed period. Such uncertainty may adversely affect the interest payable on some of the underlying Mortgage Loans.

### ***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, the buy-to-let mortgage loan market or specifically in relation to the Seller or the Servicer. Any such action or developments may have a material adverse effect on the Mortgage Loans, the Seller, the Issuer or the Servicer 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 and the Notes.

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

#### ***Regulation of Mortgage Business***

In the United Kingdom, regulation of residential mortgage business under the FSMA came into force on 31 October 2004. Residential mortgage lending under the FSMA is regulated by the FCA and the PRA (these organisations took over the responsibilities of the FSA after 1 April 2013). Subject to certain exclusions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under the FSMA requiring either authorisation from the FCA or a legal exemption.

If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower.

Generally speaking buy-to-let mortgages where the borrower is acting by way of business are not regulated as either Regulated Mortgage Contracts or CBTL Mortgages (as defined in "*Mortgage Credit Directive*" below). The Seller will represent, in respect of the Mortgage Loans on the Closing Date or the Additional Mortgage Loan Purchase Date, as applicable, that none of the Mortgage Loans is or has ever been a Regulated Mortgage Contract as defined in article 61(3)(a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) (the "**Regulated Activities Order**" or the "**RAO**"). However, the application of the regulatory perimeter is a question of fact and only the courts have the power to determine whether a particular mortgage qualifies as a Regulated Mortgage Contract.

The Seller will also give certain warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Mortgage Loan and its Related Security is enforceable (subject to certain exceptions).

If a Mortgage Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the Issuer, and subject to the expiry of applicable cure periods, be liable to repurchase the relevant Mortgage Loans and their Related Security from the Issuer in accordance with the Mortgage Sale Agreement.

Regulated activities in relation to debt such as debt administration and debt collecting could still be carried out in respect of unregulated buy-to-let mortgage loans, including certain Mortgage Loans. However, an exclusion applies when the person carrying out these activities such as the Servicer or Issuer is the person providing credit under a credit agreement, or a person who exercises or has the right to exercise the rights and duties of a person who provided credit under such an agreement.

#### *Financial promotions regime*

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

#### *Regulation of consumer credit in the UK*

Certain lending in the United Kingdom is regulated by the Consumer Credit Act 1974, as amended (the "CCA"). The regulator for credit agreements regulated by the CCA was the OFT before 1 April 2014, which issued licences and guidance on conduct of business under the CCA, from 1 April 2014 the FCA has been responsible for the regulation of consumer credit and issues authorisation and permission and sets the rules and guidance on conduct of business under FSMA. The FCA is also the regulator for Regulated Mortgage Contracts under the FSMA.

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 RAO (which exempt, amongst other things, Regulated Mortgage Contracts). 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.

Credit agreements made before 1 April 2014 are regulated by the CCA where: (a) the Borrower was or included an "individual" as defined in the CCA; (b) (if the credit agreement was made before 6 April 2008) the amount of credit 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. The upper financial limit of £25,000 was removed on 6 April 2008 but after the removal of the upper financial limit certain credit agreements remained exempt from being classified as regulated credit agreements. This included exemptions applicable to loans over £25,000 which were entered into by the borrower for business purposes or where the borrower occupied or intended to occupy, less than 40% of the land secured by the legal mortgage. These exemptions were included in the RAO in a similar form when the FCA became responsible for the regulation of consumer credit.

The Seller represents that in respect of the Mortgage Loans on the Closing Date or the Additional Mortgage Loan Purchase Date, as applicable, none of the Mortgage Loans is or has ever been a regulated agreement or regulated credit agreement (as defined in Section 8 of the CCA and Chapter 14A of Part 2 of the RAO, respectively). However, any credit agreement that was intended to be unregulated, might instead be a Regulated Mortgage Contract or wholly or partly regulated by the CCA or be treated as such because of technical rules on:

- (a) determining whether any credit under the CCA arises, or whether any applicable financial limit of the CCA is exceeded;



- (b) determining whether the credit agreement is an exempt agreement under the CCA / RAO (for example, certain types of credit agreement to finance the purchase of, or alteration to, homes or business premises, or Regulated Mortgage Contracts under FSMA); or
- (c) amendments made to credit agreements.

Any lender or broker undertaking consumer credit business, including where a credit agreement is only partly regulated by the CCA or treated as such must comply with requirements under the CCA as to licensing (or, following 1 April 2014, FCA authorisation of lenders and brokers), documentation and origination procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower (a) without an order of the FCA or the court, if the lender or any broker did not hold the required licence or authorisation at the relevant time, (b) totally, for a credit agreement entered into before 6 April 2007, if the form of such credit agreement was not signed by the borrower personally or omits or mis-states a "prescribed term" or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.

A court order under section 126 CCA is necessary to enforce a land mortgage, securing a CCA regulated agreement, a Regulated Mortgage Contract or a consumer credit agreement that would, but for article 60D of the RAO, be a regulated agreement. In dealing with such application, the court has the power, if it appears just to do so, to amend the loan, further advance or credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under section 75 of the CCA, in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such, where the credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier. 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 (under FSMA) of a rule under FSMA. From 1 April 2014, such rules include rules in the Consumer Credit Sourcebook ("**CONC**"). The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

Sections 140A-C of the CCA contain an "unfair relationship" test that applies to all credit agreements, other than Regulated Mortgage Contracts under the FSMA, thus including buy-to-let loans. If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the Originator or the Initial Lender of Record (as applicable), or any assignee to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's and the lender's conduct before and after making the agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and, subsequently, the CRA (as defined below). The courts may, but are not obliged to, look solely to the CCA for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary. The Supreme Court's judgment in *Plevin* has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship that those which would be relevant to the application of the rules.

Early repayment charges are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or is treated as such. A more restrictive formula applies generally to all such credit agreements made on or after 11 June 2010. This may have an adverse effect on the enforceability of certain Mortgage Loans and consequently the Issuer's ability to make payment in full on the Notes when due.

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

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Mortgage Loan and its Related Security is enforceable (subject to exceptions). If a Mortgage Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, prior to the Optional Redemption Date and upon receipt of notice from the Issuer, be liable, subject to the expiry of applicable cure periods, to repurchase the relevant Mortgage Loan(s) and their Related Security from the Issuer.

#### *Mortgage Credit Directive*

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers. The Council of the European Union adopted the resulting directive (Directive 2014/17/EU) (the "**Mortgage Credit Directive**") on 28 January 2014. Member States were required to implement the Mortgage Credit Directive into national law by 21 March 2016.

The Mortgage Credit Directive aims to create an EU-wide mortgage credit market with a high level of consumer protection. It applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the EU (a "**Member State**") on residential immovable property, or secured by a right relating to residential immovable property; and (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building. It also extends the Consumer Credit Directive (2008/48/EC) to (c) unsecured credit agreements the purpose of which is to renovate residential immovable property involving a total amount of credit above €75,000. The Mortgage Credit Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

In the UK, the Mortgage Credit Directive was implemented in part by the Mortgage Credit Directive Order 2015 ("**MCD Order**"). In outline, the MCD Order has: (i) put in place a new regulatory regime for consumer buy-to-let mortgages ("**CBTL Mortgages**"); (ii) widened the definition of a Regulated Mortgage Contract to include second charge mortgages; and (iii) transferred the regulation of some existing regulated credit agreements (e.g. second charge loans) from the consumer credit regime to the regime that applies to Regulated Mortgage Contracts. The MCD Order took effect for most purposes on 21 March 2016, the date on which the Mortgage Credit Directive became effective, although it was amended on 16 March 2016 by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2016 (SI 2016/392) to apply to certain agreements dating from before 21 March 2016. As a result, the MCD Order also regulates certain credit agreements secured on land that were in existence at 21 March 2016, including existing second charge mortgages ("**consumer credit back book mortgage contracts**"). Certain provisions of MCOB will become applicable to these consumer credit back book mortgage contracts. These include the rules relating to post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2). This process is subject to detailed transitional provisions that are intended to retain certain customer protections in CONC and the CCA that are not contained within MCOB.

On 22 July 2015, the Mortgage Credit Directive Order (Amendment) Order 2015 (the "**MCD (Amendment) Order**") was published. Articles 1 and 2 of the MCD Amendment Order came into force on 20 September 2015. Article 3 came into force on 21 March 2016. The MCD (Amendment) Order: (i) provides that the availability of a transitional arrangement for new loans secured by a second or subsequent mortgage is determined at the first contact with a customer, whether that contact is made by a mortgage lender or an intermediary; and (ii) clarified the regulatory status of a small number of existing buy-to-let mortgages.

In parallel, the FCA consulted on the implementation of this new framework, making its Mortgage Credit Directive Instrument 2015, also on 25 March 2015. The legislation came into force on 21 March 2016, creating a new distinction between CBTL Mortgages and buy-to-let mortgage agreements wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower ("**Unregulated BTL Agreements**"). The legislation sets out a series of circumstances which would indicate a buy-to-let customer is acting by way of business. The UK Treasury has stated that they would expect CBTL Mortgage activity to represent a small proportion of total buy-to-let transactions. A firm entering into a CBTL Mortgages as a lender, acting as an administrator, intermediary, arranger or carrying out advisory services in relation to CBTL Mortgages must be registered with the FCA and will be subject to conduct of business rules in respect of both the origination and servicing of CBTL Mortgages.

On 27 March 2015, the FCA published Policy Statement PS 15/9, which contains the final text of the Handbook material giving effect to the Mortgage Credit Directive. This Handbook material contained extensive changes to MCOB. The rules took effect from 21 March 2016, although lenders had the option to elect to apply them from 21 September 2015. On 5 June 2015 the FCA published a further policy statement, PS 15/11, making further handbook changes to give effect to the Mortgage Credit Directive. In particular, these changes resulted in certain consumer buy-to-let mortgage business becoming subject to the FCA's dispute resolution rules and the jurisdiction of the Financial Ombudsman Service (discussed below). Any further changes to MCOB or changes in the regulatory framework may adversely affect the Mortgage Loans, the Seller and/or the Servicer and their respective businesses and operations.

#### ***FCA powers to make temporary product interventions***

Section 137D of the FSMA permits the FCA to make temporary product intervention rules ("**TPIRs**") prohibiting authorised persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. The FCA is normally obliged to consult the public and prepare a cost-benefit analysis before making any rules but the TPIRs are an exception to this requirement which allow the FCA to make rules without consultation, if it considers that it is necessary or expedient to do so. TPIRs are intended to offer protection to consumers in the short term whilst either the FCA or the industry develop more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a TPIR, the FCA's rules may provide: (i) for the relevant agreement or obligation to be unenforceable (although any unenforceability provision would only apply to sales made after the introduction of the rules); (ii) for the recovery of any money or other property paid or transferred under the agreement; or (iii) provide for the payment of compensation for any loss sustained under the relevant agreement or obligation.

In March 2013 the FSA published a Statement of Policy "The FCA's use of temporary product intervention rules" following a consultation addressing when and how the FCA would consider making TPIRs. According to the Statement of Policy, the FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make the rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as the potential scale of detriment in the market and potential scale of detriment to individual customers, whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment, the market context and whether the use of TPIRs will have any unintended consequences.

#### ***Distance Marketing***

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

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

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

If a significant portion of the 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 the Mortgage Loans, affecting the Issuer's ability to make payments in full on the Notes and Residual Certificates when due.

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

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to agreements made on or after 1 July 1995 and before 1 October 2015.

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

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

The lead enforcement body for the UTCCR was the OFT before 1 April 2014, and the Competition and Markets Authority (the "**CMA**") from 1 April 2014 to 1 October 2015. The qualifying body in relation to Regulated Mortgage Contracts and mortgage loans originated by lenders authorised under the FSMA was the FSA before 1 April 2013, and the FCA from 1 April 2013 to 1 October 2015. The lead enforcement body was responsible for enforcing the UTCCR in relation to other mortgage loans.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded by the OFT as unfair under the UTCCR unless the lender: (a) notifies the affected borrower in writing at least 30 days before the rate change; and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The OFT withdrew the guidance note from its website, but the guidance note may remain as a factor that the FCA and CMA may take into account in respect of Mortgage Loans entered into before 1 October 2015.

The FCA's MCOB requires that, for Regulated Mortgage Contracts (a) arrears charges represent a

reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance.

Whilst the 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 to Noteholders on the Notes.

The FCA and the CMA now have joint responsibility for protecting the interests of consumers. On 12 January 2016, the FCA and the CMA published a joint memorandum of understanding on the use of concurrent powers under consumer protection legislation. This sets out (among other things) a framework for consumer law and how the FCA and the CMA will exercise their powers under consumer law. It provides a general outline of the role of each authority, and explains their intention to work together towards the shared purpose of making financial markets work well for consumers.

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

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA indicated that the material removed no longer reflected the FCA's views on unfair contract terms under the UTCCR and that firms should no longer rely on the content of the documents that have been removed. Although the FCA has not indicated why it considers the material it has removed to be inconsistent with its current views, it has stated its intention not to publish guidance on unfair contract terms.

In March 2013, The Law Commission and The Scottish Law Commission (together, the "**Commissions**") published advice to the UK Government on reforming the UTCCR. The Commissions recommend, among other things, that a term which specifies the main subject matter of the contract, or a price term, should only be exempt from being reviewed as to its fairness if the term is transparent and prominent. The Commissions also recommend that the UTCCR should expressly provide that, in proceedings brought by individual consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue of unfairness, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the CRA and which partly repealed the UTCCR, applying to business-to-consumer contracts entered into, and relevant consumer notices issued, on or after 1 October 2015. However, the UTCCR will continue to apply to contracts which were entered into before that date.

### ***Consumer Rights Act 2015***

The Consumer Rights Act 2015 ("**CRA**") came into force on 1 October 2015. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR and has revoked the UTCCR. The amendments introduced by the CRA primarily concern the scope of the unfair contract terms protections, rather than their substance, as well as codifying certain case law developments concerning unfair contract terms. One significant amendment introduced under the CRA is an express requirement on the court to consider the fairness of the terms in a consumer contract, where it has sufficient legal and factual information to do so, even where this is not in issue between the parties in that particular case.

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding, on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A

term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

Schedule 2 contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract". However paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

A term in a consumer contract may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it; unless it appears on the "grey list" referenced above. A trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent i.e. that it is expressed in plain and intelligible language and is legible.

Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is capable of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings have explicitly raised the issue of fairness.

The CMA has published guidance on its understanding of the provisions in the CRA relating to unfair contract terms and notices (CMA37: Unfair contract terms guidance - guidance on the unfair terms provisions in the Consumer Rights Act 2015). The Unfair Contract Terms Regulatory Guide ("UNFCOG") in the FCA Handbook explains the FCA's policy on how it uses its formal powers under the CRA. Previous versions of the guidance explain the FCA's policy in relation to the UTCCR.

Although the new regime does not differ significantly from the regime under the UTCCR, this is a rapidly developing area of law. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the Servicer, the Issuer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Mortgage Loans.

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

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

Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

The Seller may not be aware that a complaint has been made to the Ombudsman until it is notified of such complaint. Further, the Mortgage Loans may from time to time be the subject of a complaint where the basis of such complaint does not pertain to the validity or enforceability of such Mortgage Loan and does not affect the ability of the Seller to collect payments due in respect of such Mortgage Loan. However, as the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to a complaining borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the Issuer to make payments to Noteholders.

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

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

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

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

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

### ***Repossessions policy***

A protocol for mortgage re-possession cases in England and Wales issued by the Civil Justice Council came into force on 19 November 2008 (the "**Pre-Action Protocol**") sets out the steps that judges will expect any lender to take before starting a claim. The Pre-Action Protocol applies to arrears on all residential mortgages, including where the property is let by the relevant borrower to a tenant. Under the protocol, the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Ombudsman about the potential possession claim. In addition, the Mortgage Repossession (Protection of Tenants etc) Act 2010 (the "**Repossession Act 2010**") came into force in England and Wales on 1 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. The protocol in the Repossession Act may have adverse effects in markets experiencing above average levels of repossession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and a lower repayment rate on the Notes.

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

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

of the Notes regarding the regulatory treatment of their investment in the Notes on the Closing Date or at any time in the future.

In particular, investors should note that the Basel Committee on Banking Supervision ("**BCBS**") has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as "**Basel III**"), including certain revisions to the securitisation framework. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"). BCBS member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the LCR requirements refer to implementation from the start of 2015, with full implementation by January 2019, and the NSFR requirements refer to implementation from January 2018). In July 2016, the BCBS issued an updated final standard on revisions to the Basel III securitisation framework. Among other things, the securitisation framework, which will come into effect in January 2018, sets out the amount of regulatory capital banks must hold for exposures to securitisations. As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities (e.g. as LCR eligible assets or not), may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe.

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

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

It should be noted that the European Commission has published legislative proposals for two new regulations related to securitisation. Amongst other things, the proposals include provisions intended to implement the revised securitisation framework developed by BCBS and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. There are material differences between the legislative proposals and the current requirements including with respect to application approach under the retention requirements and the originator entities eligible to retain the required interest. It is not clear whether, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted. In addition, the compliance position under any adopted revised requirements of transactions entered into prior to adoption, and of activities undertaken by a party (including an investor) in respect of such transactions, is uncertain.



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

### ***CRA Regulation***

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

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

Each of the Issuer and the Retention Holder will be required to comply with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under Articles 3 to 7 of Regulation (EU) No. 2015/3) (together, the "**Article 8b Requirements**") in respect of any relevant notes issued by the Issuer. As at the date of this Prospectus, aspects of the Article 8b Requirements remain subject to further clarification and may be replaced by transparency and disclosure requirements set out in the European Commission's proposed regulations referred to above.

### ***European Market Infrastructure Regulation***

The European Market Infrastructure Regulation (EU) No 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories ("**EMIR**") came into force on 16 August 2012. EMIR and the requirements under it impose certain obligations on parties to "over the counter" ("**OTC**") derivative contracts including a mandatory clearing obligation (the "**Clearing Obligation**"), margin posting and other risk-mitigation techniques (the "**Risk Mitigation Requirements**") for OTC derivatives contracts not cleared by a central counterparty, and reporting and record-keeping requirements.

Under EMIR, (i) financial counterparties ("**FCs**") and (ii) non-financial counterparties whose positions, together with the positions of all other non-financial entities in its "group" (as defined in EMIR), in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold ("**NFC+s**", and together with FCs, the "**In-scope Counterparties**") must clear via an authorised or recognised central counterparty ("**CCP**") OTC derivatives contracts that are entered into on or after the effective date for the Clearing Obligation for that counterparty pair and class of derivatives (the "**Clearing Start Date**"). Unless an exemption applies, FCs and NFC+s must clear any such OTC derivative contracts entered into between each other and with certain third country equivalent entities (i.e. those that would have been subject to the Clearing Obligation if they were established in the EU). The process for implementing the Clearing Obligation is under way and a timeframe for compliance has been established for the first class of transactions (being certain interest rate derivative contracts in USD, EUR, GBP and JPY), with the Clearing Start Date for such contracts with NFC+s being 21 December 2018. Timeframes for mandatory clearing of certain other classes of OTC derivatives transactions have also been established.

On the basis that the Issuer is currently a non-financial counterparty whose positions, together with the positions of all other non-financial entities in its "group", in OTC derivatives (after the exclusion of hedging positions) do not exceed any of the specified clearing thresholds (each, an "**NFC-**"), OTC derivative contracts that are entered into by the Issuer would not in any event be subject to any mandatory clearing or frontloading requirements. If the Issuer's counterparty status as an NFC- changes then certain OTC derivatives contracts that are entered into by the Issuer may become subject to the Clearing Obligation.

Under EMIR, OTC derivatives contracts entered into between NFC+ and FC entities (and/or third country equivalent entities) that are not cleared by a CCP may be subject to margining requirements unless certain exemptions apply. The regulatory technical standards relating to the collateralisation obligations in respect of OTC derivatives contracts which are not cleared (the "RTS") are now in force and the obligation for In-scope Counterparties to margin uncleared OTC derivatives contracts is being phased in from the first quarter of 2017 with variation margin obligations applying to all transactions entered into by In-scope Counterparties from 1 March 2017. However, on the basis that the Issuer is an NFC-, OTC derivatives contracts that are entered into by the Issuer would not be subject to any margining requirements. If the Issuer's counterparty status as an NFC- changes then certain OTC derivatives contracts that are entered into by the Issuer may become subject to margining requirements.

If the Issuer becomes subject to the clearing obligation or the margining requirements under EMIR, this may increase administrative burdens on the Issuer, adversely affect the Issuer's ability to enter into hedging arrangements and/or create significantly higher costs of hedging for the Issuer which may in turn reduce the amounts available to make payments with respect to the Notes. Further, if any party fails to comply with the applicable rules under EMIR it may become subject to regulatory sanctions.

OTC derivatives contracts that are not cleared by a CCP are also subject to certain other risk-mitigation techniques, including arrangements for timely confirmation of OTC derivatives contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivatives contracts. These requirements are already in effect. In order to comply with certain of these risk-mitigation requirements, the Issuer has entered into appropriate arrangements with the Swap Counterparty. In addition, under EMIR, counterparties must report all their OTC and exchange traded derivatives contracts to an authorised or recognised trade repository or to the European Securities and Markets Authority.

The Issuer will be required to continually comply with EMIR while it is party to any interest rate swaps, including any additional provisions or technical standards which may come into force after the Closing Date, and this may necessitate amendments to the Transaction Documents. Subject to receipt by the Note Trustee of a certificate from the Issuer (or Cash Manager on its behalf) certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer and/or the Swap Counterparty to comply with any requirements under EMIR, the Note Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents shall be obliged, without any consent or sanction of the Noteholders to concur with the Issuer, in making any modification (other than in respect of a Basic Terms Modification) to the Conditions or any other Transaction Document to which either the Note Trustee or the Security Trustee is a party in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to the provisos described more fully in Condition 13.6.

#### *U.S. risk retention requirements*

The Credit Risk Retention regulations implemented by U.S. Federal regulatory agencies including the SEC pursuant to Section 15G of the Exchange Act (the "**U.S. Risk Retention Rules**") came into effect with respect to residential mortgage backed securities on 24 December 2015 and generally require the "sponsor" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for purposes of that statute, and generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The transaction is not intended to involve the retention by a sponsor of at least 5 per cent. of the credit risk of the Issuer for the purposes of compliance with the U.S. Risk Retention Rules, but rather will be made in reliance on an exemption for non-U.S. transactions provided for in Rule 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the ABS interests (as defined in Rule 2 of the U.S. Risk Retention Rules) are issued) of all classes of ABS interests (as defined in Rule 2 of the U.S. Risk Retention Rules) issued in the securitisation transaction are sold or transferred to U.S. persons (in each case, as defined in the U.S. Risk Retention Rules) or for the account or benefit of U.S. persons (as defined in the U.S. Risk Retention Rules and referred to in this Prospectus as "**Risk Retention U.S. Persons**"); (3) neither the sponsor nor the issuer of

the securitisation transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

Prior to any Notes which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person, the purchaser of such Notes must first disclose to the Lead Manager and the Co-Manager that it is a Risk Retention U.S. Person and obtain the written consent of Paratus AMC Limited, which will be monitoring the level of Notes purchased by, or for the account or benefit of, Risk Retention U.S. Persons. Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S. There can be no assurance that the requirement to obtain Paratus AMC Limited's written consent to the purchase of any Notes which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person will be complied with or will be made by such Risk Retention U.S. Persons.

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

None of the Issuer nor the Relevant Parties or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Notes or Certificates as to whether the transaction described in this Prospectus complies with the U.S. Risk Retention Rules on the Issue Date or at any time in the future. Investors should consult their own advisers as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

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

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

#### ***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 or securitisation market in the United Kingdom generally, the buy-to-let mortgage loan market or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Seller, 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 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 advisors will rely significantly upon the published guidance of HM Revenue & Customs 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 the new 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, interest paid on the Notes could well 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.

### ***The proposed financial transactions tax ("FTT")***

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### ***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.

## **Legal Considerations**

### ***Banking Act 2009 and the European Union Bank Recovery and Resolution Directive***

The UK Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have power to apply certain tools (by way of instrument or order) to deal with the failure (or likely failure) of a UK bank or building society. The Banking Act has been amended a number of times to ensure that it is compliant with the EU's Bank Recovery and Resolution Directive (2014/59/EU) ("**BRRD**"). BRRD was published in the Official Journal of the EU on 12 June 2014 and largely came into force on 2 July 2014. Amongst other things, BRRD provides for the

introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities (including a bail-in tool) and for special rules for cross-border groups.

Provision has been made for certain tools to be used in respect of a wider range of UK entities, including banks, investment firms and certain banking group companies.

The tools currently available under the Banking Act include share and property transfer powers (including powers for partial property transfers), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that these extended tools could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the UK authorities may choose to exercise them. Further, UK authorities have a wide discretion in exercising their powers under the special resolution regime, including modifying or setting aside any Act of Parliament by order of HM Treasury to facilitate its Banking Act objectives.

Although no instrument or order has been made under the provisions of the Banking Act in respect of a relevant transaction entity, as described above, such instrument order or the new bail-in power may if used (amongst other things) affect the ability of certain entities involved in the transaction to satisfy their obligations under the relevant Transaction Documents and/or result in modifications to such documents, which may in turn affect the Issuer's ability to meet its obligations in respect of the Notes.

Although such tools could not be directly applied to the Issuer and so, for example, the Notes would not directly become subject to a bail in under the Banking Act (or other legislation implementing BRRD), there is the risk nonetheless that such tools may be applied to other entities in a manner that indirectly affects the ability of the Issuer to meet its obligations in respect of the Notes.

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

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Rated Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the 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 possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

#### ***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 *Re Leyland Daf* in 2004. Accordingly, it is now the case that, in general the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

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

## ***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 IA 2000 defines a "small company" by reference to whether the company meets certain tests contained in section 247(3) of the Companies Act 1985, 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 Security Trustee's ability to enforce the Security to the extent that: firstly, if the Issuer falls within the criteria for eligibility for a moratorium at the time a moratorium is sought; secondly, if the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Security Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders.

## *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 Deed of Charge) 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 Security Trustee will fall within the capital markets exception. However, it should be noted that the Secretary of State may, 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, will not be detrimental to the interests of the Noteholders.

The Insolvency Act also contains a new out-of-court route into administration, the procedure for which can be commenced by a qualifying floating chargeholder, the relevant company itself or its directors. 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 new provisions of the Insolvency Act 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 will not conflict with the interests of Noteholders were the Issuer ever subject to administration.

The Enterprise Act also removes 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.

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

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

The law in England and Wales 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 as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the relevant Charged Assets, such as an account or the proceeds thereof, for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating chargeholder. See the paragraph entitled "*The Enterprise Act 2002*" above.

#### ***Certain conflicts of interest involving or relating to the Arranger, the Lead Manager, the Co-Manager and their affiliates***

Natixis, the Co-Manager and their affiliates (the "**Managers Parties**") will play various roles in relation to the offering of the Rated Notes, as described below.

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

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

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

In the ordinary course of business, the Managers Parties and employees or customers of the Managers Parties may actively trade in and/or otherwise hold long or short positions in the Notes or enter into transactions similar to or referencing the Notes for their own accounts and for the accounts of their customers. If any of the Managers Parties becomes an owner of any of the Notes, through market-making activity or otherwise, any actions that it takes in its capacity as owner, including voting, providing consents or otherwise will not necessarily be aligned with the interests of other owners of the Notes. To the extent any of the Managers Parties makes a market in the Notes (which it is under no obligation to do), it would expect to receive income from the spreads between its bid and offer prices for the Notes. In



connection with any such activity, it will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions and activities based on the potential effect on an investor in the Notes. The price at which any of the Managers Parties may be willing to purchase Notes, if it makes a market, will depend on market conditions and other relevant factors and may be significantly lower than the issue price for the Notes and significantly lower than the price at which it may be willing to sell the Notes.

Prospective investors should note that certain Managers Parties have provided financing indirectly to Paratus AMC Limited through a warehousing issuer. As such, the proceeds of the issuance of the Notes will be used on or about the Closing Date to refinance such financing by Paratus AMC Limited using a portion of the Initial Purchase Price in respect of the Closing Mortgage Portfolio and their Related Security to purchase the relevant Mortgage Loans from the warehousing issuer before on-selling such part of the Mortgage Portfolio to the Issuer. The warehousing issuer will ultimately use such funds to repay certain Managers Parties. Other than where required in accordance with applicable law, the Managers Parties have no obligation to act in any particular manner as a result of their prior, indirect involvement with the Mortgage Portfolio and any information in relation thereto. With respect to the refinancing, each of the Managers Parties will act in its own commercial interest.

### **EU Referendum**

On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "**Brexit Vote**") and on 29 March 2017 the United Kingdom gave formal notice (the "**Article 50 Notice**") under Article 50 of the Treaty on European Union ("**Article 50**") of its intention to leave the European Union.

The timing of the UK's exit from the EU remains subject to some uncertainty, but it is unlikely to be before March of 2019. Article 50 provides that the EU treaties will cease to apply to the UK two years after the Article 50 Notice unless a withdrawal agreement enters into force earlier or the two year period is extended by unanimous agreement of the UK and the European Council.

The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the UK will leave the EU with no withdrawal agreement in place if no agreement can be reached and approved by all relevant parties within the allotted time. If the UK leaves the EU with no withdrawal agreement, it is likely that a high degree of political, legal, economic and other uncertainty will result.

In addition to the economic and market uncertainty this brings (as to which see "*Market uncertainty*" below), there are a number of potential risks for the transaction that Noteholders should consider:

#### ***Political uncertainty***

Following the Brexit Vote, the UK has entered into a period of acute political uncertainty connected to the negotiations with the EU. Such uncertainty could lead to a high degree of economic and market disruption and legal uncertainty. It is not possible to ascertain how long this period will last and the impact it will have on the UK in general and the market, including market value and liquidity, for asset-backed securities similar to the Notes in particular. The Issuer cannot predict when or if political stability will return, or the market conditions relating to asset-backed securities similar to the Notes at that time.

#### ***Legal uncertainty***

A significant proportion of English law currently derives from or is designed to operate in concert with European Union law. This is especially true of English law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure, and mortgage credit regulation. The Great Repeal Bill proposed in October 2016 and in relation to which a Government white paper was published on 30 March 2017 aims to incorporate the EU law *acquis* into UK law the moment before the UK ceases to be a member of the EU, with the intention of limiting immediate legal change. That white paper describes a Great Repeal Bill that grants the UK Government wide powers to make secondary legislation in order to adapt those laws that would otherwise not function sensibly once the UK has left the EU. Over time, however – and depending on the timing and terms of the UK's exit from the EU – significant changes to English law in areas relevant to the transaction and the parties to the transaction are

likely. The Issuer cannot predict what any such changes will be and how they may affect payments of principal and interest to the Noteholders.

### ***Regulatory uncertainty***

There is significant uncertainty about how financial institutions from the remaining EU Member States (the "EU27") with assets or operations (including branches) in the UK will be regulated and *vice versa*. At present, EU single market regulation allows regulated financial institutions (including credit institutions, investment firms, alternative investment fund managers, insurance and reinsurance undertakings) to benefit from a passporting system for regulatory authorisations required to conduct their businesses, as well as facilitating mutual rights of access to important elements of market infrastructure such as payment and settlement systems. EU law is also the framework for mutual recognition of bank recovery and resolution regimes.

Once the UK ceases to be a Member State of the EU, the current passporting arrangements may cease to be effective, as may the current mutual rights of access to market infrastructure and current arrangements for mutual recognition of bank recovery and resolution regimes. The ability of regulated financial institutions to continue to do business between the UK and the EU27 after the UK ceases to be a Member State of the EU may therefore be subject to separate arrangements between the UK and the EU27. There can be no assurance that there any such arrangements will be concluded and, if they are concluded, on what terms. Such uncertainty could adversely impact the ability of third parties who are regulated financial institutions to provide services to the Issuer and the transaction.

### ***Market uncertainty***

Since the Brexit Vote, there has been volatility and disruption of the capital, currency and credit markets, including the market for asset-backed securities. There may be further volatility and disruption depending on the conduct and progress of the formal withdrawal negotiations initiated by the Article 50 Notice.

Potential investors should be aware that these prevailing market conditions affecting asset-backed securities could lead to reductions in the market value and/or a severe lack of liquidity in the secondary market for instruments similar to the Notes. Such falls in market value and/or lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the securitised portfolio.

The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there would be an increase in the market value and/or there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

### ***Counterparty risk***

Counterparties on the transaction may be unable to perform their obligations due to changes in regulation, including the loss of existing regulatory rights to do cross-border business. Additionally, they may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the Brexit Vote, the Article 50 Notice and the conduct and progress of the formal withdrawal negotiations. As a result, there is an increased risk of such counterparties becoming unable to fulfil their obligations which could have an adverse impact on Noteholders. See "*Servicing of the Mortgage Loans and Reliance on Third Parties*" above.

### ***Adverse economic conditions affecting obligors***

The uncertainty and market disruption following the Brexit Vote and the delivery of the Article 50 Notice may cause investment decisions to be delayed, reduce job security and damage consumer confidence. The resulting adverse economic conditions may affect obligors' willingness or ability to meet their obligations, resulting in increased defaults in the securitised portfolio and ultimately the ability of the Issuer to pay interest and repay principal to Noteholders.

### ***Rating actions***

The Brexit Vote has resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and by Fitch. Standard & Poor's

and Moody's have both placed a negative outlook on the UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action.

The rating of the sovereign affects the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades may cause downgrades to counterparties on the transaction meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the transaction with others who have the required ratings on similar terms or at all.

Moreover, a more pessimistic economic outlook for the UK in general could lead to increased concerns around the future performance of the securitised portfolio and accordingly the ability of the Issuer to pay interest and repay principal to Noteholders and the ratings assigned to the Notes on the Closing Date could be adversely affected.

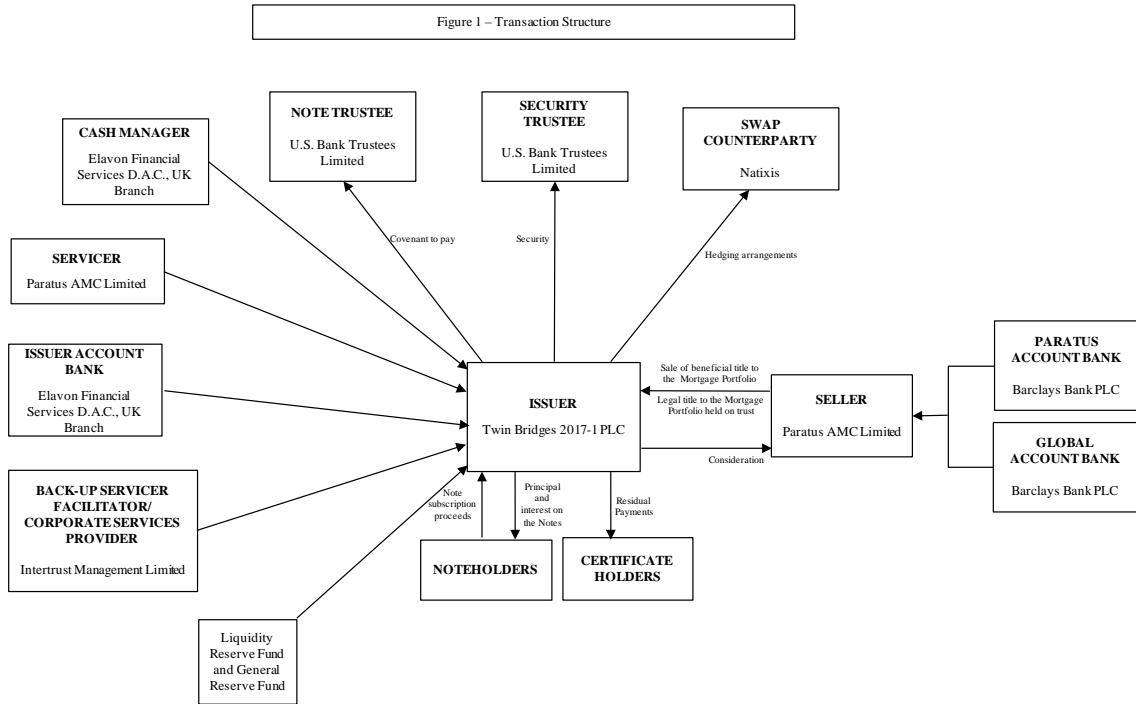
In addition, the ratings attributed to the Notes by Rating Agencies will be capped by reference to the ratings of the sovereign in which the Issuer operates. As such, a significant decline in the ratings of the UK could cause the ratings assigned to the Notes to be adversely affected.

While the extent and impact of these issues is unknown, Noteholders should be aware that they could have an adverse impact on Noteholders and the payment of interest and repayment of principal on the Notes.

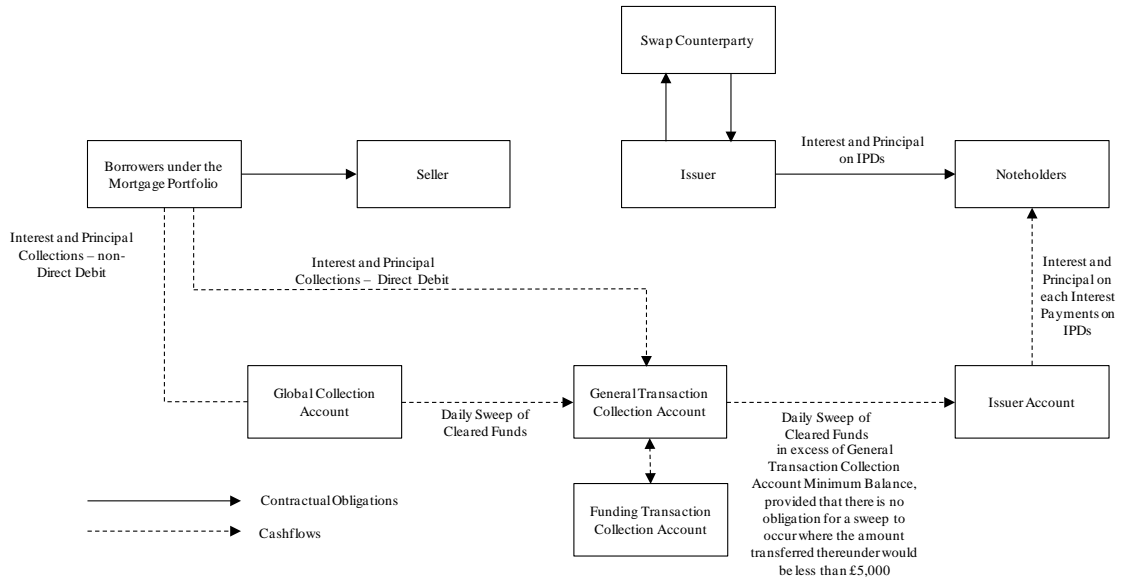
The Issuer believes that the risks described above are the principal risks for the Noteholders inherent in the transaction, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer does not represent that the 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.

# STRUCTURE DIAGRAMS

## DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



## DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS



## OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

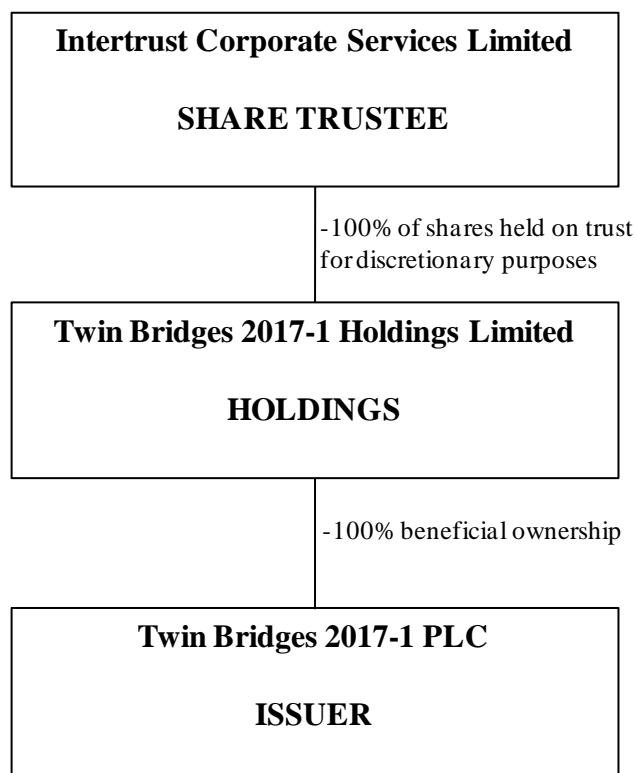


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

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

## TRANSACTION OVERVIEW - PARTIES

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

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

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

Details of the Transaction Parties and certain other entities involved in the Transaction have (for ease of reference) been set out in this Section of this Prospectus.

### Transaction Parties:

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>"Issuer"</b>	Twin Bridges 2017-1 PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
<b>"Holdings"</b>	Twin Bridges 2017-1 Holdings Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
<b>"Seller"</b>	Paratus AMC Limited	5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA	See the sections entitled " <i>Summary of the Key Transaction Documents - Mortgage Sale Agreement</i> " and " <i>The Seller, Retention Holder and Servicer</i> " for further information.
<b>"Retention Holder"</b>	Paratus AMC Limited	5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA	See the section entitled " <i>The Seller, Retention Holder and Servicer</i> " for more information.
<b>"Servicer"</b>	Paratus AMC Limited	5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA	The Servicing Agreement. See the section entitled " <i>Summary of the Key Transaction Documents - Servicing Agreement</i> " and " <i>The Seller, Retention Holder and Servicer</i> " for further information.
<b>"Swap Counterparty"</b>	Natixis, acting through its London branch	Cannon Bridge House 25 Dowgate Hill London EC4R 2YA	The Swap Agreement. See sections entitled " <i>Summary of the Key Transaction Documents - Swap Agreement</i> " and " <i>The Swap Counterparty</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>"Back-Up Servicer Facilitator"</b>	Intertrust Management Limited	35 Great St. Helen's, London EC3A 6AP	The Servicing Agreement. See the section entitled " <i>Summary of the Key Transaction Documents - Servicing Agreement</i> " for further information.
<b>"Cash Manager"</b>	Elavon Financial Services D.A.C., UK Branch	5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR	The Cash Management Agreement. See the sections entitled " <i>Summary of the Key Transaction Documents - Cash Management Agreement</i> " and " <i>Note Trustee, Security Trustee, Cash Manager and Issuer Account Bank</i> " for further information.
<b>"Issuer Account Bank"</b>	Elavon Financial Services D.A.C., UK Branch	5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR	The Issuer Account Bank Agreement. See the sections entitled " <i>Summary of the Key Transaction Documents - Issuer Account Bank Agreement</i> " and " <i>Note Trustee, Security Trustee, Cash Manager and Issuer Account Bank</i> " for further information.
<b>"Global Collection Account Bank"</b>	Barclays Bank PLC	One Churchill Place, London E14 5HP	The Collection Account Bank Agreement. See the section entitled " <i>Summary of the Key Transaction Documents - Global Collection Account Declaration of Trust</i> " and " <i>Deed of Accession to Global Collection Account Declaration of Trust</i> ", and " <i>The Global Collection Account Bank and Collection Account Bank</i> " for further information.
<b>"Collection Account Bank"</b>	Barclays Bank PLC	One Churchill Place, London E14 5HP	The Collection Account Bank Agreement. See the section entitled " <i>Summary of the Key Transaction Documents-Portfolio Transaction Accounts Declaration of Trust</i> " and " <i>The Global Collection Account Bank and Collection Account Bank</i> " for further information.



<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
"Security Trustee"	U.S. Bank Trustees Limited	5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR	The Deed of Charge. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>Note Trustee, Security Trustee, Cash Manager and Issuer Account Bank</i> " for further information.
"Note Trustee"	U.S. Bank Trustees Limited	5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR	The Trust Deed. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>Note Trustee, Security Trustee, Cash Manager and Issuer Account Bank</i> " for further information.
"Principal Paying Agent" and "Agent Bank"	Elavon Financial Services D.A.C., UK Branch	5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR	The Agency Agreement. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
"Registrar"	Elavon Financial Services D.A.C., UK Branch	5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR	In respect of the Notes and Residual Certificates, the Agency Agreement, by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " and " <i>Terms and Conditions of the Residual Certificates</i> " for further information.
"Corporate Services Provider"	Intertrust Management Limited	35 Great St. Helen's, London, EC3A 6AP	The Corporate Services Agreement. See the section entitled " <i>The Corporate Services Provider</i> " for further information.
"Share Trustee"	Intertrust Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	The Share Trust Deed by the Share Trustee.
<b>Other entities involved on the Transaction which are not Transaction Parties:</b>			
"Arranger" and "Lead Manager"	Natixis	30 avenue Pierre Mendès-France, 75013 Paris, France	The Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
"Co-Manager"	SMBC Nikko Capital Markets Limited	One New Change, London EC4M 9AF	The Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
"Competent Authority"	Central Bank of Ireland	New Wapping Street, North Wall Quay, Dublin 1, Ireland	N/A

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
"Stock Exchange"	Irish Stock Exchange PLC	28 Anglesea Street, Dublin 2, Ireland	N/A
"Clearing Systems"	Euroclear Bank S.A. / N.V.	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 Luxembourg	N/A
"Rating Agencies"	Fitch Ratings Limited	30 North Colonnade London E14 5GN	N/A
	Moody's Investors Service Limited	1 Canada Square, Canary Wharf London E14 5FA	N/A
"Originator"	Paratus AMC Limited	5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA	See the section entitled " <i>The Originator and the Initial Lender of Record</i> " for further information.
"Initial Lender of Record"	Landbay Partners Limited	3 <sup>rd</sup> Floor 9-11 Grosvenor Gardens London SW1W 0BD	See the section entitled " <i>The Originator and the Initial Lender of Record</i> " for further information.

## TRANSACTION OVERVIEW – MORTGAGE PORTFOLIO AND SERVICING

*Please refer to the sections entitled "Summary of the Key Transaction Documents - Mortgage Sale Agreement", "Summary of the Key Transaction Documents - Servicing Agreement", "Characteristics of the Provisional Mortgage Portfolio" and "The Mortgage Portfolio and the Mortgage Loans" 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 the Mortgage Portfolio:**

The Mortgage Portfolio will consist of the Mortgage Loans and their Related Security which will be sold by the Seller to the Issuer on the Closing Date and on any date up to and including the Final Additional Mortgage Loan Purchase Date pursuant to the Mortgage Sale Agreement.

The Mortgage Loans and their Related Security are governed by English law.

The Mortgage Loans in the Closing Mortgage Portfolio have been originated by the Seller directly or, in respect of the Landbay Mortgage Loans, under the lending platform established by Landbay, with Landbay as initial lender of record. With respect to the Mortgage Loans originated under the lending platform established by Landbay, with Landbay as initial lender of record, all related mortgage applications were underwritten by the Seller using the Seller's systems and processes and each such Mortgage Loan was funded at origination by the Seller and the legal title of which has since been transferred to the Seller.

The Additional Mortgage Loans to be purchased by the Issuer on the relevant Additional Mortgage Loan Purchase Dates in accordance with the terms of the Mortgage Sale Agreement and subject to the satisfaction of the relevant Additional Mortgage Loan Conditions have been originated by the Seller.

The terms "sale", "sell" and "sold" when used in this Prospectus in connection with the Mortgage Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment. The terms "repurchase" and "repurchased" when used in this Prospectus in connection with a Mortgage Loan and its Related Security shall be construed to include (A) the repurchase of the beneficial interest of the Issuer in respect of such Mortgage Loan and its Related Security and the repurchase of the beneficial interest in respect of such Mortgage Loan and its Related Security and (B) the purchase by the Seller of such Mortgage Loan and its Related Security from the Issuer pursuant to the terms of the Mortgage Sale Agreement.

Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio will not be given to the Borrowers and the Issuer will not apply to the Land Registry to register or record its equitable or beneficial interest in the Mortgages. Prior to the occurrence of a Perfection Event, the legal title to each Mortgage Loan and its Related Security in the Mortgage Portfolio will be held by the Seller on bare trust for the Issuer. Following a Perfection Event and notice of the transfer of the Mortgage Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Mortgage Loans and their Related Security (subject to appropriate registration or recording at the Land Registry) will pass to the Issuer.

**Features of the Mortgage Loans:**

Except as otherwise indicated, the following is a summary of certain features of the Mortgage Loans comprising the Provisional Mortgage Portfolio determined by reference to the features of each loan in the Provisional Mortgage Portfolio as at the Portfolio Reference Date. Investors are further referred to consider further details of the Provisional Mortgage Portfolio in the sections of this Prospectus entitled "*The Mortgage Portfolio and the Mortgage Loans*".

The Mortgage Loans comprise loans to Borrowers and are secured by first priority charges over freehold and leasehold properties in England and Wales.

Type of Borrower	Prime and Light Adverse
Type of mortgage	Repayment and Interest Only
Buy-To-Let Mortgage Loans	100 per cent. by aggregate Principal Outstanding Balance
Number of loans in the Provisional Mortgage Portfolio	1,291
Owner-occupied properties	0 per cent. by aggregate Principal Outstanding Balance

	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
Principal Outstanding Balance .....	£188,417	£50,000	£918,000
	<u>Weighted Average</u>	<u>Minimum</u>	<u>Maximum</u>
Current LTV.....	70.36%	8.2%	80%
Seasoning (months).....	8.3	0	24
Remaining Term (years).....	20.33	3.3	25

See the section titled "*The Mortgage Portfolio and the Mortgage Loans – Lending Criteria*" for a description of how Current LTV has been calculated.

**Consideration:**

The consideration from the Issuer to the Seller in respect of the sale of the Mortgage Portfolio shall be: (a) (i) the initial consideration in an amount equal to £251,057,979.22, which is due and payable on the Closing Date in respect of the Closing Mortgage Portfolio (the "**Closing Initial Purchase Price**"); and (ii) the Additional Mortgage Loan Purchase Consideration to be paid in respect of any Additional Mortgage Loans (together with the Closing Initial Purchase Price, the "**Initial Purchase Price**"); (b) further consideration consisting of the Residual Payments in respect of the Mortgage Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to, or at the direction of, the Seller on the Closing Date. In addition, as a result of the Initial Swap Agreement to be entered into by the Issuer on the Closing Date referencing the Fixed Swap Rate, the Issuer is required to make a payment to the Seller in an amount equal to the Swap Breakage Payment.

On the date being fifteen Business Days after the Closing Date (or such other date agreed between the Issuer and the Seller) (the "**Reconciliation Date**"), the Cash Manager will (subject to the receipt of the relevant information from the Servicer) calculate (i) the Revenue Receipts in respect of the Mortgage Loans received from (and including) the Closing Date to (and including) the last day of the Monthly Collection Period of July 2017 (the "**Closing Revenue Reconciliation Amount**") and (ii) the difference (if any) between the Principal Outstanding Balance of the Mortgage Loans as at the close of business on the Cut-Off Date and the Principal Outstanding Balance of the Mortgage Loans as at the close of business on the Business Day immediately preceding Closing Date being an amount representing an aggregate of all amounts referred to in the definition of Redemption Receipts (to the extent applicable and, for the avoidance of doubt, other than items (b) and (e) of the definition of Redemption Receipts) received in respect of the Mortgage Portfolio during the period between the Cut-Off Date and the Closing Date as determined by the Cash Manager on the Reconciliation Date (the "**Closing Redemption Reconciliation Amount**", together with the Closing Revenue Reconciliation Amount the "**Closing Reconciliation Amounts**").

Following the determination of the Closing Reconciliation Amounts, the Seller shall be required to make a payment to the Issuer Account in an amount equal to such Closing Reconciliation Amounts no later than seven Business Days after the Reconciliation Date. The Issuer shall distribute such Closing Reconciliation Amounts on the first Interest Payment Date after the Reconciliation Date in accordance with the applicable Priority of Payments. The payment by the Seller of the Closing Reconciliation Amounts shall constitute a reduction of the Closing Initial Purchase Price.

On the Closing Date the Issuer will credit an amount equal to £47,210,019.79 to the Pre-Funding Redemption Reserve Ledger (the "**Pre-Funding Redemption Reserve**") and an amount equal to £2,360,500.99 to the Pre-Funding Revenue Reserve Ledger (the "**Pre-Funding Revenue Reserve**") (together with the Pre-Funding Redemption Reserve, the "**Pre-Funding Reserves**").

**Conditions for  
Acquisition of  
Additional Mortgage  
Loans**

The Issuer will be entitled to apply amounts (if any) standing to the credit of the Pre-Funding Reserves in purchasing Additional Mortgage Loans at any time up to and including the Final Additional Mortgage Loan Purchase Date if and to the extent that the Issuer is permitted to do so by, and in accordance with, the Mortgage Sale Agreement and the Servicing Agreement. In particular, any such purchase of Additional Mortgage Loans, where applicable, by the Issuer will be subject to certain conditions including (the "**Additional Mortgage Loan Conditions**") (amongst other things):

- (a) the confirmation of the Rating Agencies that such purchase will not adversely affect the then current ratings of the Notes (or in the case of Fitch only, provided that Fitch have confirmed to the Servicer that its policy is not to provide any Rating Agency Confirmation, the Servicer confirms in writing to the Security Trustee that it has notified Fitch of the proposed purchase and Fitch has not raised any objections thereto);
- (b) the provision, by the Issuer and the Seller, of solvency certificates, dated the date of such purchase, signed by an authorised officer of the Issuer or Seller, as applicable;

- (c) a certificate of a director of the Seller confirming that the Additional Mortgage Loans were originated by the Seller in accordance with the Lending Criteria and the Standard Documentation or, if the Standard Documentation used to document the Additional Mortgage Loans is not the Standard Documentation listed in the relevant schedule to the Mortgage Sale Agreement or has been amended since the Closing Date, such Standard Documentation has been reviewed by counsel to the Arranger and the Arranger has confirmed in writing to the Issuer and the Servicer that the results of such review are acceptable;
- (d) the provision by the Seller to the Issuer and the Rating Agencies of the particulars of the Additional Mortgage Loans in a data tape in accordance with the provisions of the Mortgage Sale Agreement;
- (e) an agreed upon procedures review conducted by a third-party and completed prior to relevant Additional Mortgage Loan Purchase Date in the form and substance satisfactory to the Arranger;
- (f) no Enforcement Notice having been served;
- (g) the Additional Mortgage Loans having been originated on or prior to 31 July 2017 (the "**Latest Additional Mortgage Loan Origination Date**");
- (h) one or more new hedging transactions substantially in the same form as the Swap Transaction entered into by the Issuer on the Closing Date (subject to any agreed change in the notional amount and fixed rate) have been put in place in relation to the Additional Mortgage Loans which are Fixed Rate Mortgage Loans on or prior to the relevant Additional Mortgage Loan Purchase Date;
- (i) the Additional Mortgage Loan Portfolio Tests have been satisfied; and
- (j) prior to the relevant Additional Mortgage Loan Purchase Date, at least one instalment has been made by a relevant Borrower in relation to the relevant Additional Mortgage Loans to be purchased.

The Servicer shall deliver to the Security Trustee and the Issuer, on the relevant Additional Mortgage Loan Purchase Date, a certificate dated the relevant Additional Mortgage Loans Purchase Date confirming that the Additional Mortgage Loan Conditions and other conditions set out in the Servicing Agreement have been satisfied.

Any outstanding balance in the Pre-Funding Redemption Reserve Ledger as at the first Interest Payment Date following the Final Additional Mortgage Loan Purchase Date (taking into account any amounts debited from that ledger on or prior to such date) will be taken into account when determining the Available Redemption Receipts on the first Interest Payment Date following after the Final Additional Mortgage Loan Purchase Date. Any outstanding balance in the Pre-Funding Revenue Reserve Ledger as at the first Interest Payment Date following the Final Additional Mortgage Loan Purchase Date (taking into account any amounts debited from that ledger on or prior to such date) will be taken into account when determining the Available Revenue Receipts on the first Interest Payment Date following after the Final Additional Mortgage Loan Purchase Date.

See the section entitled "*Assignment of the Mortgage Loans and Related Security*" for further information.

**Certificateholders:** Any Residual Payment will be paid to the Certificateholder in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

**Representations and Warranties:** The Seller will make certain Mortgage Loan Warranties regarding the Mortgage Loans and Related Security to the Issuer in relation to the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio, on the Closing Date or, as applicable on the relevant Additional Mortgage Loan Purchase Date, which include, amongst others, the following:

- (a) each Mortgage constitutes a first ranking charge by way of legal mortgage;
- (b) all steps necessary to perfect the vesting of the legal title to each Mortgage Loan and the related Mortgage in the Seller have been duly done;
- (c) each Mortgage Loan was originated in, 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; and
- (d) each Property is a residential property situated in England and Wales.

See the section "*Summary of the Key Transaction Documents - Mortgage Sale Agreement*" and section "*The Mortgage Portfolio and the Mortgage Loans - Mortgage Loan Warranties and Breach of Mortgage Loan Warranties*" for further details.

**Repurchase of the Mortgage Loans and Related Security:** The Seller is liable for the repurchase of the relevant Mortgage Loans and their Related Security (or in the case of the non-existence of a Mortgage Loan, the indemnification of the Issuer and the Security Trustee) upon a breach of Mortgage Loan Warranties (which the Seller fails to remedy within 65 Business Days' grace period (the "**Grace Period**")). The Seller shall have no liability for a breach of a Mortgage Loan Warranty other than the obligation to repurchase (or indemnify in the case of the non-existence of a Mortgage Loan) in accordance with the terms of the Mortgage Sale Agreement.

The Seller will also agree in the Mortgage Sale Agreement that, amongst other things, if a term relating to the recovery of interest under the Standard Documentation applicable to any Mortgage Loan sold by it to the Issuer is at any time on or after the Closing Date found by a competent court, or other competent authority or any ombudsman or regulator to be an unfair term (for the purposes of the UTCCR or the CRA), it shall repurchase or procure the repurchase of the Mortgage Loan concerned and its Related Security.

**Consideration for repurchase:** The price payable by the relevant Seller upon the repurchase of any Mortgage Loan and its Related Security (or the amount of any indemnification in the case of the non-existence of a Mortgage Loan) (the "**Repurchase Price**") will be the Current Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus an amount equal to the Issuer's reasonable costs or any other reasonable expenditure in relation to such repurchase (if any). See the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement - Representations and Warranties*" for further information.

**Perfection Events and transfer of legal title to the Issuer:**

Within 25 Business Days of receipt of written notice from the Issuer or the Security Trustee of the occurrence of any Perfection Event, the Seller will be required to execute transfers of legal title to the Mortgage Loans and their Related Security to the Issuer (or a nominee of the Issuer). The Seller shall be obliged to give notice of assignment of the Mortgage Loans to the Borrowers following the occurrence of a Perfection Event by serving relevant notices thereof on the Borrowers.

See "*Assignment of the Mortgage Loans and Related Security*" below.

**Servicing of the Mortgage Portfolio:**

The Servicer agrees to service the Mortgage Loans to be sold to the Issuer and their Related Security on behalf of the Issuer and, where applicable, the Seller. Following the service of an Enforcement Notice, the Servicer shall act at the direction of the Security Trustee. The appointment of the Servicer may be terminated by the Issuer and/or the Security Trustee (subject to the terms of the Servicing Agreement) if any Servicer Termination Event occurs and is continuing (see "*Summary of the Key Transaction Documents – Servicing Agreement - Termination of the Appointment of the Servicer*").

**Portfolio Call Option Holder may exercise the Portfolio Call Option:**

Pursuant to the terms of the Deed Poll and the Portfolio Call Option granted therein, the Portfolio Call Option Holder may, subject to certain conditions, purchase all (but not some) of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio, at no less than the Optional Portfolio Purchase Price. The Portfolio Call Option Holder may give notice of its exercise of such option no earlier than the Business Day immediately following the Interest Payment Date immediately preceding the Optional Redemption Date. Completion of the purchase by the Portfolio Call Option Holder will occur on the date specified in the Exercise Notice (the "**Optional Portfolio Purchase Completion Date**") **provided that** the Optional Portfolio Purchase Completion Date shall fall two Business Days prior to the Interest Payment Date immediately following the date of the Exercise Notice or such earlier date as the Issuer, Note Trustee, Security Trustee and Portfolio Call Option Holder may agree, provided that such date may fall no earlier than six Business Days after the Collection Period End Date immediately preceding the Interest Payment Date immediately following the date of the Exercise Notice.

See the section entitled "*Early redemption of Notes pursuant to the Portfolio Call Option or the Risk Retention Regulatory Change Option*" below.

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

Pursuant to the Mortgage Sale Agreement, following the occurrence of a Risk Retention Regulatory Change Event (and subject to two directors of the Retention Holder certifying in writing to the Note Trustee and the Security Trustee that a Risk Retention Regulatory Change Event has occurred, upon which certificate the Note Trustee and Security Trustee shall rely absolutely without liability to any person for so doing), the Retention Holder has the benefit of the Risk Retention Regulatory Change Option to require the Issuer to, on the date specified in the notice (such date the "**Risk Retention Regulatory Change Option Date**"):

- (a) sell and transfer to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) the beneficial title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio; and
- (b) prior to a Perfection Event, transfer to the Retention Holder the right to call for legal title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio; or



- (c) after a Perfection Event, to the extent the legal title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio has been vested in the Issuer, to transfer to the Retention Holder such legal title to the Mortgage Loans and their Related Security,

in each case in accordance with and subject to the terms of the Mortgage Sale Agreement. Completion of the purchase by the Retention Holder will occur on the Risk Retention Regulatory Change Option Date provided that the Risk Retention Regulatory Change Option Date shall fall two Business Days prior to the Interest Payment Date immediately following the date of the Risk Retention Regulatory Change Option Exercise Notice or such earlier date as the Issuer, Note Trustee, Security Trustee and the Retention Holder may agree, **provided that** such date may fall no earlier than six Business Days after the Collection Period End Date immediately preceding the Interest Payment Date immediately following the date of the Risk Retention Regulatory Change Option Exercise Notice.

See the section entitled "*Early redemption of Notes pursuant to the Portfolio Call Option or the Risk Retention Regulatory Change Option*" below.

**TRANSACTION OVERVIEW - OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES**

	<b>Class A Notes</b>	<b>Class B Notes</b>	<b>Class C Notes</b>	<b>Class D Notes</b>	<b>Class X1 Notes</b>	<b>Class X2 Notes</b>	<b>Class Z1 Notes</b>	<b>Class Z2 Notes</b>	<b>Residual Certificates</b>
<b>Principal Amount:</b>	£237,800,000	£20,300,000	£17,400,000	£5,800,000	£8,700,000	£5,800,000	£8,700,000	£5,800,000	N/A
<b>Credit enhancement features:</b>	Accumulated Overcollateralisation arising in prior periods (if any), overcollateralisation funded by the Notes (other than the Class A Notes and the Class X Notes and the Class Z2 Notes), Available Revenue Receipts remaining after payment of interest on Class A Notes and all other amounts ranking in priority thereto, amounts standing to the credit of the General Reserve Fund and, following the delivery of an Enforcement Notice, amounts standing to the credit of the Liquidity Reserve Fund	Accumulated Overcollateralisation arising in prior periods (if any), overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes and the Class X Notes and the Class Z2 Notes), Available Revenue Receipts remaining after payment of interest due in respect of the Class B Notes and all other amounts ranking in priority thereto, amounts standing to the credit of the General Reserve Fund and, following the delivery of an Enforcement Notice, amounts standing to the credit of the Liquidity Reserve Fund	Accumulated Overcollateralisation arising in prior periods (if any), overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes and the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class C Notes and all other amounts ranking in priority thereto, amounts standing to the credit of the General Reserve Fund and, following the delivery of an Enforcement Notice, amounts standing to the credit of the Liquidity Reserve Fund	Accumulated Overcollateralisation arising in prior periods (if any), overcollateralisation funded by the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, and the Class X Notes and the Class Z2 Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class D Notes and all other amounts ranking in priority thereto, amounts standing to the credit of the General Reserve Fund and, following the delivery of an Enforcement Notice, amounts standing to the credit of the Liquidity Reserve Fund	The cumulative excess (if any) accumulating from the Closing Date until the Final Discharge Date of Available Revenue Receipts after providing for items (a) to (t) of the Pre-Enforcement Revenue Priority of Payments over the original principal amount of the Class X1 Notes and following the Final Redemption Date, the overcollateralisation funded by the application of the Liquidity Reserve Fund and General Reserve Fund as Available Redemption Receipts	The cumulative excess (if any) accumulating from the Closing Date until the Final Discharge Date of Available Revenue Receipts after providing for items (a) to (u) of the Pre-Enforcement Revenue Priority of Payments over the original principal amount of the Class X2 Notes and following the Final Redemption Date, the overcollateralisation funded by the application of the Liquidity Reserve Fund and General Reserve Fund as Available Redemption Receipts	Accumulated Overcollateralisation arising in prior periods (if any), Revenue Receipts remaining after payment of interest due in respect of the Class Z Notes and all other amounts ranking in priority thereto and, following the delivery of an Enforcement Notice, amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund		N/A

<b>Liquidity support features</b>	Subordination in payment of interest of the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Revenue Deficits, the availability of amounts credited to the Liquidity Reserve Fund and the General Reserve Fund	Subordination in payment of interest of the Class C Notes, the Class D Notes, the Class Z Notes, the Class X Notes and the Residual Certificates, Available Redemption Receipts applied as Principal Addition Amounts to conditionally provide for any Revenue Deficits, the conditional availability of amounts credited to the Liquidity Reserve Fund (subject to the satisfaction of the Liquidity Availability Conditions (where applicable)), the availability of amounts standing to the credit of the General Reserve Fund	Subordination in payment of the Class D Notes, the Class Z Notes, the Class X Notes and the Residual Certificates and the availability of amounts standing to the credit of the General Reserve Fund and, following the delivery of an Enforcement Notice, the amounts credited to the Liquidity Reserve Fund.	Subordination in payment of the Class Z Notes, the Class X Notes and the Residual Certificates, and the availability of amounts standing to the credit of the General Reserve Fund and, following the delivery of an Enforcement Notice, the amounts credited to the Liquidity Reserve Fund	Subordination in payment of principal of the Class X2 Notes, the Class Z Notes and the Residual Certificates, following the delivery of an Enforcement Notice, the amounts credited to the Liquidity Reserve Fund and the General Reserve Fund	Subordination in payment of the Class Z Notes and the Residual Certificates, following the delivery of an Enforcement Notice, the amounts credited to the Liquidity Reserve Fund and the General Reserve Fund	Subordination in payment of the Residual Certificates, following the delivery of an Enforcement Notice, the amounts credited to the Liquidity Reserve Fund and to the General Reserve Fund	N/A
<b>Issue Price:</b>	100%	100%	100%	100%	100%	100%	100%	N/A
<b>Reference Rate:*</b>	Three Month LIBOR**	Three Month LIBOR.**	Three Month LIBOR**	Three Month LIBOR**	4.25% per annum***	6.40% per annum****	N/A	N/A
<b>Margin:</b>	0.78% per annum	1.45% per annum	1.80% per annum	2.20% per annum	N/A	N/A	N/A	N/A
<b>Step-Up Margin (from the Optional Redemption Date):</b>	1.17% per annum	2.175% per annum	2.70% per annum	3.30% per annum	N/A	N/A	N/A	N/A

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

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

\*\*\* Prior to the Interest Payment Date falling in September 2019. On and from the Interest Payment Date falling in September 2019, the Class X1 Notes will not bear interest.

\*\*\*\* Prior to the Interest Payment Date falling in June 2021. On and from the Interest Payment Date falling in June 2021, the Class X2 Notes will not bear interest.

<b>Interest Accrual Method:</b>	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	30/360	30/360	N/A		N/A
<b>Interest Payment Dates:</b>	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	N/A		N/A
<b>First Interest Payment Date:</b>	December 2017	December 2017	December 2017	December 2017	December 2017	December 2017	N/A		N/A
<b>Final Maturity Date:</b>	The Interest Payment Date falling in September 2044	The Interest Payment Date falling in September 2044	The Interest Payment Date falling in September 2044	The Interest Payment Date falling in September 2044	The Interest Payment Date falling in September 2044	The Interest Payment Date falling in September 2044	The Interest Payment Date falling in September 2044		N/A
<b>Optional Redemption Date:</b>	The Interest Payment Date falling in June 2022	The Interest Payment Date falling in June 2022	The Interest Payment Date falling in June 2022	The Interest Payment Date falling in June 2022	The Interest Payment Date falling in June 2022	The Interest Payment Date falling in June 2022	The Interest Payment Date falling in June 2022		N/A
<b>Application for Exchange Listing:</b>	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange		N/A
<b>ISIN:</b>	XS1622306972	XS1622307947	XS1622308242	XS1622308671	XS1622308838	XS1629372357	XS1622310818	XS1622311386	XS1641704207
<b>Common Code:</b>	162230697	162230794	162230824	162230867	162230883	162937235	162231081	162231138	164170420
<b>Ratings (Fitch/Moody's):</b>	AAA(sf)/Aaa(sf)	AA+(sf)/Aa1(sf)	A+(sf)/Aa3(sf)	A(sf)/A3(sf)	BB(sf)/Ba3(sf)	BB-(sf)/B2(sf)	Not rated	Not rated	Not rated
<b>Minimum Denomination:</b>	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	N/A
<b>Governing law of the Notes/Certificates:</b>	English	English	English	English	English	English	English	English	English

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

#### **FULL CAPITAL STRUCTURE OF THE NOTES**

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

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

### Ranking and Form of the Notes:

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

- Class A Mortgage Backed Floating Rate Notes due September 2044 (the "**Class A Notes**");
- Class B Mortgage Backed Floating Rate Notes due September 2044 (the "**Class B Notes**");
- Class C Mortgage Backed Floating Rate Notes due September 2044 (the "**Class C Notes**");
- Class D Mortgage Backed Floating Rate Notes due September 2044 (the "**Class D Notes**");
- Class X1 Mortgage Backed Fixed Rate Notes due September 2044 (the "**Class X1 Notes**");
- Class X2 Mortgage Backed Fixed Rate Notes due September 2044 (the "**Class X2 Notes**");
- Class Z1 Mortgage Backed Notes due September 2044 (the "**Class Z1 Notes**"); and
- Class Z2 Mortgage Backed Notes due September 2044 (the "**Class Z2 Notes**"),

and together, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are the "**Collateralised Rated Notes**". The Class Z1 Notes together with the Class Z2 Notes are the "**Class Z Notes**". The Class X1 Notes together with the Class X2 Notes are the "**Class X Notes**" and the Class X Notes together with the Collateralised Rated Notes are the "**Rated Notes**". The Collateralised Rated Notes together with the Class Z1 Notes are the "**Collateralised Notes**". The Rated Notes together with the Class Z Notes are the "**Notes**" and the holders thereof, the "**Noteholders**".

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

### Residual Certificates:

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

### Sequential Order:

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

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

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

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

The Class X1 Notes and the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes. Prior to the service of an Enforcement Notice (a) the Class X1 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of items ranking senior thereto in the Pre-Enforcement Revenue Priority of Payments, and (b) the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Class X1 Notes and other items ranking senior thereto in the Pre-Enforcement Revenue Priority of Payments. Following the service of an Enforcement Notice, the Class X1 Notes and the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes.

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

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

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

**Security:**

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

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

- (a) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Trust Deed and the Deed of Charge) and any sums derived therefrom (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder);

- (b) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's interest in the Mortgage Loans and their Related Security and other related rights comprised in the Mortgage Portfolio and any sums derived therefrom;
- (c) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Issuer Accounts) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (e) an assignment by way of first fixed security (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit in the Issuer's Share of the Global Collection Account Trust;
- (f) an assignment by way of first fixed security (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under the Issuer's Share of the Portfolio Transaction Account Trust; and
- (g) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security.

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

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

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

**Gross-up:** None of the Issuer, any Paying Agent or any other person will be obliged to pay additional amounts to Noteholders if there is any withholding or deduction required by law in respect of the Notes on account of taxes.

**Redemption:** The Notes are required to be redeemed in the following circumstances:

- mandatory redemption in whole on the Interest Payment Date falling in September 2044 (the "**Final Maturity Date**"), as fully set out in Condition 8.1 (*Redemption at Maturity*).
- mandatory redemption in full following the exercise by the Portfolio Call Option Holder of the Portfolio Call Option, as fully set out in Condition 8.3 (*Mandatory Redemption of the Notes in full on or after the Optional Redemption Date*).

- mandatory redemption in full following the exercise by the Retention Holder of the Risk Retention Regulatory Change Option, as fully set out in Condition 8.4 (*Mandatory Redemption in full pursuant to a Risk Retention Regulatory Change Option*).
- mandatory redemption in full following a change in tax law or otherwise by reason of a change in law (which cannot otherwise be mitigated by substitution of the Issuer or an appointment of alternative Paying Agent, as fully set out in Condition 8.5 (*Mandatory Redemption for Taxation and Other Reasons*)).

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

- mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of an Enforcement Notice subject to availability of Available Redemption Receipts:
  - (a) *first*, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full;
  - (b) *second*, on a *pari passu* and *pro rata* basis to repay the Class B Notes until they are repaid in full;
  - (c) *third*, on a *pari passu* and *pro rata* basis to repay the Class C Notes until they are repaid in full;
  - (d) *fourth*, on a *pari passu* and *pro rata* basis to repay the Class D Notes until they are repaid in full;
  - (f) *fifth*, on a *pari passu* and *pro rata* basis to repay the Class Z Notes until they are repaid in full; and
- mandatory redemption in part of the Class X Notes on any Interest Payment Date prior to the Optional Redemption Date in an amount up to their Principal Amount Outstanding then outstanding, equal to the Available Revenue Receipts available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.

**Expected Average Lives of the Notes:**

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

**Event of Default:**

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

- non-payment of any amount of interest and/or principal in respect of the Most Senior Class of Notes, and such non-payment continues for (i) a period of five days in the case of interest or (ii) ten days in the case of principal;
- failure to pay any amount due in respect of the Residual Certificates and the default continues for more than five days from the due date for payment (**provided that** all of the Notes have been redeemed in full);



- breach of any other contractual obligations by the Issuer under the Transaction Documents which, in the opinion of the Note Trustee is materially prejudicial to the interests of the Most Senior Class of Notes (or, if no Notes are outstanding, the Certificateholders) if such breach is incapable of remedy or, if it is capable of remedy, has not been remedied within the applicable grace period;
- any representation or warranty made by the Issuer is incorrect when given which, in the opinion of the Note Trustee, is materially prejudicial to the interests of the Most Senior Class of Notes (or, if no Notes are outstanding, the Certificateholders) if the matters giving rise to such misrepresentation is incapable of remedy or, if it is capable of remedy, has not been remedied within the applicable grace period;
- the Issuer ceasing or threatening to cease to carry on the whole or a substantial part of its business or the occurrence of certain related events in relation to the Issuer;
- the occurrence of certain insolvency related events in relation to the Issuer or its assets and undertaking; and
- the Issuer initiating or consenting to judicial proceedings relating to itself, or taking steps with a view to obtaining a moratorium in respect of any of its indebtedness.

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

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

**Limited Recourse and Non-Petition:**

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

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

**Governing Law:**

English law.

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

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

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

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

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

**Noteholders and Certificateholders Meeting provisions:**

	<u>Initial meeting</u>	<u>Adjourned meeting</u>
<b>Notice period:</b>	At least 21 clear days	At least 10 clear days
<b>Quorum:</b>	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than one-quarter of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than one-quarter in number of the Residual Certificates then in issue, as applicable, for transaction of business including the passing of an Ordinary Resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 10 per cent. in number of the Residual Certificates then in issue, as applicable, for transaction of business including the passing of an Ordinary Resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms

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

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

**Required majority for Ordinary Resolution:**

A clear majority of persons eligible to attend and vote at such meeting and voting at that meeting upon a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll (an "**Ordinary Resolution**").

**Required majority for Extraordinary Resolution:**

Majority consisting of not less than three-quarters of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll (an "**Extraordinary Resolution**").

**Required majority for a written resolution:**

Not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding or not less than three-quarters of the number of Residual Certificates then in issue. A written resolution has the same effect as an Extraordinary Resolution.

**Matters requiring Extraordinary Resolution:**

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

- to sanction or to approve a Basic Terms Modification;

- to sanction any compromise or arrangement proposed to be made between, among others, the Issuer or any other party to any Transaction Document;
- to sanction any abrogation, modification, compromise or arrangement in respect of the rights of, among others, the Note Trustee or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- to approve the substitution of any person for the Issuer as principal debtor under the Notes other than in accordance with Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*) or Condition 13.22 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or Certificateholder, other than those modifications which are sanctioned by the Note Trustee or Security Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;
- to direct the Note Trustee to serve an Enforcement Notice;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to approve the appointment of a Replacement Servicer in circumstances where the Servicer has resigned and the appointment of the Replacement Servicer is not on substantially similar terms to those of the outgoing Servicer;
- to authorise the Note Trustee, the Security Trustee and/or any Appointee to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee, Security Trustee and/or any Appointee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to make directions to the Security Trustee in connection with a breach of the Risk Retention Undertaking by the Risk Retention Holder;
- to appoint any persons as a committee to represent the interests of the Noteholders or the Certificateholders and to confer upon such committee any powers which the Noteholders or the Certificateholders could themselves exercise by Extraordinary Resolution;
- to sanction any scheme or proposal for the exchange, sale, conversion or cancellation of the Notes or the Residual Certificates for or partly or wholly in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company or partly or wholly in

consideration of cash; or

- to give any other authorisation or sanction which under the Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution.

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

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

Pursuant to and in accordance with the detailed provisions of Condition 13.6, the Note Trustee shall be obliged, and shall direct the Security Trustee, in certain circumstances, without any consent or sanction of the Noteholders or the other Secured Creditors, to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document that the Issuer considers necessary for the purpose of complying with: (a) any change in rating criteria of one or more Rating Agencies; (b) the requirements of Article 405 of the CRR, Article 17 of the AIFMD, Article 51(1) of AIFMR or Article 254(2) of Solvency II; (c) any changes in FATCA; (d) any changes in CRA Regulation or (e) or any obligation which applies to it under Articles 9, 10 and 11 of EMIR or any other obligation which applies to it under EMIR (the "**Proposed Amendment**").

The Issuer must provide at least 30 days' notice to Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Issuer. If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of any Class of Notes have notified the Issuer in writing that such Noteholders do not consent to the modification then such modification will not be made unless passed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

**Right of modification without consent of Noteholders:**

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

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

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

The voting rights of the Certificateholders are limited to the extent that any Ordinary Resolution or Extraordinary Resolution of the Certificateholders is

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

A Basic Terms Modification requires an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable.

Subject to the provisions governing a Basic Terms Modification and the foregoing paragraphs, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.

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

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

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

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

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

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

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

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

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

**Provision of Information to the Noteholders and**

The Cash Manager on behalf of the Issuer will publish a monthly investor report (other than in any calendar month where the Quarterly Investor

**Certificateholders:**

Report (as defined below) is required to be delivered) by no later than the 16th Business Day of each calendar month (the "**Monthly Investor Report**") and a quarterly investor report by no later than 11.00 a.m. on the second Business Day following the Calculation Date (the "**Quarterly Investor Report**") detailing, among other things, certain aggregated loan file data in relation to the Mortgage Portfolio. In addition loan level information will be provided by the Servicer to the Cash Manager on a quarterly basis (the "**Quarterly Data Tape**" and together with the Monthly Investor Report and the Quarterly Investor Report, the "**Investor Reports**").

Such Investor Reports will be published on the website of the Cash Manager at [www.usbank.com/abs](http://www.usbank.com/abs). The Investor Reports will also be made available to the Issuer, the Servicer, the Note Trustee, the Seller, the Security Trustee, the Rating Agencies and Bloomberg. In addition, it is intended that Investor Reports, the Quarterly Data Tape and information on the Mortgage Loans in the Mortgage Portfolio will be published on the website at [www.euroabs.com](http://www.euroabs.com) provided that neither the Issuer nor any other Relevant Party assumes any liability for any failure to publish any such information thereon. In addition, loan level information will be provided in the Quarterly Data Tape by the Servicer to the Cash Manager, who (subject to receipt thereof) shall (i) publish such Quarterly Data Tape at [www.usbank.com/abs](http://www.usbank.com/abs); and (ii) provide a copy of such Quarterly Data Tape to the Issuer, the Security Trustee, the Note Trustee and the Ratings Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Mortgage Loans.

**Communication with Noteholders and Certificateholders:**

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

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

published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders and/or Certificateholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

- (d) In relation to the Notes and the Noteholders, so long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.

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



## TRANSACTION OVERVIEW - CREDIT STRUCTURE AND CASHFLOW

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

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

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

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

- (a) Revenue Receipts and/or, if one or more of the Monthly Collection Periods falling in the immediately preceding Collection Period was a Determination Period, Calculated Revenue Receipts (in each case, excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date) received by the Issuer corresponding to the immediately preceding Collection Period;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period;
- (c) the amount (if any) standing to the credit of the General Reserve Fund as at the last day of the immediately preceding Collection Period;
- (d) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with the Cash Management Agreement;
- (e) amounts determined to be credited to the Issuer Account on the immediately preceding Interest Payment Date in accordance with item (q) of the Pre-Enforcement Revenue Priority of Payments;
- (f) amounts determined to be applied as Available Revenue Receipts on the immediately succeeding Interest Payment Date in accordance with item (g) of the Pre-Enforcement Redemption Priority of Payments;
- (g) on the first Interest Payment Date only, any amount standing to the credit of the Pre-Funding Revenue Reserve Ledger (after having taken into account any amounts to be debited from the Pre-Funding Revenue Reserve Ledger on or prior to such Interest Payment Date);
- (h) any amounts received from the Swap Counterparty under the Swap Agreement (other than (i) Swap Collateral and any proceeds thereof (until such time as and to the extent permitted by the Swap Agreement such Swap Collateral is applied (or is realised and applied)) towards satisfaction of the obligations of the Swap Counterparty and only to the extent that such Swap Collateral is not to be applied by the Issuer in the purchase of one or more replacement hedging transactions, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions), (ii) any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions, (iii) any Swap Replacement Premium applied or to be applied by the Issuer in

making any swap termination payment due from it to a Swap Counterparty and (iv) any amounts in respect of Swap Tax Credits);

- (i) any amounts to be debited from the Liquidity Reserve Fund Ledger over and above the Liquidity Reserve Fund Required Amount;
- (j) in respect of the first Interest Payment Date only, any Closing Revenue Reconciliation Amount paid by the Seller pursuant to the terms of the Mortgage Sale Agreement; and
- (k) other net income of the Issuer corresponding to the immediately preceding Collection Period, excluding any Redemption Receipts;

*less:*

- (l) any Third Party Amounts paid from the Issuer Account to the persons entitled thereto and relating to the immediately preceding Collection Period.

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

- (a) Redemption Receipts and/or, if one or more of the Monthly Collection Periods falling in the immediately preceding Collection Period was a Determination Period, any Calculated Redemption Receipts (in each case, excluding any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date) received by the Issuer corresponding to the immediately preceding Collection Period;
- (b) any amounts of Available Revenue Receipts retained pursuant to items (g), (j), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments and deemed to be Available Redemption Receipts ("**PDL Cure Amounts**");
- (c) any Enhanced Amortisation Amounts;
- (d) on the first Interest Payment Date only, any amounts standing to the credit of the Pre-Funding Redemption Reserve Ledger (after having taken into account any other amounts to be debited from the Pre-Funding Redemption Reserve Ledger on or prior to the first Interest Payment Date);
- (e) on the Final Redemption Date only the sum of (i) all amounts standing to the credit of the General Reserve Fund; and (ii) all amounts standing to the credit of the Liquidity Reserve Fund (after first, having applied any Liquidity Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the application of the Liquidity Availability Conditions)) and following the application of the Pre-Enforcement Revenue Priority of Payments;
- (f) in respect of the first Interest Payment Date only, any Closing Redemption Reconciliation Amount paid by the Seller pursuant to the terms of the Mortgage Sale Agreement; and
- (g) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with the Cash Management Agreement,

*less:*

- (h) amounts under a Direct Debit which were transferred to the Issuer Account but thereafter are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited to the extent that such amount is of a principal nature.

"Direct Debit" means a written instruction of a Borrower authorising its bank to honour a request of the Seller to debit a sum of money on specified dates from the account of the Borrower for deposit into an account of the Seller.

**Summary of Priorities of Payments:**

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

<b>Pre-Enforcement Revenue Priority of Payments:</b>	<b>Pre-Enforcement Redemption Priority of Payments:</b>	<b>Post-Enforcement Priority of Payments:</b>
<p>(a) <i>Pro rata</i> and <i>pari passu</i> to amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses</p> <p>(b) <i>Pro rata</i> and <i>pari passu</i> to amounts due to the Agent Bank, the Registrar, the Paying Agent, the Cash Manager, the Principal Paying Agent, the Servicer, the Back-Up Servicer Facilitator, the Corporate Services Provider, the Issuer Account Bank and (insofar as any such amounts are attributable to the Issuer's Share of the Global Collection Account Trust and/or the Portfolio Transaction Account Trust), the Global Collection Account Bank and the Collection Account Bank, in each case including all fees, costs, liabilities and</p>	<p>(a) Principal Addition Amounts (subject to the application of the Liquidity Availability Conditions) to be applied towards the reduction of any Revenue Deficit</p> <p>(b) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero</p> <p>(c) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero</p> <p>(d) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has</p>	<p>(a) <i>Pro rata</i> and <i>pari passu</i> to amounts due and payable in respect of the Note Trustee and the Security Trustee, Receiver and any Appointee thereof including charges, liabilities, fees, costs and expenses</p> <p>(b) <i>Pro rata</i> and <i>pari passu</i> to amounts due and payable in respect of the fees, costs, liabilities and expenses of the Agent Bank, the Registrar, the Paying Agent, the Principal Paying Agent, the Cash Manager, the Servicer, the Back-Up Servicer Facilitator, the Corporate Services Provider, the Issuer Account Bank and</p>

<b>Pre-Enforcement Revenue Priority of Payments:</b>	<b>Pre-Enforcement Redemption Priority of Payments:</b>	<b>Post-Enforcement Priority of Payments:</b>
expenses	been reduced to zero	(insofar as any such amounts are attributable to the Issuer's Share of the Global Collection Account Trust and/or the Portfolio Transaction Account Trust) the Global Collection Account Bank and the Paratus, in each case including all fees, costs, liabilities and expenses
(c) <i>Pro rata</i> and <i>pari passu</i> to pay Third Party Expenses and Transfer Costs (if any)	(e) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero	(c) To pay Transfer Costs (if any)
(d) Issuer Profit Amount	(f) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts outstanding on the Class Z Notes until the Principal Amount Outstanding of the Class Z Notes has been reduced to zero	(d) Amounts due to the Swap Counterparty in respect of the Swap Agreement (other than Swap Counterparty Subordinated Amounts)
(e) Amounts due to the Swap Counterparty in respect of the Swap Agreement (other than Swap Counterparty Subordinated Amounts)	(g) Any excess amounts to be applied as Available Revenue Receipts	(e) <i>Pro rata</i> and <i>pari passu</i> to the amounts of unpaid interest due and payable on the Class A Notes
(f) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes		(f) <i>Pro rata</i> and <i>pari passu</i> to the amounts of principal due and payable on the Class A Notes
(g) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger		(g) <i>Pro rata</i> and <i>pari passu</i> to the amounts of
(h) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class B Notes		
(i) On or prior to the Final Redemption Date, to credit the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount		
(j) Amounts to be credited to the Class B Principal Deficiency Sub-Ledger		
(k) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class C Notes		
(l) Amounts to be		

<b>Pre-Enforcement Revenue Priority of Payments:</b>	<b>Pre-Enforcement Redemption Priority of Payments:</b>	<b>Post-Enforcement Priority of Payments:</b>
	credited to the Class C Principal Deficiency Sub- Ledger	unpaid interest due and payable on the Class B Notes
(m)	Pro rata and pari passu to the interest due on the Class D Notes	(h) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class B Notes
(n)	Amounts to be credited to the Class D Principal Deficiency Sub- Ledger	(i) <i>Pro rata</i> and <i>pari passu</i> to the amounts of unpaid interest due and payable on the Class C Notes
(o)	To credit the General Reserve Fund up to the General Reserve Fund Required Amount	(j) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class C Notes
(p)	Amounts to be credited to the Junior Principal Deficiency Sub- Ledger	(k) <i>Pro rata</i> and <i>pari passu</i> to the amounts of unpaid interest due and payable on the Class D Notes
(q)	On any Interest Payment Date falling within a Determination Period, all remaining amounts to be retained in the Issuer Account to be applied on the next Interest Payment Date as Available Revenue Receipts	(l) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due and payable on the Class D Notes
(r)	Amounts due to the Swap Counterparty in respect of Swap Counterparty Subordinated Amounts	(m) Amounts due to the Swap Counterparty in respect of Swap Subordinated Counterparty Amounts
(s)	On any Interest Payment Date occurring on or after the Optional Redemption Date, to apply all amounts remaining	(n) <i>Pro rata</i> and <i>pari passu</i> to the amounts of unpaid interest

<b>Pre-Enforcement Revenue Priority of Payments:</b>	<b>Pre-Enforcement Redemption Priority of Payments:</b>	<b>Post-Enforcement Priority of Payments:</b>
<p>as Available Redemption Receipts for so long as any of the Collateralised Notes and the Class Z2 Notes remain outstanding</p> <p>(t) <i>Pro rata</i> and <i>pari passu</i>, interest due and payable on the Class X1 Notes and the Class X2 Notes</p> <p>(u) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class X1 Notes until the Principal Amount Outstanding on the Class X1 Notes has been reduced to zero</p> <p>(v) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class X2 Notes until the Principal Amount Outstanding on the Class X2 Notes has been reduced to zero</p> <p>(w) Payments on a <i>pari passu</i> basis due on the Residual Certificates</p>		<p>due and payable on the Class X1 Notes and the Class X2 Notes</p> <p>(o) <i>Pro rata</i> and <i>pari passu</i>, principal due and payable on the Class X1 Notes and the Class X2 Notes until the Principal Amount Outstanding on the Class X1 Notes and the Class X2 Notes has been reduced to zero in or towards repayment, <i>pro rata</i> and <i>pari passu</i>, principal due and payable on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero</p> <p>(p) Any Third Party Expenses (if any) and any amounts in excess of amounts already credited to the Issuer Profit Ledger prior to such Interest Payment Date and required to discharge any liability of the Issuer for corporation tax of the Issuer</p> <p>(q) Issuer Profit</p>

<u>Pre-Enforcement Revenue Priority of Payments:</u>	<u>Pre-Enforcement Redemption Priority of Payments:</u>	<u>Post-Enforcement Priority of Payments:</u>
		Amount
		(r) Payments on a <i>pari passu</i> basis due on the Residual Certificates

**General Credit  
Structure:**

The credit structure of the transaction includes the following elements:

- The availability of the Liquidity Reserve Fund, funded on the Closing Date by a portion of the proceeds of the issuance of the Notes up to the Liquidity Reserve Fund Required Amount. Thereafter, on each Interest Payment Date prior to the service of an Enforcement Notice and other than an Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date, the Liquidity Reserve Fund will be replenished up to the Liquidity Reserve Fund Required Amount at item (i) of the Pre-Enforcement Revenue Priority of Payments, to the extent that funds are available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments. To the extent the funds standing to the credit of the Liquidity Reserve Fund exceed the Liquidity Reserve Fund Required Amount; such funds may be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

On any Interest Payment Date, the Liquidity Reserve Fund shall not be applied as Available Revenue Receipts but, subject to the Liquidity Availability Conditions, shall be available for the purpose of Liquidity Reserve Fund Drawings (as described below).

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

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

Redemption Priority of Payments.

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

- The availability of the General Reserve Fund funded on the Closing Date by the proceeds of the issuance of the Class Z2 Notes up to the General Reserve Fund Required Amount. Thereafter, on each Interest Payment Date prior to the service of an Enforcement Notice or sale of the Mortgage Portfolio after the Optional Redemption Date, the General Reserve Fund will be replenished up to the General Reserve Fund Required Amount at item (o) of the Pre-Enforcement Revenue Priority of Payments, to the extent that funds are available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.

On each Interest Payment Date, amounts standing to the credit of the General Reserve Fund will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

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

- A Principal Deficiency Ledger will be established to record as a debit (i) any Losses on the Mortgage Portfolio; and (ii) Principal Addition Amounts (determined in accordance with the Liquidity Availability Conditions). The Principal Deficiency Ledger shall record as a credit any PDL Cure Amounts.

The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to the Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to the Class D Notes) and, the Junior Principal Deficiency Sub-Ledger (relating to the Class Z Notes and the Accumulated Overcollateralisation).

Any Losses on the Mortgage Portfolio and/or any Principal Addition Amounts will be recorded as a debit (on the Calculation Date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager (as applicable)): (a) first, to the Junior Principal Deficiency Sub-Ledger (up to a maximum amount equal to the Junior PDL Notional Capacity); (b) second, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (c) third, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (d) fourth, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (e) fifth, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Mortgage Loan firstly to pay all outstanding fees and interest amounts due and payable in respect of the relevant Loan.



See the section "*Credit Structure - Principal Deficiency Ledger*" below.

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

See the section "*Credit Structure – Liquidity and Credit Support for the Notes provided by Available Revenue Receipts*" below.

- The availability of a Pre-Funding Reserve to fund the purchase of Additional Mortgage Loans by the Issuer on any date following the Closing Date up to and including the Final Additional Mortgage Loan Purchase Date.

See the section "*Assignment of the Mortgage Loans and Related Security*" below.

- The availability of interest hedging arrangements provided by the Swap Counterparty to hedge against the possible variance between the interest rates payable in respect of the Fixed Rate Mortgage Loans and the LIBOR-based interest payable in respect of the Notes.

See the section "*Swap Arrangements*" below.

**Summary of Key terms of Swap Agreement:**

The key commercial terms of the Swap Transaction(s) entered into under the Swap Agreement to hedge the Fixed Rate Mortgages are as follows:

- The notional amount of the Swap Transaction(s) will amortise in accordance with a pre-determined schedule as set out in the confirmation for each Swap Transaction. The rate of amortisation will be based on the expected repayment profile of the Fixed Rate Mortgage Loans assuming a 2% constant prepayment rate.
- Frequency of payment: Quarterly on each Interest Payment Date.
- In each case, the fixed rate applicable to (i) the Initial Swap Transaction and (ii) any additional Swap Transaction(s) that the Issuer has entered into in order to hedge any additional interest rate exposure arising from any Additional Mortgage Loans that are added to the Mortgage Portfolio and which are Fixed Rate Mortgage Loans (or any replacement transaction in respect of the transactions entered into under (i) and/or (ii)) will not at any time exceed 0.86 per cent per annum.

See the section "*Swap Arrangements*" for further information.

**Bank Accounts:**

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

Collections of revenue and principal in respect of the Mortgage Loans in the Mortgage Portfolio are received by the Seller in either the General Transaction Collection Account (in the case of direct debit payments) or the Global Collection Account (in the case of payments made other than by way of direct debit). Interest payments and principal repayments are collected throughout the month.

All monies standing to the credit of the Global Collection Account that are identified as being referable to the Mortgage Portfolio (save for: (i) certain amounts received in relation to the Mortgage Loans and their Related Security which are required to be refunded or otherwise disbursed and (ii) any fees payable in respect of the Global Collection Account) are transferred from the Global Collection Account to the General Transaction Collection Account by the Servicer at the end of each Business Day.

All monies standing to the credit of the General Transaction Collection Account are (subject to certain conditions including payment of certain Third Party Amounts) transferred from the General Transaction Collection Account to the Issuer Account by the Servicer at the end of each Business Day.

**Cash Management:**

On each Interest Payment Date, the Cash Manager will transfer monies from the Issuer Account to the relevant Transaction Parties or other parties in accordance with the applicable Priority of Payments. In addition, the Cash Manager may transfer monies from the Issuer Account in relation to Third Party Amounts and certain other amounts on dates other than an Interest Payment Date.

## TRANSACTION OVERVIEW - TRIGGERS TABLES

### Rating Triggers Table

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following:</u>
<b>Issuer Account Bank:</b>	<p>(a) a long-term, unsecured, unguaranteed and unsubordinated debt obligation rating of at least A3 by Moody's; and</p> <p>(b) a short-term issuer default rating by Fitch of at least F-1 or a long-term issuer default rating by Fitch of at least A by Fitch,</p> <p>and or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Collateralised Rated Notes (each, the "<b>Account Bank Minimum Rating</b>" and together, the "<b>Account Bank Minimum Ratings</b>").</p>	<p>If the Issuer Account Bank fails to maintain any of the Account Bank Minimum Ratings, then the Issuer shall use all reasonable endeavours to, within 30 calendar days of such downgrade:</p> <ul style="list-style-type: none"> <li>• close the Issuer Account and use commercially reasonable efforts to procure that that the funds standing to the credit of the existing Issuer Account are transferred and placed on deposit on terms the same or substantially the same (<i>mutatis mutandis</i>) as the existing Issuer Account Bank Agreement with a financial institution (i) having all of the Account Bank Minimum Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007, and to procure that the amounts standing to the credit of the Issuer Account are transferred forthwith to the replacement Issuer Account;</li> <li>• obtain a guarantee (in such form that would not result in any of the Rating Agencies downgrading the current rating assigned to any Class or Classes of Notes or withdrawing, qualifying or putting such current rating assigned to any Class or Classes of Notes on a negative outlook) of the obligations of such Issuer Account Bank under the Issuer Account Bank Agreement from an entity which has all of the Account Bank Minimum Ratings; or</li> <li>• take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Collateralised Rated Notes,</li> </ul>

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
<b>Global Collection Account Bank:</b>	A long-term, unsecured, unguaranteed and unsubordinated debt obligation of at least Baa3 by Moody's and a short-term issuer default rating of F2 by Fitch and a long-term issuer default rating of BBB+ by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Collateralised Rated Notes (each, the " <b>Collection Account Bank Minimum Rating</b> " and together, the " <b>Collection Account Bank Minimum Ratings</b> ").	<p>in each case as prescribed in the Issuer Account Bank Agreement.</p> <p>If the Global Collection Account Bank fails to maintain any of the Collection Account Bank Minimum Ratings, the Issuer (or the Servicer on its behalf) shall use its reasonable endeavours, in accordance with the Collection Account Bank Agreement and the Servicing Agreement to:</p> <ul style="list-style-type: none"> <li>(a) terminate or procure the termination of the appointment of the Global Collection Account Bank in accordance with the Collection Account Bank Agreement and the Servicing Agreement and use commercially reasonable efforts to procure that the funds standing to the credit of the Global Collection Account maintained with the Global Collection Account Bank are promptly transferred from such Global Collection Account and placed on deposit on terms the same or substantially the same (<i>mutatis mutandis</i>) as the Collection Account Bank Agreement with an institution (i) that maintains ratings at least equal to the Collection Account Bank Minimum Ratings, (ii) that is a bank as defined in section 991 of the Income Tax Act 2007, and (iii) that is an institution authorised to carry on banking business including accepting deposits under the FSMA; or</li> <li>(b) obtain or procure the obtaining of a guarantee (in such form that would not result in any of the Rating Agencies downgrading the current rating assigned to any Class or Classes of the Collateralised Rated Notes or withdrawing, qualifying or putting such current rating assigned to any Class or Classes of the Collateralised</li> </ul>

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
<b>Collection Account Bank</b>	<p>A long-term, unsecured, unguaranteed and unsubordinated debt obligation of at least Baa3 by Moody's and a short-term issuer default rating of F2 by Fitch and a long-term issuer default rating of BBB+ by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Collateralised Rated Notes (each, the "<b>Collection Account Bank Minimum Rating</b>" and together, the "<b>Collection Account Bank Minimum Ratings</b>").</p>	<p>Rated Notes on a negative outlook) of the Global Collection Account Bank's obligations under the Global Collection Bank Account Agreement from an entity with ratings at least equal to the Collection Account Bank Minimum Ratings,</p> <p>in each case within 35 days of the date on which the Global Collection Account Bank ceases to have the Collection Account Bank Minimum Ratings, and notify Borrowers that all payments made by a Borrower under a payment arrangement other than under the Direct Debiting Scheme are to be made to such replacement account following the date on which the replacement account is opened.</p> <p>If the Collection Account Bank fails to maintain any of the Collection Account Bank Minimum Ratings, the Issuer (or the Servicer on its behalf) shall use its reasonable endeavours, in accordance with the Collection Account Bank Agreement and the Servicing Agreement to:</p> <p>(a) terminate or procure termination of the appointment of the Collection Account Bank in accordance with the Collection Account Bank Agreement and the Servicing Agreement and use commercially reasonable efforts to procure that the funds standing to the credit of the relevant Portfolio Transaction Accounts maintained with the Collection Account Bank are promptly transferred from such Portfolio Transaction Accounts and placed on deposit on terms the same or substantially the same (mutatis mutandis) as the Collection Account Bank Agreement with an institution (i) that maintains ratings at least equal to the Collection Account Bank</p>

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
		<p>Minimum Ratings, (ii) that is a bank as defined in section 991 of the Income Tax Act 2007, (iii) that is an institution authorised to carry on banking business including accepting deposits under the FSMA; and (iv) that is a member of the Direct Debiting Scheme or any scheme which replaces the Direct Debiting Scheme; or</p> <p>(b) obtain or procure the obtaining of a guarantee (in such form that would not result in any of the Rating Agencies downgrading the current rating assigned to any Class or Classes of Notes or withdrawing, qualifying or putting such current rating assigned to any Class or Classes of the Collateralised Rated Notes on a negative outlook) of the Collection Account Bank's obligations under the Collection Account Bank Agreement from an entity with ratings at least equal to the Collection Account Bank Minimum Ratings,</p> <p>in each case within 35 days of the date on which the Collection Account Bank ceases to have the Collection Account Bank Minimum Ratings, and transfer all Direct Debit mandates to such replacement collection account following the date on which the replacement account is opened.</p>

**Swap Counterparty: First Rating Requirement**

A counterparty risk assessment from Moody's of "Baa1(cr)" or above or, if the Swap Counterparty has no counterparty risk assessment from Moody's, a long-term, unsecured and unsubordinated debt obligations rating of "Baa1" or above from Moody's.

The derivative counterparty rating assigned by Fitch to the Swap

The consequences of breach of the First Rating Requirement under the Swap Agreement include a requirement for the Swap Counterparty to post collateral, replace the Swap Counterparty, obtain a guarantee of the Swap Counterparty's obligations or take such other action as will result in the rating of the Rated Notes being

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following:</u>
	Counterparty (or, where the Swap Counterparty has no derivative counterparty rating, the long term issuer default rating assigned to it by Fitch) is "A" (Long-Term) or above or "F1" (Short-Term) or above.	maintained or restored.

#### **Second Rating Requirement**

A counterparty risk assessment from Moody's of "Baa2(cr)" or above or, if the Swap Counterparty has no counterparty risk assessment from Moody's, a long-term, unsecured and unsubordinated debt obligations rating of "Baa2" or above from Moody's.

The derivative counterparty rating assigned by Fitch to the Swap Counterparty (or, where the Swap Counterparty has no derivative counterparty rating, the long term issuer default rating assigned to it by Fitch) is "BBB-" (Long-Term) or above or "F3" (Short-Term) or above.

The consequences of breach of the Second Rating Requirement is that the Swap Counterparty will be obliged to (a) post or continue to post collateral and to (b) use commercially reasonable efforts to take one of the following actions: (i) to procure a transfer to an eligible replacement of its obligations under the Swap Agreement or (ii) procure a guarantee from an eligible guarantor in respect of its obligations under the Swap Agreement or (iii) take such other action as required to maintain or restore the rating of the Rated Notes.

#### **Non-Rating Triggers Table**

#### **Perfection Events:**

Prior to the completion of the transfer of legal title of the Mortgage Loans to the Issuer, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Title of the Issuer*" and "*Set-off may adversely affect the value of the Mortgage Portfolio or any part thereof*" in the section entitled "*Risk Factors*".

The Seller shall be obliged to give notice of assignment of the Mortgage Loans to the Borrowers following the occurrence of:

- (a) the delivery of an Enforcement Notice by the Note Trustee; or
- (b) the occurrence of a Servicer Termination Event; or
- (c) the Seller being required to perfect transfer of legal title to the Mortgage Loans:
  - (i) by an order of a court of competent jurisdiction;
  - (ii) by a regulatory authority which has jurisdiction over the Seller; or
  - (iii) by any organisation of which the Seller is a member or whose members comprise, but are not necessarily limited to, mortgage lenders and with the instructions of which it is customary for the Seller to comply; or
- (d) it becoming necessary as a result of a change in law occurring after the Closing Date to perfect the transfer by way of assignment; or

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
<b>Servicer Termination Events:</b>	<ul style="list-style-type: none"> <li>(e) it becoming unlawful in any applicable jurisdiction for the Seller to hold legal title in respect of any Mortgage Loan in the Mortgage Portfolio; or</li> <li>(f) the Security Trustee notifying the Issuer in writing that the security under the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in jeopardy; or</li> <li>(g) the occurrence of an Insolvency Event relating to the Seller.</li> </ul>	<p>The Issuer may (at any time prior to the delivery of an Enforcement Notice, with the prior written consent of the Security Trustee) and the Security Trustee may (following the delivery of an Enforcement Notice, at once or at any time thereafter while a default continues), by notice in writing to the Servicer (with a copy to the Security Trustee or the Issuer (as applicable)), terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a "<b>Servicer Termination Event</b>") occurs and is continuing:</p>
	<ul style="list-style-type: none"> <li>(a) default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer requiring the same to be remedied;</li> <li>(b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the opinion of the Security Trustee acting on the instructions of the Note Trustee (following the delivery of an Enforcement Notice), is materially prejudicial to the interests of the Noteholders and Certificateholders and which, in the case of a default or breach that is capable of remedy, continues unremedied for a period of 15 Business Days after the earlier of the Servicer becoming aware of such default and of receipt by the Servicer of written notice from the Issuer or the Seller (prior to the service of an Enforcement Notice) or the Security Trustee (following the delivery of an Enforcement Notice) requiring the same to be remedied;</li> <li>(c) the Servicer ceasing to be an authorised person under the FSMA or the revocation of an applicable licence, registration or regulatory permission held by it required to perform the Services;</li> <li>(d) an order is made or an effective resolution passed for the winding up of the Servicer (unless the order is made for the purpose of a reorganisation the terms of which have been approved by the Issuer or, following the service of an Enforcement Notice, the Security Trustee and where the Servicer demonstrates to the satisfaction of the Issuer that it is solvent);</li> <li>(e) the occurrence of an Insolvency Event in respect of the Servicer (other than any frivolous or vexatious corporate action or any other corporate action, legal proceedings or other procedure or step referred to in paragraph (e) of the definition of "Insolvency Event" which is disputed in good faith with a reasonable prospect of success by the Servicer and dismissed or otherwise discharged within 30 days</li> </ul>	



<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following:</u>
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of being commenced);

- (f) the Servicer ceasing to carry on substantially the whole of its residential mortgage servicing business (for the avoidance of doubt any sub-contracting or delegation in accordance with the Servicing Agreement would not constitute cessation of the Servicer's business); or
- (g) the occurrence of a Perfection Event (other than the occurrence of the Perfection Event under paragraph (b) of the definition of the "Perfection Event").

The Servicer may also terminate its appointment under the Servicing Agreement by giving not less than 60 days' written notice to the Issuer (with a copy to the Security Trustee) of its intention to resign and **provided that** a replacement servicer (the "**Replacement Servicer**") has been appointed on substantially the same terms to those in the Servicing Agreement unless otherwise agreed by an Extraordinary resolution of each Class of Noteholders and the Certificateholders, as more fully set out in the section entitled "*Summary of the Key Transaction Documents - Servicing Agreement*" below.

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

## TRANSACTION OVERVIEW - FEES

The following table sets out the ongoing fees to be paid by the Issuer to the Transaction Parties.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Servicing fees:	<p>The servicing fees (the "<b>Servicing Fees</b>") payable by the Issuer on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or (without double counting) amounts standing to the General Reserve Fund and payable in each case in accordance with the Pre-Enforcement Revenue Priority of Payments, being calculated on a monthly basis by reference to the aggregate Principal Outstanding Balance of the Mortgage Loans as at the first day of the relevant Monthly Collection Period (as calculated in the relevant Servicer Report) at a rate of 0.15 per cent. per annum and payable in arrear on the Interest Payment Date immediately following the Collection Period in which such Monthly Collection Period fell. Such fees shall be calculated on the basis of the actual number of days elapsed and a year of 365 days.</p> <p>The Servicing Fees shall be inclusive of any VAT.</p>	Ahead of all outstanding Notes and Residual Certificates.	Payable quarterly in arrear on each Interest Payment Date.
Other fees and expenses of the Issuer (including tax and audit costs):	<p>Estimated at approximately £92,000 per annum (inclusive of VAT, where so provided in the relevant Transaction Document or otherwise payable by the Issuer), subject to adjustment and/or indexation from time to time depending upon the underlying contract.</p>	Ahead of all outstanding Notes and Residual Certificates.	Payable up to every quarter in arrear on each Interest Payment Date.
Expenses related to the admission to trading of the Notes:	€10,500	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.

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

## EU RISK RETENTION REQUIREMENTS

On the Closing Date, the Retention Holder, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation, will retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) in accordance with the text of each of Article 405 of the Capital Requirements Regulation, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (which, in each case, does not take into account any relevant national measures). As at the Closing Date, such interest will be satisfied by the Retention Holder subscribing for and thereafter holding an interest in the first loss tranche, represented in this case by the retention by the Seller of the Class Z1 Notes and the Class Z2 Notes, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation. The aggregate Principal Amount Outstanding of the Class Z1 Notes and the Class Z2 Notes as at the Closing Date is equal to at least 5 per cent. of the nominal value of the securitised exposures.

As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and to any other information provided separately (which information shall not form part of this Prospectus) and, after the Closing Date, to the Investor Reports provided to the Noteholders pursuant to the Cash Management Agreement and published on the website of the Cash Manager at [www.usbank.com/abs](http://www.usbank.com/abs).

The Retention Holder will undertake to the Issuer and the Security Trustee in the Mortgage Sale Agreement, to:

- (a) retain on an on-going basis a material net economic interest of not less than 5 per cent. of the nominal value of the securitised exposures by holding the first loss tranche in the securitisation in accordance with each of paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFM Regulation and paragraph (d) of Article 254(2) of the Solvency II Regulation (the "**Minimum Required Interest**"), represented by the Retention Holder holding the Class Z1 Notes and the Class Z2 Notes (the proceeds of the Class Z2 Notes will fund the General Reserve Fund and the proceeds of the Z1 Notes will fund part of the Closing Initial Purchase Price) on the Closing Date;
- (b) not to change the manner or form in which it retains the Minimum Required Interest, except as permitted under each of the CRR, the AIFM Regulation and the Solvency II Regulation;
- (c) not to transfer, sell or hedge any of the Class Z1 Notes and the Class Z2 Notes and not to take any action which would reduce its exposure to the economic risk of the Class Z1 Notes and the Class Z2 Notes in such a way that it ceases to hold the Minimum Required Interest except as permitted under each of the CRR, the AIFM Regulation and the Solvency II Regulation;
- (d) at all times confirm, promptly upon the written request of the Issuer or the Security Trustee, the continued compliance with paragraphs (a), (b) and (c) above;
- (e) promptly notify the Issuer or the Security Trustee if for any reason it (i) ceases to hold the retention in accordance with the requirements of the Mortgage Sale Agreement or (ii) fails to comply with the covenants set out in the Mortgage Sale Agreement in respect of the retention; and
- (f) comply with the applicable disclosure obligations described in Article 409 of the CRR by confirming its risk retention as contemplated by Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation through the provision of, *inter alios*, the information in this Prospectus and disclosure in the Investor Reports (as prepared by the Cash Manager) (such undertaking, the "**Risk Retention Undertaking**").

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51), Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any relevant national measures which may be relevant and none of the Issuer, the Retention Holder, the Seller, the Cash Manager, the Servicer, the Note Trustee, the Security Trustee, the Arranger, the Lead Manager or the Co-Manager (i) makes any representation that the information described above or in this

Prospectus is sufficient in all circumstances for such purposes, (ii) assumes/accepts any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation or any other applicable legal, regulatory or other requirements, or (iii) shall have any obligation (other than the obligations in respect of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation undertaken by the Retention Holder and the Seller in the Mortgage Sale Agreement) to enable compliance with the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of Title I of the Solvency II Regulation or any other applicable legal, regulatory or other requirements.

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

### **Information regarding the policies and procedures of the Originator**

The Originator has internal policies and procedures in relation to the granting of mortgage loans and the administration of credit risk-bearing portfolios, which include:

- (a) criteria for the granting of the mortgage loans and the underwriting of the mortgage loans (see "*The Mortgage Portfolio and the Mortgage Loans*");
- (b) systems in place to administer and monitor the mortgage loans and exposures (the Mortgage Portfolio will be serviced in line with the usual servicing procedures of the Originator – see "*Servicing of the Mortgage Portfolio*");
- (c) adequate diversification of the Originator's mortgage loan books, given their target market and overall credit strategy (see "*Characteristics of the Provisional Mortgage Portfolio*"); and
- (d) written policies and procedures in relation to the management of mortgage loans in arrears (see "*Servicing of the Mortgage Portfolio*").

## WEIGHTED AVERAGE LIVES OF THE NOTES

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

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

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

- (a) that as of the Cut-Off Date, the aggregate Principal Outstanding Balance of the Mortgage Loans comprising the Mortgage Portfolio is £290,000,000 and that the amortisation schedule (considering the remaining term provided in the Provisional Mortgage Portfolio) of the Mortgage Portfolio mirrors that calculated for each Mortgage Loan in the Mortgage Portfolio as at the Portfolio Reference Date by reference to the period commencing on the Cut-Off Date (and assuming, *inter alia*, the relevant assumptions documented below, including in particular but not limited to paragraphs (b), (c) and (r) together with the interest rate applicable to such Mortgage Loan as of the Portfolio Reference Date and its remaining term (calculated using the Portfolio Reference Date and the maturity of each Mortgage Loan));
- (b) subject to paragraph (r) below, that the amortisation of any Repayment Mortgage Loan is calculated as an annuity loan;
- (c) that all Mortgage Loans that are not Repayment Mortgage Loans are Interest Only Mortgage Loans;
- (d) that the Closing Date is 21 July 2017;
- (e) that no Mortgage Loans are in arrears or subject to enforcement actions and continue to perform until their redemption in full;
- (f) other than in the case of the table entitled "*Assuming exercise of Portfolio Call Option on Optional Redemption Date*", that no Mortgage Loan is sold by the Issuer (other than, where applicable, on or immediately prior to the Optional Redemption Date), either as a result of a repurchase by the Seller pursuant to the terms of the Mortgage Sale Agreement or otherwise;
- (g) in the case of the table entitled "*Assuming exercise of Portfolio Call Option on Optional Redemption Date*", the Notes are redeemed at their Principal Amounts Outstanding on the Optional Redemption Date;
- (h) in the case of the table entitled "*Assuming no exercise of Portfolio Call Option on or after Optional Redemption Date*", the Notes are not redeemed as a result of the sale of the Mortgage Portfolio;
- (i) that three month LIBOR is equal to 0.35 per cent.;
- (j) that the fixed rate under the Swap Agreement is 0.84 per cent.;
- (k) that no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (l) no interest is earned on the Issuer Account;

- (m) subject to paragraph (q) below, that fees in respect of the Mortgage Portfolio are equal to the sum of:
  - (i) variable fees equal to 0.15 per cent. per annum of the aggregate Principal Outstanding Balance of the Mortgage Loans at the beginning of each Monthly Collection Period; and
  - (ii) fixed fees of £92,000 per annum (inclusive of VAT) (distributed equally through time);
- (n) that all principal collections in respect of the Mortgage Portfolio arising from the Cut-Off Date will be available in the Issuer Account for application on each relevant Interest Payment Date thereafter;
- (o) that all interest collections in respect of the Mortgage Portfolio arising from the Closing Date will be available in the Issuer Account for application on each relevant Interest Payment Date thereafter;
- (p) that all collections in respect of the Mortgage Portfolio comprised in the Global Collection Account and General Transaction Collection Account will be available for application on a relevant Interest Payment Date following the Closing Date;
- (q) subject to paragraph (t) below where applicable, that all amounts payable, including but not limited to interest on the Notes are calculated based on the actual number of days in the period and a year of 365 days provided that in the case of (i), (ii) and (iii) below such amounts are calculated based on a month of 30 days and a year of 360 days:
  - (i) amortisation of the Mortgage Loans calculated pursuant to paragraph (a) above;
  - (ii) accrual of interest on the Mortgage Loans; and
  - (iii) interest on the Class X1 Notes and the Class X2 Notes;
- (r) that each Interest Payment Date falls on 12<sup>th</sup> of June, September, December or March (adjustment for the week days to be made with no regard as to whether such week day is a bank holiday or not), with the first Interest Payment Date falling on 12<sup>th</sup> of December 2017;
- (s) that, as of the Closing Date, the Principal Amount Outstanding of (i) the Class A Notes represents exactly 82%, (ii) the Class B Notes represents exactly 7%, (iii) the Class C Notes represents exactly 6%, (iv) the Class D Notes represents exactly 2%, (v) the Class X1 Notes represents exactly 3%, (vi) the Class X2 Notes represents exactly 2%, (vii) the Class Z1 Notes represents exactly 3%, and (viii) the Class Z2 Notes represents exactly 2%, in each case, of the aggregate estimated Principal Outstanding Balance of the Portfolio as of the Cut-Off Date calculated in the manner outlined in paragraph (a) hereto;
- (t) the amounts standing to the credit of the Pre-Funding Reserve are applied by the Issuer to purchase Additional Mortgage Loans having the same characteristics as the Mortgage Loans in the Provisional Mortgage Portfolio and such Additional Mortgage Loans are purchased on the Closing Date and will not alter the repayment profile of the Provisional Mortgage Portfolio;
- (u) the Swap Agreement is not terminated and the Swap Counterparty fully complies with its obligations under the Swap Agreement;
- (v) the Issuer enters into sufficient Additional Swap Transaction(s) to hedge the Additional Mortgage Loans and which have the same characteristics as the initial Swap Transaction;
- (w) the balance of the Pre-Funding Redemption Reserve Ledger after the Closing Date, if any, is zero;
- (x) the balance of the Pre-Funding Revenue Reserve Ledger after the Closing Date, if any, is zero; and
- (y) that the Rates of Interest payable on the Notes include certain assumptions regarding the Relevant Margins referable thereto.

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

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

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

$$1 - ((1 - R)^{(1/12)})$$

CPR	(Assuming exercise of Portfolio Call Option on Optional Redemption Date)							
	WAL (in years) of:							
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class X1 Notes	Class X2 Notes	Class Z1 Notes	Class Z2 Notes
0%.....	4.87	4.90	4.90	4.90	1.03	2.20	4.90	4.90
5%.....	4.22	4.90	4.90	4.90	1.05	2.28	4.90	4.90
10%.....	3.63	4.90	4.90	4.90	1.07	2.39	4.90	4.90
15%.....	3.11	4.90	4.90	4.90	1.09	2.53	4.90	4.90
20%.....	2.64	4.90	4.90	4.90	1.10	2.74	4.90	4.90
25%.....	2.23	4.90	4.90	4.90	1.13	3.08	4.90	4.90
5% then 20% after 39 months	4.02	4.90	4.90	4.90	1.05	2.28	4.90	4.90

CPR	CPR (Assuming no exercise of Portfolio Call Option on or after Optional Redemption Date)							
	WAL (in years) of:							
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class X1 Notes	Class X2 Notes	Class Z1 Notes	Class Z2 Notes
0%.....	13.35	19.79	20.57	21.41	1.03	2.20	22.64	22.64
5%.....	7.78	16.50	18.21	18.65	1.05	2.28	19.05	19.05
10%.....	5.16	12.70	14.56	15.41	1.07	2.39	16.95	16.95
15%.....	3.73	9.95	11.93	13.15	1.09	2.53	14.52	14.52
20%.....	2.85	8.07	9.88	10.90	1.10	2.74	12.72	12.72
25%.....	2.27	6.58	8.30	9.41	1.13	3.08	11.09	11.09
5% then 20% after 39 months	4.87	9.58	11.00	11.90	1.05	2.28	12.95	12.95

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

## **EARLY REDEMPTION OF THE NOTES PURSUANT TO THE PORTFOLIO CALL OPTION OR THE RISK RETENTION REGULATORY CHANGE OPTION**

The Mortgage Portfolio may be sold by the Issuer pursuant to (a) the Portfolio Call Option or (b) on the occurrence of a Risk Retention Regulatory Change Event, the Risk Retention Regulatory Change Option. The Issuer will undertake not to dispose of the Mortgage Portfolio in any other circumstances (other than (i) following the delivery of an Enforcement Notice or (ii) pursuant to Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*)).

### **Portfolio Call Option**

The Issuer will, pursuant to a deed poll dated on or about the Closing Date, executed by the Issuer, in favour of the Portfolio Call Option Holder from time to time (the "**Deed Poll**"), grant to (a) (where the Residual Certificates are represented by Definitive Residual Certificates) the holder of greater than 50 per cent. of the Residual Certificates or (where the Residual Certificates are represented by the Global Residual Certificate) the Certificateholder who holds the beneficial interest in more than 50 per cent. of the Residual Certificates or (b) where no person holds greater than 50 per cent. of the Residual Certificates or, as applicable, beneficial interest in more than 50 per cent. of the Residual Certificates, the person who holds the greatest number of the Residual Certificates or, as applicable, the beneficial interest in the greatest number of the Residual Certificates (the "**Portfolio Call Option Holder**") an option (the "**Portfolio Call Option**") to require the Issuer to (a) sell to the Portfolio Call Option Holder (or its nominee) (the "**Beneficial Title Transferee**") the beneficial title to all (but not some) Mortgage Loans and Related Security in the Mortgage Portfolio and (b) to the extent applicable, transfer to the Portfolio Call Option Holder (or its nominee) (the "**Legal Title Transferee**", and, together with the Beneficial Title Transferee, the "**Title Transferee**") the right to call for the legal title to all (but not some) Mortgage Loans and Related Security in the Mortgage Portfolio transferred to it.

Subject to the satisfaction of certain conditions indicated in paragraphs (a) to (c) below, the Portfolio Call Option Holder shall be entitled to exercise the Portfolio Call Option in whole (but not in part) at any time in the period beginning no earlier than the Business Day immediately following the Interest Payment Date immediately preceding the Interest Payment Date falling in June 2022 (the "**Optional Redemption Date**") and provided further that the Exercise Notice shall have no effect if served earlier.

The Portfolio Call Option Holder may declare its intent to exercise the Portfolio Call Option by delivery of a written notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Seller, the Servicer and the Cash Manager (such notice, the "**Exercise Notice**"), provided that such delivery will take place (i) no earlier than the Business Day immediately following the Interest Payment Date immediately preceding the intended Optional Portfolio Completion Date and (ii) no later than ten Business Days before the intended Optional Portfolio Purchase Completion Date. The Issuer shall notify the Noteholders, Note Trustee and Rating Agencies promptly following its acknowledgement of the Exercise Notice, such acknowledgment to take the form of the Issuer's countersignature to the Exercise Notice no later than the close of business on the Business Day following receipt of such Exercise Notice. By no later than 12:00pm on the Business Day following the receipt by the Issuer from the Cash Manager of the information in relation to the Portfolio Minimum Purchase Price, the Issuer shall notify the Portfolio Call Option Holder, the Note Trustee, the Security Trustee, the Seller and the Servicer of the Portfolio Minimum Purchase Price and the Portfolio Call Option Holder shall confirm its acceptance of the Portfolio Minimum Purchase Price by its countersignature of such notice by no later than the close of business on such date. The Issuer will procure that the Servicer provides the information required by the Cash Manager to determine the Portfolio Minimum Purchase Price as soon as reasonably practicable and in any event within three Business Days following the Collection Period End Date immediately prior to the intended Optional Portfolio Purchase Completion Date. The Issuer will procure that upon the receipt of the relevant information from the Servicer, the Cash Manager will, provided that it has all information necessary to enable it to do so, determine and confirm the Portfolio Minimum Purchase Price no later than close of business on the Business Day immediately following its receipt of the relevant information from the Servicer.

Completion of the purchase by the Portfolio Call Option Holder will occur on the date specified in the Exercise Notice **provided that** the Optional Portfolio Purchase Completion Date shall fall two Business Days prior to the Interest Payment Date immediately following the date of the Exercise Notice or such earlier date as the Issuer, Note Trustee, Security Trustee and Portfolio Call Option Holder may agree (such date to be notified to the Noteholders and Certificateholders) and **provided further that** the



Optional Portfolio Purchase Completion Date may fall no earlier than six Business Days after the Collection Period End Date immediately preceding the Interest Payment Date immediately following the date of the Exercise Notice.

There will be the following conditions to the exercise of the Portfolio Call Option:

- (a) where either the Beneficial Title Transferee or the Legal Title Transferee is not resident for tax purposes in the United Kingdom, the Portfolio Call Option Holder shall indicate in the Exercise Notice that the Beneficial Title Transferee or the Legal Title Transferee (as applicable) is not resident in the United Kingdom for tax purposes;
- (b) either:
  - (i) the Legal Title Transferee (or any servicer acting on its behalf) has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer buy-to-let mortgage loans such as the Mortgage Loans and their Related Security comprising the Mortgage Portfolio (the "**Relevant Authorisations**"); or
  - (ii) the Beneficial Title Transferee has appointed a servicer who has the Relevant Authorisations and that the Seller has confirmed in writing that it will hold legal title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio on trust for the Beneficial Title Transferee; and
- (c) the Beneficial Title Transferee shall not transfer the beneficial interest in any of the Mortgage Loans or their Related Security comprising the Mortgage Portfolio to a further purchaser that is not resident in the United Kingdom for tax purposes without first giving the Issuer five Business Days' written notice that the further purchaser is not resident in the United Kingdom for tax purposes.

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

On the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date, the Portfolio Minimum Purchase Price, together with all amounts standing to the credit of the Liquidity Reserve Fund, the General Reserve Fund and (without double counting) any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date, will be applied in accordance with the Post-Enforcement Priority of Payments and will result in the Notes being redeemed in full. Any funds remaining may (subject to the payment of all amounts ranking in priority thereto in accordance with the Post-Enforcement Priority of Payments) be paid to the Certificateholders. Following the redemption in full of the Notes and subject to the Conditions and Residual Certificates Conditions the Residual Certificates will be cancelled.

Any Revenue Receipts or Redemption Receipts received by the Issuer corresponding to any Monthly Collection Period falling after the immediately preceding Collection Period End Date or any interest on the Issuer Accounts received by the Issuer from but excluding the immediately preceding Collection Period End Date prior to the Optional Portfolio Purchase Completion Date (such amounts being "**Optional Purchase Collections**") will be payable, together with any minimum required amount that has been retained in the General Transaction Collection Account, to or for the account of the Beneficial Title Transferee and the Issuer shall transfer all such amounts to or for the account of the Beneficial Title Transferee as soon as reasonably practicable following the Optional Portfolio Purchase Completion Date.

#### **Optional Purchase Price**

The purchase price for the Mortgage Portfolio under the Portfolio Call Option shall be an amount not less than (without double counting):

- (a) an amount equal to the aggregate amount required to satisfy items (a) to (r) (inclusive) of the Post-Enforcement Priority of Payments on the Interest Payment Date following the Optional Portfolio Purchase Completion Date including (for the avoidance of doubt) the Issuer's costs and expenses (i) incurred pursuant to the sale and redemption in connection with the exercise of the

Portfolio Call Option and (ii) associated with transferring its interests in any Mortgage Loans and their Related Security to the Portfolio Call Option Holder or its nominee (if any) and an amount agreed between the Issuer and the Portfolio Call Option Holder in respect of costs anticipated to be incurred by the Issuer after the Optional Portfolio Purchase Completion Date; less

- (b) the balance standing to the credit of the Liquidity Reserve Fund; less
- (c) the balance standing to the credit of the General Reserve Fund; less
- (d) any other Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date,

(the "**Portfolio Minimum Purchase Price**").

In connection with the exercise of the Portfolio Call Option, the Title Transferee shall deposit an amount equal to the Portfolio Minimum Purchase Price in the Issuer Account on the Optional Portfolio Purchase Completion Date in consideration for the purchase of the Mortgage Loans and Related Security in the Mortgage Portfolio on the Optional Portfolio Purchase Completion Date and the Security Trustee shall, pursuant to the Deed of Charge, enter into a release of security in respect of such Mortgage Loans and Related Security with effect on the Optional Portfolio Purchase Completion Date.

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

#### **Risk Retention Regulatory Change Option**

Pursuant to the Mortgage Sale Agreement, following the occurrence of a Risk Retention Regulatory Change Event (and subject to two directors of the Retention Holder certifying in writing to the Issuer (copied to the Note Trustee) that a Risk Retention Regulatory Change Event has occurred, upon which certificate the Issuer (copied to the Note Trustee) shall be entitled to rely absolutely without liability to any person for so doing), the Retention Holder has the benefit of the Risk Retention Regulatory Change Option to require the Issuer to, on the date (the "**Risk Retention Regulatory Change Option Date**") specified in such notice (the "**Risk Retention Regulatory Change Option Exercise Notice**"):

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

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

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

Where the sale to the Retention Holder does not contemplate a transfer of legal title to the Mortgage Loans and their Related Security, the exercise of the Risk Retention Regulatory Change Option shall be conditional on the consent of the Seller to hold legal title on behalf of the Retention Holder or its nominee.

It will be a condition of the exercise of the Risk Retention Regulatory Change Option that (a) where either the Beneficial Title Transferee or the Legal Title Transferee is not resident for tax purposes in the United Kingdom, the Portfolio Call Option Holder shall indicate in the Risk Retention Regulatory Change Option Exercise Notice that the Beneficial Title Transferee or the Legal Title Transferee (as applicable) is not resident in the United Kingdom for tax purposes and (b) the Beneficial Title Transferee shall not transfer the beneficial interest in any of the Mortgage Loans or their Related Security comprising the Mortgage Portfolio to a further purchaser that is not resident in the United Kingdom for tax purposes without first giving the Issuer five Business Days' written notice that the further purchaser is not resident in the United Kingdom for tax purposes.

The Retention Holder may indicate its intent to exercise the Risk Retention Regulatory Change Option by delivering a Risk Retention Regulatory Change Option Exercise Notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Seller, the Servicer and the Cash Manager at any time following the occurrence of a Risk Retention Regulatory Change Event **provided that** such Risk Retention Regulatory Change Option Exercise Notice shall be delivered (i) no earlier than the Business Day immediately following the Interest Payment Date immediately preceding the intended Risk Retention Regulatory Change Option Date and (ii) no later than ten Business Days before the intended Risk Retention Regulatory Change Option Date.

The Issuer shall notify the Noteholders, Note Trustee and Rating Agencies promptly following its acknowledgement of the Risk Retention Regulatory Change Option Exercise Notice, such acknowledgement to take the form of the Issuer's countersignature to the Risk Retention Regulatory Change Option Exercise Notice.

Completion of the transfers referred to at points (a) to (c) above will occur on the date specified in such notice **provided that** the Risk Retention Regulatory Change Option Date shall fall two Business Days prior to the Interest Payment Date immediately following the date of the Risk Retention Regulatory Change Option Exercise Notice or such earlier date as the Issuer, Note Trustee, Security Trustee and the Retention Holder may agree and **provided further that** the Risk Retention Regulatory Change Option Date may fall no earlier than six Business Days after the Collection Period End Date immediately preceding the Interest Payment Date immediately following the date of the Risk Retention Regulatory Change Option Exercise Notice.

The Retention Holder or its nominee will be required to deposit the full amount of the Risk Retention Regulatory Change Option Purchase Price in the Issuer Account or such other account agreed with the Issuer and the Security Trustee (on the direction of the Note Trustee) on or prior to the Risk Retention Regulatory Change Option Date or take such other action agreed with the Issuer and the Security Trustee.

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

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

- (a) the amount required by the Issuer to pay in full all amounts payable under items (a) to (r) (inclusive) of the Post-Enforcement Priority of Payments on the Interest Payment Date immediately following the Risk Retention Regulatory Change Option Date including (for the avoidance of doubt) the Issuer's costs and expenses associated with transferring its interests in any Mortgage Loan and its Related Security to the Retention Holder or its nominee (if any) and an amount agreed between the Issuer and the Retention Holder in respect of costs anticipated to be incurred by the Issuer after the Risk Retention Regulatory Change Option Date; less
- (b) the balance standing to the credit of the Liquidity Reserve Fund; less
- (c) the balance standing to the credit of the General Reserve Fund; less
- (d) any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date immediately following the Risk Retention Regulatory Change Option Date.

**"Risk Retention Regulatory Change Event"** means any change in or the adoption of any new law, rule, direction, guidance or regulation which requires the manner in which the Minimum Required Interest is

held by the Retention Holder and the Seller to be restructured after the Closing Date or which would otherwise result in the manner in which the Minimum Required Interest is held by the Retention Holder to become non-compliant in relation to a Noteholder.

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

On the Interest Payment Date immediately following the Risk Retention Regulatory Change Option Date, the full amount of the Risk Retention Regulatory Change Option Purchase Price, together with all amounts standing to the credit of the Liquidity Reserve Fund and the General Reserve Fund and (without double-counting) all Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on that Interest Payment Date, will be applied in accordance with the Post-Enforcement Priority of Payments and will result in the Notes being redeemed in full. Any funds remaining may (subject to the payment of all senior amounts in accordance with the Post-Enforcement Priority of Payments) be paid to the Certificateholders. Following the redemption in full of the Notes and subject to the Conditions and Residual Certificates Conditions the Residual Certificates will be cancelled.

Any Revenue Receipts or Redemption Receipts received by the Issuer corresponding to any Monthly Collection Period falling after the immediately preceding Collection Period End Date or any interest on the Issuer Account received by the Issuer from but excluding the immediately preceding Collection Period End Date prior to the Risk Retention Regulatory Change Option Date (such amounts being "**Risk Retention Regulatory Change Option Collections**") will be payable, together with any minimum required amount that has been retained in the General Transaction Collection Account, to or for the account of the Beneficial Title Transferee as soon as reasonably practicable following the Risk Retention Regulatory Change Option Date.

## **USE OF PROCEEDS**

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

- (a) pay the Initial Purchase Price payable by the Issuer for the Closing Mortgage Portfolio to be acquired from the Seller on the Closing Date;
- (b) establish the Pre-Funding Reserve which can be applied by the Issuer to acquire Additional Mortgage Loans from the Seller following the Closing Date until (and including) the Final Additional Mortgage Loan Purchase Date;
- (c) establish the General Reserve Fund through the retention of the General Reserve Fund Required Amount;
- (d) establish the Liquidity Reserve Fund through the retention of the Liquidity Reserve Fund Required Amount; and
- (e) retain certain amounts and pay certain fees and expenses of the Issuer incurred in connection with the issue of the Notes and the Residual Certificates on the Closing Date.

## RATINGS

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

<b>Class of Notes</b>	<b>Fitch</b>	<b>Moody's</b>
Class A Notes	AAA(sf)	Aaa(sf)
Class B Notes	AA+(sf)	Aa1(sf)
Class C Notes	A+(sf)	Aa3(sf)
Class D Notes	A(sf)	A3(sf)
Class X1 Notes	BB(sf)	Ba3(sf)
Class X2 Notes	BB-(sf)	B2(sf)
Class Z1 Notes	Not rated	Not rated
Class Z2 Notes	Not rated	Not rated

The ratings assigned by Fitch address, *inter alia*:

- in respect of the Class A Notes and the Class B Notes, the likelihood of full and timely payment of interest due to the holders of the Class A Notes and Class B Notes, respectively, on each Interest Payment Date;
- in respect of the Class C Notes, Class D Notes, Class X1 Notes and Class X2 Notes, the likelihood of full payment of interest and principal to the holders of the Class C Notes, Class D Notes, Class X1 Notes and Class X2 Notes, respectively, by a date that is not later than the Final Maturity Date; and
- the likelihood of full payment of principal to the holders of the Rated Notes, respectively, by a date that is not later than the Final Maturity Date.

The ratings assigned by Moody's address, *inter alia*:

- in respect of the Class A Notes, Class B Notes, Class C Notes and Class D Notes, the likelihood of full and timely payment of interest due to the holders of the Class A Notes, Class B Notes, Class C Notes and Class D Notes respectively, on each Interest Payment Date;
- in respect of the Class X1 Notes and Class X2 Notes, the likelihood of full payment of interest and principal to the holders of the Class X1 Notes and Class X2 Notes, respectively, by a date that is not later than the Final Maturity Date; and
- the likelihood of full payment of principal to the holders of the Rated Notes, respectively, by a date that is not later than the Final Maturity Date.

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

## THE ISSUER

### Introduction

The Issuer was incorporated under the laws of England and Wales on 11 May 2017 (registered number 10766231) as a public limited company under the Companies Act 2006. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0)20 7398 6300. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1.00 each, of which one is fully paid up and 49,999 are quarter-paid and all are held by Holdings (see the section titled "*Holdings*" below).

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

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

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

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

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public limited company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and Residual Certificates and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, has made a notification under the Data Protection Act 1998. As at the date of this Prospectus, statutory accounts have not yet been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2017.

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

### Directors

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

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

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

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

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



## HOLDINGS

### Introduction

Holdings was incorporated under the laws of England and Wales on 11 May 2017 (registered number 10766188) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises one ordinary share of £1.00. Intertrust Corporate Services Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share capital under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

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

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

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

### Directors

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

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

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

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

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2017.

Holdings has no employees.

## **THE SELLER, RETENTION HOLDER AND SERVICER**

Paratus AMC Limited (the "**Seller**", the "**Retention Holder**" and the "**Servicer**") is a private limited company incorporated and registered in England and Wales under company number 03489004 whose registered office is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA.

Paratus AMC Limited is a provider of primary and special servicing for UK residential mortgages with approximately £2.5bn of residential mortgage loans under management.

Paratus AMC Limited is authorised and regulated by the Financial Services Authority under registration number 301128 and is registered under the Data Protection Act 1998.

Paratus AMC Limited in its capacity as the Retention Holder has given certain undertakings in relation to the holding of the Minimum Required Interest which are set out in the section headed "*EU Risk Retention Requirements*".

## THE SWAP COUNTERPARTY

The information contained in this section related to Natixis and the Natixis group has been obtained from Natixis and is furnished solely to provide limited information regarding Natixis and the Natixis Group and does not purport to be comprehensive.

NATIXIS (formerly known as Natexis Banques Populaires) is a French limited liability company (société anonyme à conseil d'administration) registered with the Registre du Commerce et des Sociétés de Paris under No. 542 044 524 ("**NATIXIS**"). NATIXIS has its registered office address at 30 avenue Pierre Mendès-France, 75013 Paris, France.

With effect as of 31 July 2009 (non-inclusive), NATIXIS is affiliated with BPCE, the central body of Groupe BPCE. This affiliation with BPCE replaces, with effect as of same date, the dual affiliation of NATIXIS with Caisse Nationale des Caisses d'Épargne et de Prévoyance (CNCE) and Banque Fédérale des Banques Populaires (BFBP), which was governed by a dual affiliation agreement terminated on the same date.

NATIXIS is the corporate, investment and financial services arm of Groupe BPCE, the 2nd-largest retail banking group in France.

With around 16,000 employees, NATIXIS has a number of areas of expertise which are organized in three main business lines: Corporate and Investment Bank, Investment Solutions and Specialized Financial Services.

NATIXIS has its own client base of companies, financial institutions and institutional investors as well as the client base of individuals, professionals and small and medium-size businesses of Groupe BPCE's two retail banking networks, Banque Populaire and Caisse d'Épargne.

NATIXIS is listed on the Paris stock exchange (*Nyse Euronext*) SBF 120 index and is rated by Standard & Poor's, Fitch Ratings and Moody's.

As at 30 June 2017, the long-term rating unsecured and unsubordinated debt obligations of NATIXIS is "A" for Standard & Poor's, "A" for Fitch Ratings and "A2" for Moody's.

The information contained in the preceding paragraphs has been provided by NATIXIS for use in this Prospectus. Except for the foregoing paragraphs, NATIXIS and its respective affiliates have not been involved in the preparation of, and do not accept responsibility for, this Prospectus.

## **NOTE TRUSTEE, SECURITY TRUSTEE, CASH MANAGER AND ISSUER ACCOUNT BANK**

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

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

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

U.S. Bancorp, with \$438 billion in assets as of 30 June 2016, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States of America. The company operates 3,122 banking offices in 25 states and 4,923 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

## THE ORIGINATOR AND THE INITIAL LENDER OF RECORD

### **Paratus AMC Limited**

Paratus AMC Limited ("**Paratus**") is a private limited company incorporated in England and Wales under the Companies Act 1985 on 6 January 1998.

Paratus's primary business is mortgage lending and origination in the United Kingdom.

The registered office of Paratus is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA.

### **Landbay Partners Limited**

Landbay Partners Limited ("**Landbay**") is a private limited company with company number 08668507 incorporated in England and Wales.

The registered office of Landbay is 3<sup>rd</sup> Floor, 9-11 Grosvenor Gardens, London SW1W 0BD.

Landbay's primary business is mortgage lending and origination and operating an electronic lending platform.

With respect to the Mortgage Loans originated under the lending platform established by Landbay, with Landbay as initial lender of record, all related mortgage applications were underwritten by the Seller using the Seller's systems and processes and each such Mortgage Loan was funded at origination by the Seller and the legal title of which has since been transferred to the Seller.

Each of the Originator and the Initial Lender of Record is authorised by the FCA to conduct its business.

## THE GLOBAL COLLECTION ACCOUNT BANK AND COLLECTION ACCOUNT BANK

Barclays Bank PLC will act as Global Collection Account Bank and Collection Account Bank.

Barclays Bank PLC (the "**Bank**") 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 (together with its subsidiary undertakings (the "**Bank Group**")) is a transatlantic consumer, corporate and investment bank offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in the Bank Group's two home markets of the UK and the US. The Bank Group is focused on two core divisions – Barclays UK and Barclays International. Barclays UK comprises the UK retail banking operations, UK consumer credit card business, UK wealth management business and corporate banking for smaller businesses. Barclays International comprises the corporate banking franchise, the Investment Bank, the US and international cards business and international wealth management. Assets which do not fit the Bank Group's strategic objectives will continue to be managed in Barclays Non-Core and designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the Bank Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-2 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A- by Standard & Poor's Credit Market Services Europe Limited, A1 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Bank Group's audited financial information for the year ended 31 December 2016, the Bank Group had total assets of £1,213,955m (2015: £1,120,727m), total net loans and advances<sup>1</sup> of £436,417m (2015: £441,046m), total deposits<sup>2</sup> of £472,917m (2015: £465,387m), and total equity of £70,955m (2015: £66,019m) (including non-controlling interests of £3,522m (2015: £1,914m)). The profit before tax of the Bank Group for the year ended 31 December 2016 was £4,383m (2015: £1,914m) after credit impairment charges and other provisions of £2,373m (2015: £1,762m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Issuer for the year ended 31 December 2016.

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<sup>1</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>2</sup> Total deposits include deposits from bank and customer accounts.

### **THE BACK-UP SERVICER FACILITATOR**

The role of Back-Up Servicer Facilitator will be performed by Intertrust Management Limited (registered number 03853947), having its principal address at 35 Great St. Helen's, London EC3A 6AP.

The Back-Up Servicer Facilitator will be appointed pursuant to the terms of the Servicing Agreement to use their reasonable endeavours to appoint a Replacement Servicer if required.



### **THE CORPORATE SERVICES PROVIDER**

Intertrust Management Limited (registered number 03853947), formerly Structured Finance Management Limited, having its principal address at 35 Great St. Helen's, London EC3A 6AP will be appointed to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement.

Intertrust Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

## THE 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, lending criteria and selected statistical information.

The Seller has identified a portfolio of mortgage loans (the "**Provisional Mortgage Portfolio**") to assign to the Issuer.

The portfolio of mortgage loans which the Seller will transfer the beneficial title to on the Closing Date (the "**Closing Mortgage Portfolio**") may differ from the Provisional Mortgage Portfolio due to any redemptions of mortgage loans occurring, the death of the related Borrower, enforcement procedures being completed or repurchases by the persons who sold the relevant Mortgage Loan to the Seller, in each case during the period between 31 May 2017 (the "**Portfolio Reference Date**") and the Cut-Off Date. As at the Portfolio Reference Date, the Provisional Mortgage Portfolio had the characteristics shown below. See "*Characteristics of the Provisional Mortgage Portfolio*".

Further Mortgage Loans ("**Additional Mortgage Loans**") may be sold to the Issuer by the Seller in the period from the Closing Date up to and excluding the Calculation Date preceding the first Interest Payment Date (the "**Final Additional Mortgage Loan Purchase Date**"). Additional Mortgage Loans do not form part of the Provisional Mortgage Portfolio.

As of the Closing Date, the Seller holds the legal and beneficial title to such the Closing Mortgage Loans and their Related Security. The Seller will transfer the beneficial title of the Closing Mortgage Portfolio to the Issuer pursuant to and subject to the terms of the Mortgage Sale Agreement on the Closing Date. The Seller will transfer the beneficial title of each Additional Mortgage Loan to the Issuer pursuant to and subject to the terms of the Mortgage Sale Agreement on the relevant Additional Mortgage Loan Purchase Date. Following the Closing Date or the Additional Mortgage Loan Purchase Date, as applicable, the Seller will continue to hold the legal title to such loans.

### The Originator and the Initial Lender of Record

The Mortgage Loans in the Provisional Mortgage Portfolio were originated under two brands, Foundation Home Loans ("**FHL**") 64.0% and Keystone 36.0%. The Mortgage Loans were originated by the Seller itself apart from circa £30 million Landbay Mortgage Loans which were originated under the lending platform established by Landbay. Although the Landbay Mortgage Loans were funded at the point of origination by the Seller and the Seller underwrote and processed each application in respect of the Landbay Mortgage Loans and set the lending criteria, Landbay was the initial lender of record in respect of those loans. Legal title to the Landbay Mortgage Loans was, from origination, held by Landbay on a bare trust for the benefit of the Seller. The Seller was entitled to call for the legal title to the Landbay Mortgage Loans at any time and the legal title to each of these Mortgage Loans has since been transferred to the Seller (see "*Characteristics of the Provisional Mortgage Portfolio*", below).

### Cross-collateral Rights

Mortgage Loans originated under the lending platform established by Landbay (each such Mortgage Loan, a "**Cross-collateral Mortgage**") provide, among other things, certain rights (being "**Cross-collateral Rights**") which allow the relevant lender and mortgagee of any such Cross-collateral Mortgage:

- (a) to declare immediately due and repayable each liability secured by that Cross-collateral Mortgage and to exercise the statutory power of sale under that Cross-collateral Mortgage if and when the same mortgagee of any other Cross-collateral Mortgage in the name of the same mortgagor is entitled to declare immediately due and repayable any liability secured by that other Cross-collateral Mortgage; and
- (b) to apply the proceeds of enforcement under the Cross-collateral Mortgages of the relevant mortgagor against any and *all* liabilities secured by the Cross-collateral Mortgages.

Under the Mortgage Sale Agreement, the Seller will covenant that, so long as it remains the legal title holder of the mortgage loans which are secured by Cross-collateral Mortgages,

- it shall only have Cross-collateral Rights in respect of Cross-collateral Mortgages that it beneficially owns;
- it waives all rights to exercise Cross-collateral Rights in respect of other Cross-collateral Mortgages which are not beneficially owned by it and any rights to the proceeds of enforcement of Cross-collateral Mortgages not beneficially owned by it; and
- it shall not enforce against the Cross-collateral Mortgage in respect of a Mortgage Loan comprised in the Mortgage Portfolio unless such Mortgage Loan itself is in default and if it enforces the Cross-collateral Mortgage in respect of such Mortgage Loan, the proceeds of such enforcement shall be applied by or on behalf of it firstly to repay all amounts owing by the mortgagor under such Mortgage Loan and, secondly, to the extent there are additional proceeds of enforcement, apply such proceeds in accordance with the applicable Mortgage Loan Agreement.

## **Characteristics of the Mortgage Loans**

### ***Repayment Terms***

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

- 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.
- 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. However, the Originator or the Initial Lender of Record (as applicable) will not have required the Borrower to provide evidence as to the existence of any such policies (to the extent that such a policy was required as a condition of the related Mortgage Loan) and such policies are not charged by way of collateral security.

### ***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:

- Mortgage Loans where the applicable Mortgage Rate is calculated by reference to Three Month LIBOR (the "**Variable Mortgage Loans**");
- Mortgage Loans which bear (i) a floating rate of interest equal to LIBOR (as defined in the Mortgage Conditions) plus a margin for an initial period of up to three (3) years from the date of its origination, and (ii) a floating rate of interest equal to LIBOR (as defined in the Mortgage Conditions) plus a reversion margin subsequently (the "**Tracker Mortgage Loans**");
- Mortgage Loans where the applicable Mortgage Rate is a fixed rate of interest for an initial period of up to five (5) years and six (6) months from the date of its origination (the "**Fixed Rate Mortgage Loans**"); and
- Mortgage Loans where the applicable Mortgage Rate is (i) a fixed rate of interest for an initial period of up to five (5) years and six (6) months from the date of its origination, and (ii) a floating rate of interest equal to LIBOR plus a reversion margin subsequently ((i) and (ii) together, the "**Fixed to Tracker Mortgage Loans**").

Three Month LIBOR for the Variable Mortgage Loans, the Tracker Mortgage Loans and the Fixed to Tracker Mortgage Loans following the expiry of the relevant fixed period is determined on the 12th day

of each of March, June, September and December by the Servicer on behalf of the Issuer. The Three Month LIBOR as established on such date shall be effective as of on the 12th day of each month for each of the Variable Mortgage Loans.

### ***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 Loan documentation. The Mortgage Loans have payment dates throughout the month.

### **Lending Criteria**

The following lending criteria (the "**Lending Criteria**") is a summary consolidating each of the lending criteria which have been applied in relation to the Mortgage Loans. Capitalised terms used in this section are used in respect of the Lending Criteria only, unless the context otherwise requires.

#### **A. General Lending Criteria for FHL Mortgage Loans and Keystone Mortgage Loans**

In this Prospectus:

"**FHL Mortgage Loans**" means all Mortgage Loans originated by the Seller under its Foundation Home Loans brand;

"**Keystone Mortgage Loans**" means the Mortgage Loans originated under the lending platform established by Landbay (as initial lender of record) or the Seller under the Keystone brand, being the combination of Landbay Mortgage Loans and Paratus Mortgage Loans;

"**Landbay Mortgage Loans**" means Keystone Mortgage Loans originated under the lending platform established by Landbay as initial lender of record; and

"**Paratus Mortgage Loans**" means Keystone Mortgage Loans originated by the Seller.

With respect to the Landbay Mortgage Loans, all related mortgage applications were underwritten by the Seller using the Seller's systems and processes and each such Landbay Mortgage Loan was funded at origination by the Seller and the legal title of which has since been transferred to the Seller.

There are some differences between the Lending Criteria in respect of the Keystone Mortgage Loans and the FHL Mortgage Loans.

### ***Security***

- (a) Each loan was secured by a first ranking legal mortgage (a "**Mortgage**") over a freehold or long leasehold residential property in England or Wales (each a "**Property**" and together, the "**Properties**").
- (b) Only Property let under an assured shorthold tenancy with a term of not exceeding 36 months was acceptable. Property occupied by the borrower(s) or an immediate family member were not acceptable.
- (c) Properties under 10 years old were required to have the benefit of an NHBC, Zurich Municipal or Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following are examples of types of property which were deemed unacceptable as security:
  - (i) Properties with an unexpired lease term of less than 50 years at the end of the mortgage term (or an unexpired term of less than 125 years at the point of application in the case of MUP Mortgage Loans);
  - (ii) freehold flats and maisonettes;
  - (iii) shared ownership Properties;
  - (iv) Properties of 100% timber construction or steel frame construction;

- (v) Properties containing mundic block materials;
  - (vi) Grade I listed buildings;
  - (vii) commercial Properties;
  - (viii) mobile homes and houseboats; and
  - (ix) Properties likely to be adversely affected by local planning.
- (e) Each Property offered as security was required to have been valued by a professionally qualified surveyor (MRICS/FRICS qualification) chosen from a panel of valuation firms approved by the lender.
  - (f) Each Property was required to have been insured by the Borrower.

***Borrowers***

- (a) Borrowers were required to be, in the case of individuals, at least 21 years of age prior to completion of the loan and in the case of companies, a limited company registered in England and Wales.
- (b) A maximum number of four Borrowers (including any guarantors) were allowed to be parties to a Keystone Mortgage Loan. In the case of FHL Mortgage Loans, a maximum number of two applicants were permitted for each application by individuals and the maximum number of directors permitted for each application by a company is four. All directors were required to sign a personal guarantee for 100 per cent. of the loan amount and in the case of FHL Mortgage Loans, guarantors were not acceptable for applications by individual(s).
- (c) The Borrower's credit and employment history were assessed with the aid of any or all of the following:
  - (i) search supplied by credit reference agency;
  - (ii) confirmation of voters roll entries;
  - (iii) proof of income;
  - (iv) accounts or accountant's certificate;
  - (v) Mortgage references or references from current and/or previous lenders on other loans or arrears; and
  - (vi) bank statements.
- (d) Applications where a county court judgment ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references were acceptable under the Lending Criteria subject to certain conditions which vary depending on the credit assessment of the Borrower.
- (e) Borrowers who were the subject of a bankruptcy order ("**BO**") or individual voluntary arrangement ("**IVA**") were acceptable under the Keystone Mortgage Loans if the BO or IVA was registered more than 6 years ago and had been discharged at the point of application.
- (f) Applications from a company were declined where there is history of (or in the case of Keystone Mortgage Loans, where such history was in the past 6 years): (i) directorship of involuntarily liquidated or wound up companies, (ii) receiverships or (iii) Company Voluntary Arrangements ("**CVA**").

"**Borrower**" means, in relation to a loan, the person or persons specified as such in the relevant Mortgage together with the person or persons (if any) from time to time assuming an obligation to repay such loan or any part of it.

### ***Term***

Mortgage Loans were required to have a term of between 5 and 25 years.

### ***Solicitors/Title Insurance Providers***

Any firm of solicitors acting on behalf of the lender on the making of each loan was required to meet certain minimum requirements. For example, they were required to have registered with the Solicitors Regulation Authority ("**SRA**") at least three SRA registered managers.

In respect of the loans, either solicitors have carried out usual investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancers normally make when lending to a person on the security of residential property in England and Wales or a certificate of title or report on title relating to such Property, or title insurance has been obtained.

The Issuer would have the benefit of the title insurance in respect of the loans sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement.

### ***Valuation***

The mortgage valuation is required in respect of any Property offered as security for a Mortgage Loan. The valuation must be carried out by a Valuer on the approved Panel of Valuers of the Originator or the Initial Lender of Record (as applicable). The Valuer must be professionally qualified and be a fellow or associate of the Royal Institution of Chartered Surveyors. Valuations are to be carried out in accordance with a valuation methodology as would be acceptable to a Prudent Mortgage Lender. All the sections of the valuation report should be taken into account when considering whether or not the Property forms a suitable security.

### ***Loan Amount***

Mortgage Loans were required to be at least £50,000. FHL Mortgage Loans were generally required not to exceed £500,000, with greater amounts being considered on an exceptional basis only. Keystone Mortgage Loans were generally required not to exceed £750,000 with greater amounts (up to £1,000,000) being considered on a case-by-case basis.

### ***Loan to Value***

- (a) The loan to value ratio (the "**LTV**") was calculated by dividing the gross principal amount committed at completion of the loan (exclusive of any arrangement fee which may be added to the loan) by the lower of the valuation of the Property at origination of the loan and the purchase price.
- (b) The maximum LTV of each loan at the date of the advance (the "**Maximum LTV**") for FHL Mortgage Loans varied between products but should not have been over 75 per cent.. The Maximum LTV for Keystone Mortgage Loans was required to be no more than 80 per cent for Mortgage Loans of up to £500,000 and no more than 75 per cent. for Mortgage Loans of more than £500,000 and up to £750,000. For MUP Mortgage Loans or HMO Mortgage Loans the Maximum LTV was 75 per cent..
- (c) Portfolio limits of £2 million applied for each individual borrower and all directors of a limited company.

### ***Rental Income Requirements***

Affordability was assessed on the basis of rental income coverage on an interest only basis. For FHL Mortgage Loans with a 5 year fixed rate, the calculation was based on the product pay rate. For FHL Mortgage Loans with fixed terms shorter than 5 years and for Keystone Mortgage Loans, the standard rent calculation is based on either (i) 145 per cent. of the monthly mortgage payment for individuals, or (ii) 125 per cent. of the monthly mortgage payments for limited companies.

Where the repayment method is capital and interest, a further condition was that the rental income must cover 100% of payment.

**B. Residence**

Applicants were generally required to either have been a resident in the UK or had indefinite right to remain or indefinite right of entry at the time of application. Foreign nationals were required to (a) in the case of Keystone Mortgage Loans, have been resident in the UK for a continuous period of two years, have had permanent right to reside, and have been paying UK income tax at the point of application; and (b) in the case of FHL Mortgage Loans, have been resident in the UK for three years and hold either Tier 1 or Tier 2 immigration status.

Expatriates, being UK nationals living and working abroad, were acceptable provided the application was in a limited company name.

**C. Valuation**

Investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in this section entitled "*The Mortgage Portfolio and the Mortgage Loans*"), no revaluation of any Property has been undertaken by the Seller, the Issuer or the Servicer (as the case may be), the Security 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.

## 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 with an aggregate Principal Outstanding Balance of £243,245,770 as of the Portfolio Reference Date and is described further in the section entitled "*The Mortgage Portfolio and the Mortgage Loans - Introduction*" above.

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

Except as otherwise indicated, these tables have been prepared using the Principal Outstanding Balance as at the Portfolio Reference Date. Columns may not add up to the total due to rounding.

As at the Portfolio Reference Date, the Provisional Mortgage Portfolio had the following characteristics:

### Summary Statistics

Portfolio Reference Date:	31 May 2017
Aggregate Principal Outstanding Balance (£).....	243,245,770
Total Original Advance Made (£).....	243,629,083
No. of Accounts:.....	1,291
Average Principal Outstanding Balance per Account (£)	188,417
Maximum Mortgage Loan Principal Outstanding Balance (£): .....	918,000
WA Current Interest Rate %: .....	4.06%
WA Reversion Margin .....	4.53%
WA Seasoning (months) .....	8.35
WA Remaining Term (years).....	20.33
WA OLTV .....	70.46%
WA CLTV: .....	70.36%
WA Rental Cover.....	165.6%
Property Full Valuation: .....	100.0%
Performing loans:	100.0%
Interest Only (%).....	96.51%
Buy-to-let % .....	100.0%

<u>Originator and Initial Lender of Record</u>	<u>Principal Outstanding Balance (£)</u>	<u>Principal Outstanding Balance (%)</u>	<u>Number of Accounts</u>	<u>Number of Accounts (%)</u>
Paratus.....	213,416,752	87.7%	1,120	86.8%
Landbay .....	29,829,018	12.3%	171	13.2%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<u>Principal Outstanding Balance (£)</u>	<u>Principal Outstanding Balance (£)</u>	<u>Principal Outstanding Balance (%)</u>	<u>Number of Accounts</u>	<u>Number of Accounts (%)</u>
£0<=x< £100,000.....	25,496,486	10.5%	328	25.4%
£100,000 <=x< £150,000 .....	32,255,626	13.3%	258	20.0%
£150,000 <=x< £200,000 .....	37,687,713	15.5%	216	16.7%
£200,000 <=x< £250,000 .....	40,949,782	16.8%	183	14.2%
£250,000 <=x< £300,000 .....	29,288,902	12.0%	107	8.3%
£300,000 <=x< £350,000 .....	23,725,989	9.8%	74	5.7%
£350,000 <=x< £400,000 .....	18,408,387	7.6%	50	3.9%
£400,000 <=x< £450,000 .....	14,772,567	6.1%	35	2.7%
£450,000 <=x< £500,000 .....	11,515,263	4.7%	24	1.9%
>= £500,000.....	9,145,055	3.8%	16	1.2%
<b>Total: .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and average Principal Outstanding Balance as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is £50,000, £918,000 and £188,417 respectively.



<b>Original Advance Amount (£)</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
£0 <=x< £100,000.....	25,496,486	10.5%	328	25.4%
£100,000 <=x< £150,000.....	32,255,626	13.3%	258	20.0%
£150,000 <=x< £200,000.....	37,687,713	15.5%	216	16.7%
£200,000 <=x< £250,000.....	40,712,351	16.7%	182	14.1%
£250,000 <=x< £300,000.....	29,227,875	12.0%	107	8.3%
£300,000 <=x< £350,000.....	24,024,447	9.9%	75	5.8%
£350,000 <=x< £400,000.....	18,408,387	7.6%	50	3.9%
£400,000 <=x< £450,000.....	14,772,567	6.1%	35	2.7%
£450,000 <=x< £500,000.....	11,515,263	4.7%	24	1.9%
>= £500,000.....	9,145,055	3.8%	16	1.2%
<b>Total:.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and weighted average original advance as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is £50,000, £918,000 and £188,713 respectively.

<b>Original LTV</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
0% <=x< 50%.....	11,230,473	4.6%	75	5.8%
50% <=x< 55%.....	12,562,603	5.2%	53	4.1%
55% <=x< 60%.....	9,911,565	4.1%	43	3.3%
60% <=x< 65%.....	16,473,126	6.8%	71	5.5%
65% <=x< 70%.....	23,925,735	9.8%	114	8.8%
70% <=x< 75%.....	37,691,523	15.5%	166	12.9%
75% <=x< 80%.....	130,741,964	53.7%	764	59.2%
>= 80%.....	708,781	0.3%	5	0.4%
<b>Total:.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and weighted average original Loan to Value Ratio as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is 8.20 per cent., 80.00 per cent. and 70.46 per cent. respectively.

<b>Current LTV</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
0% <=x< 50%.....	11,375,473	4.7%	77	6.0%
50% <=x< 55%.....	12,887,437	5.3%	52	4.0%
55% <=x< 60%.....	9,752,685	4.0%	43	3.3%
60% <=x< 65%.....	16,735,487	6.9%	72	5.6%
65% <=x< 70%.....	23,881,772	9.8%	115	8.9%
70% <=x< 75%.....	40,084,403	16.5%	188	14.6%
75% <=x< 80%.....	127,931,309	52.6%	740	57.3%
>= 80%.....	597,203	0.2%	4	0.3%
<b>Total:.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and weighted average current Loan to Value Ratio as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is 8.20 per cent., 80.00 per cent. and 70.36 per cent. respectively.

<b>Completion Date</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
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< 2015	0	0.0%	0	0.0%
2015	32,766,158	13.5%	187	14.5%
2016	116,098,272	47.7%	654	50.7%
2017	94,381,340	38.8%	450	34.9%
<b>Total</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<u>Original Term (years)</u>	<u>Principal Outstanding Balance (£)</u>	<u>Principal Outstanding Balance (%)</u>	<u>Number of Accounts</u>	<u>Number of Accounts (%)</u>
0 <=x< 5	0	0.0%	0	0.0%
5 <=x< 10	5,677,712	2.3%	37	2.9%
10 <=x< 15	23,007,331	9.5%	127	9.8%
15 <=x< 20	27,540,537	11.3%	163	12.6%
20 <=x<= 25	187,020,189	76.9%	964	74.7%
<b>Total</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and weighted average original term as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is 5 year, 25 years and 21.03 years respectively.

<u>Remaining Term (years)</u>	<u>Principal Outstanding Balance (£)</u>	<u>Principal Outstanding Balance (%)</u>	<u>Number of Accounts</u>	<u>Number of Accounts (%)</u>
0 <=x< 5	1,714,016	0.7%	11	0.9%
5 <=x< 10	16,484,785	6.8%	93	7.2%
10 <=x< 15	24,754,549	10.2%	146	11.3%
15 <=x< 20	64,053,866	26.3%	339	26.3%
20 <=x<= 25	136,238,554	56.0%	702	54.4%
<b>Total</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and weighted average remaining term of Mortgage Loans (in months) as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is 3.33 year, 25 years and 20.33 years respectively.

<u>Repayment Type</u>	<u>Principal Outstanding Balance (£)</u>	<u>Principal Outstanding Balance (%)</u>	<u>Number of Accounts</u>	<u>Number of Accounts (%)</u>
Interest Only	234,746,743	96.5%	1,221	94.6%
Capital and Interest	8,499,027	3.5%	70	5.4%
<b>Total:</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<u>Current Interest Rate</u>	<u>Principal Outstanding Balance (£)</u>	<u>Principal Outstanding Balance (%)</u>	<u>Number of Accounts</u>	<u>Number of Accounts (%)</u>
3% <=x< 3.5%	41,311,559	17.0%	199	15.4%
3.5% <=x< 4%	100,727,675	41.4%	530	41.1%
4% <=x< 4.5%	60,153,405	24.7%	328	25.4%
4.5% <=x< 5%	33,699,150	13.9%	193	14.9%
>=5%	7,353,981	3.0%	41	3.2%
<b>Total:</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and weighted average Current Interest as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is 3.25 per cent., 5.60 per cent. and 4.06 per cent. respectively.

<b>Loan Purpose</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Purchase.....	89,164,839	36.7%	502	38.9%
Re-Mortgage.....	154,080,931	63.3%	789	61.1%
<b>Total:.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Property Valuation Type</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Full.....	243,245,770	100.0%	1,291	100.0%
<b>Total.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Region*</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
London.....	106,335,562	43.7%	382	29.6%
South East.....	52,693,827	21.7%	265	20.5%
Eastern.....	23,220,780	9.5%	134	10.4%
South West.....	16,818,603	6.9%	116	9.0%
North West.....	13,338,120	5.5%	131	10.1%
West Midlands.....	9,474,061	3.9%	76	5.9%
East Midlands.....	7,619,372	3.1%	65	5.0%
Wales.....	5,930,204	2.4%	45	3.5%
Yorkshire and The Humber.....	5,319,822	2.2%	50	3.9%
North East.....	2,495,418	1.0%	27	2.1%
<b>Total:.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

\*as per the Office for National Statistics (ONS) regional mapping

<b>Primary Borrower CCJ (Satisfied &amp; Unsatisfied)</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
0.....	241,205,505	99.2%	1,281	99.2%
1.....	2,040,265	0.8%	10	0.8%
<b>Total:.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Seasoning (months)</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
0 <=x< 2.....	42,475,007	17.5%	196	15.2%
2 <=x< 4.....	40,838,333	16.8%	192	14.9%
4 <=x< 6.....	21,223,745	8.7%	115	8.9%
6 <=x< 8.....	18,291,171	7.5%	100	7.7%
8 <=x< 10.....	14,450,176	5.9%	91	7.0%
10 <=x< 12.....	18,047,390	7.4%	106	8.2%
12 <=x< 14.....	15,634,201	6.4%	95	7.4%
14 <=x< 16.....	30,396,535	12.5%	167	12.9%
16 <=x< 18.....	17,970,120	7.4%	95	7.4%
18 <=x< 20.....	15,347,511	6.3%	86	6.7%
20 <=x< 22.....	7,063,838	2.9%	40	3.1%
22 <=x< 24.....	1,419,767	0.6%	7	0.5%
>= 24.....	87,975	0.0%	1	0.1%
<b>Total.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

The minimum, maximum and weighted average seasoning as at the Portfolio Reference Date of all the Mortgage Loans in the Provisional Mortgage Portfolio is 0, 24 and 8.3 months respectively.

<b>Employment Type</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Self Employed .....	159,202,285	65.4%	855	66.2%
Employed.....	67,904,706	27.9%	344	26.6%
Not Employed.....	16,138,778	6.6%	92	7.1%
<b>Total.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Property Type</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
House (Terraced) .....	90,985,638	37.4%	508	39.3%
House (Detached or Semi Detached).....	73,612,163	30.3%	339	26.3%
Flat.....	72,929,500	30.0%	416	32.2%
Bungalow.....	5,571,636	2.3%	27	2.1%
Other.....	146,834	0.1%	1	0.1%
<b>Total.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Rental Coverage</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
125 <=x< 150.....	127,308,251	52.3%	551	42.7%
150 <=x< 175.....	55,973,249	23.0%	308	23.9%
175 <=x< 200.....	26,406,433	10.9%	174	13.5%
200 <=x< 225.....	11,509,748	4.7%	91	7.0%
225 <=x< 250.....	5,478,628	2.3%	45	3.5%
250 <=x< 275.....	4,675,403	1.9%	36	2.8%
275 <=x< 300.....	1,890,730	0.8%	15	1.2%
>= 300.....	10,003,328	4.1%	71	5.5%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Maturity Date</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
< 2025 .....	4,885,423	2.0%	32	2.5%
2025 <= x < 2030.....	21,153,182	8.7%	115	8.9%
2030 <= x < 2035.....	24,691,730	10.2%	149	11.5%
2035 <= x < 2040.....	68,101,146	28.0%	339	26.3%
>= 2040.....	124,414,289	51.1%	656	50.8%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Current Margin</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Fixed Rate.....	230,429,883	94.7%	1,213	94.0%
3% <=x< 3.5% .....	4,366,135	1.8%	27	2.1%
3.5% <=x< 4% .....	392,700	0.2%	3	0.2%
4% <=x< 4.5% .....	7,466,267	3.1%	45	3.5%
4.5% <=x< 5% .....	433,284	0.2%	2	0.2%
>= 5%.....	157,500	0.1%	1	0.1%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Reversion Margin*</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
3% <=x< 3.5% .....	1,405,264	0.6%	11	0.9%
3.5% <=x< 4% .....	392,700	0.2%	3	0.2%
4% <=x< 4.5% .....	7,466,267	3.1%	45	3.5%
4.5% <=x< 5% .....	223,106,726	91.7%	1,168	90.5%
>= 5% .....	10,874,812	4.5%	64	5.0%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

\* Including the initial margin for Variable Mortgage Loans

<b>Reversion Date</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
N/A* .....	9,855,016	4.1%	62	4.8%
2017 .....	10,086,435	4.1%	58	4.5%
2018 .....	44,286,494	18.2%	271	21.0%
2019 .....	35,713,015	14.7%	242	18.7%
2020 .....	14,100,984	5.8%	78	6.0%
2021 .....	42,608,584	17.5%	202	15.6%
2022 .....	86,595,243	35.6%	378	29.3%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

\* Variable Mortgage Loans do not revert

<b>Borrower Type</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Individual.....	174,337,639	71.7%	907	70.3%
Limited Company .....	68,908,130	28.3%	384	29.7%
<b>Total.....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Product Type</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Fixed (Reverts to 3M Libor) .....	230,429,883	94.7%	1,213	94.0%
Variable (3M Libor, No reversion) .....	9,855,016	4.1%	62	4.8%
Discount (3M Libor, Reverts) .....	2,960,871	1.2%	16	1.2%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Product Grade</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Prime.....	238,944,223	98.2%	1,267	98.1%
Light Adverse.....	4,301,547	1.8%	24	1.9%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

<b>Tenure</b>	<b>Principal Outstanding Balance (£)</b>	<b>Principal Outstanding Balance (%)</b>	<b>Number of Accounts</b>	<b>Number of Accounts (%)</b>
Freehold .....	167,547,800	68.9%	852	66.0%
Leasehold .....	75,697,969	31.1%	439	34.0%
<b>Total .....</b>	<b>243,245,770</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>

## ASSIGNMENT OF THE MORTGAGE LOANS AND RELATED SECURITY

The Seller is currently the legal title holder in respect of each Mortgage Loan and its Related Security. Immediately prior to the Closing Date, the beneficial title to the Mortgage Loans and their Related Security are held by Mortar No. 1 Limited (the "**Warehouse Borrower**") under an asset backed new origination warehouse transaction. The Seller shall acquire the beneficial title to each Mortgage Loan to be sold on the Closing Date (the "**Closing Mortgage Loans**") and its Related Security on or before the Closing Date by entering into a repurchase agreement with the Warehouse Borrower.

The mortgage portfolios so purchased by the Seller from the Warehouse Borrower will constitute the Closing Mortgage Portfolio, beneficial title to which shall be vested in the Seller on or before the Closing Date.

On the Closing Date the Seller will hold the legal and the beneficial title to each Mortgage Loan and its Related Security.

On the Closing Date the Issuer will purchase the Mortgage Loans and their Related Security in the Closing Mortgage Portfolio from the Seller pursuant to the Mortgage Sale Agreement. The purchase of the Closing Mortgage Portfolio from the Seller will be financed by a portion of the issue proceeds of the Notes and will therefore, indirectly, constitute a refinancing of the existing transaction of the Warehouse Borrower who has held the relevant mortgage portfolio until the Closing Date.

Pursuant to the sale and assignment under the Mortgage Sale Agreement to be entered into between the Seller, the Security Trustee, the Issuer and the Servicer on the Closing Date, the Seller will agree to sell and assign the Closing Mortgage Portfolio, comprising the Closing Mortgage Loans together with all Related Security, to the Issuer.

The Mortgage Sale Agreement also provides that the Seller may (but is not obliged to) sell to the Issuer in the period from the Closing Date to (and including) the Final Additional Mortgage Loan Purchase Date, Additional Mortgage Loans and their Related Security subject to the terms of the Mortgage Sale Agreement and the Servicing Agreement. Each date on which Additional Mortgage Loans are sold to the Issuer is an "**Additional Mortgage Loan Purchase Date**". The Issuer will have the right to all monies derived from each Additional Mortgage Loan and its Related Security including interest from (and including) the relevant Additional Mortgage Loan Purchase Date. The Closing Mortgage Loans and any Additional Mortgage Loans are, together, the "**Mortgage Loans**" and the Closing Mortgage Portfolio and any Additional Mortgage Loans sold following the Closing Date shall be the "**Mortgage Portfolio**".

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 Seller, including in relation to the Mortgage Loans and the Related Security and the repurchase of Mortgage Loans and Related Security in case of a breach of a warranty relating thereto which has not been remedied within the Grace Period subject to a limitation on the time periods for making claims;
- (b) the undertaking of the Seller (in its capacity as originator for the purposes of CRR, the AIFM Regulation and the Solvency II Regulation) to retain, on an ongoing basis, a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 405 of CRR, Article 51 of the AIFM Regulation and Article 254 of Solvency II Regulation, which retention will be achieved by the Seller holding a sufficient amount of the Class Z1 Notes and the Class Z2 Notes so that the aggregate Principal Amount Outstanding of the Class Z1 Notes and the Class Z2 Notes so held as at the Closing Date is equal to at least 5 per cent. of the nominal value of the securitised exposures;
- (c) the repurchase by the Seller of Mortgage Loans together with their Related Security upon the occurrence of certain events; and
- (d) the circumstances for the transfer of legal title to the Mortgage Loans and their Related Security to the Issuer.

The Servicer is required under the terms of the Servicing Agreement to ensure the safe custody of the title deeds.

## Consideration

On the Closing Date, the Seller will contract to sell and assign to the Issuer with full title guarantee, the Closing Mortgage Portfolio and Related Security. The Seller may subsequently sell Additional Mortgage Loans (together with their Related Security) to the Issuer until (and including) the Final Additional Mortgage Loan Purchase Date. The assignment of the Mortgage Loans will be an assignment which takes effect in equity only. 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 Seller for the Closing Mortgage Loans and their Related Security in the Mortgage Portfolio on the Closing Date will consist of an amount equal to £251,057,979.22, and the issue and delivery of the Residual Certificates to, or at the direction of, the Seller. In addition, as a result of the Initial Swap Transaction referencing the Initial Fixed Rate, the Issuer is required to make a payment to the Seller in an amount equal to the Swap Breakage Payment. The Closing Initial Purchase Price will be subject to the provisions relating to the Closing Reconciliation Amounts.

On the Reconciliation Date, the Cash Manager (based on information made available to it by the Servicer and subject to the receipt of such information) will calculate (i) Revenue Receipts in respect of the Mortgage Loans received from (and including) the Closing Date to (and including) the last day of the Monthly Collection Period in respect of July 2017 (the "**Closing Revenue Reconciliation Amount**") and (ii) the difference (if any) between the Principal Outstanding Balance of the Mortgage Loans as at the close of business on the Cut-Off Date and the Principal Outstanding Balance of the Mortgage Loans as at the close of business on the Business Day immediately preceding the Closing Date being an amount representing an aggregate of all amounts referred to in the definition of Redemption Receipts (to the extent applicable and, for the avoidance of doubt, other than items (b) and (e) of the definition of Redemption Receipts) received in respect of the Mortgage Portfolio during the period between the Cut-Off Date and the Closing Date as determined by the Cash Manager on the Reconciliation Date (the "**Closing Redemption Reconciliation Amount**" and together with the Closing Revenue Reconciliation Amount the "**Closing Reconciliation Amounts**").

As a reduction of the Closing Initial Purchase Price, the Seller shall be required to make a payment to the Issuer Account in an amount equal to such Closing Reconciliation Amounts no later than seven Business Days after the Reconciliation Date which will form part of the available redemption of the Issuer.

The consideration payable by the Issuer to the Seller for any Additional Mortgage Loans on the relevant Additional Mortgage Loan Purchase Date shall be equal to:

- (a) 100 per cent. of the Principal Outstanding Balance of the relevant Additional Mortgage Loan as at the relevant Additional Mortgage Loan Purchase Date;
- (b) an amount equal to all amounts (other than such amount as set out at (a) above) which are payable by the Borrower as at the Additional Mortgage Loan Purchase Date under the relevant Additional Mortgage Loan;
- (c) the Pre-Funding Revenue Considerations Amount for that Additional Mortgage Loans; plus
- (d) an amount equal to the swap breakage payment in respect of any swap transaction entered into in respect of such Additional Mortgage Loans prior to their sale to the Issuer (which may be a positive or negative number).

In this Prospectus the "**Pre-Funding Revenue Considerations Amount**" means in respect of an Additional Mortgage Loan, an amount equal to the product of:

- (a)
  - (i) the Principal Outstanding Balance of the relevant Additional Mortgage Loans; divided by
  - (ii) the aggregate Principal Amount Outstanding of the Collateralised Notes as at the Closing Date; and
- (b) the Principal Amount Outstanding of the Class X Notes as at the Closing Date.

## **Mortgage Loan Warranties and Breach of Mortgage Loan Warranties**

The Mortgage Sale Agreement contains the Mortgage Loan Warranties given by the Seller in relation to the Mortgage Loans. No searches, enquiries or independent investigations have been or will be made by the Issuer, who is relying upon the Mortgage Loan Warranties.

The remedies for a breach of a Mortgage Loan Warranty under the Mortgage Sale Agreement are described in the section titled "*Summary of Key Transaction Documents – Mortgage Sale Agreement – Representations and Warranties*" below.

The following are certain of the Mortgage Loan Warranties (or extracts or summaries of certain warranties) given by the Seller in relation to the Closing Mortgage Loans and the Related Security assigned by it to the Issuer under the Mortgage Sale Agreement on the Closing Date and any Additional Mortgage Loans and their Related Security which may be assigned by it to the Issuer on the relevant Additional Mortgage Loan Purchase Date:

### **Mortgage Loans**

- (a) As at the Cut-Off Date in relation to the Closing Mortgage Loans and as at the relevant Additional Mortgage Loan Purchase Date in relation to any Additional Mortgage Loans, particulars of each Mortgage set out in the data tape delivered pursuant to the terms of the Mortgage Sale Agreement are true, complete and accurate in all material respects.
- (b) Each Mortgage Loan was originated by the Seller itself (in the case of the FHL Mortgage Loans and Paratus Mortgage Loans) or under the lending platform established by Landbay, with Landbay as initial lender of record, (in the case of the Landbay Mortgage Loans) in the ordinary course of its buy-to-let mortgage lending activities.
- (c) Each Mortgage Loan is denominated in GBP.
- (d) At the time of origination, no FHL Mortgage Loan has a loan amount of less than £50,000 or more than £750,000 and no Keystone Mortgage Loan has a loan amount of less than £50,000 or more than £1,000,000.
- (e) The maximum Original Loan to Value ratio in respect of each Mortgage Loan is:
  - (i) 75% in respect of the FHL Mortgage Loans;
  - (ii) in respect of the Keystone Mortgage Loans:
    - (A) 80% in respect of the Keystone Mortgage Loans which are neither MUP Mortgage Loans nor HMO Mortgage Loans and which have an initial loan amount of up to £500,000; or
    - (B) 75% in respect of all other Keystone Mortgage Loans.
- (f) Each Mortgage Loan has had a minimum ICR of 130% (in the case of the Mortgage Loans which are HMO Mortgage Loans or MUP Mortgage Loans) or 125% (in all other cases) as at the date of its respective origination.
- (g) Prior to the making of each advance in respect of each Mortgage Loan, the Lending Criteria and all preconditions to the making of such Mortgage Loan were satisfied in all material respects subject only to exceptions made on a case by case basis as would be acceptable to a Prudent Mortgage Lender.
- (h) The Lending Criteria were, at the time each Mortgage Loan was originated, consistent with the criteria that would be used by a Prudent Mortgage Lender.
- (i) Each Mortgage Loan and its related Mortgage has been made on the terms of the Standard Documentation (so far as applicable) which has not been varied in any material respect and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect.



- (j) In respect of each Mortgage Loan the first payment due from the Borrower in respect of such Mortgage Loan has been received in full.
- (k) Each Mortgage Loan and its related Mortgage and any guarantee given in support of the Borrower's obligations thereunder constitutes a legal, valid, binding and enforceable obligation of the Borrower and/or the guarantor and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower in priority to any other charges registered against the Property except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any early repayment charges, mortgage administration exit fees or charges payable in the event of a Borrower default.
- (l)
  - (i) Interest on each Mortgage Loan has been charged by the Seller and/or the Originator and/or the Initial Lender of Record, as applicable, in accordance with the provisions of the Mortgage Loan and its related Mortgage save in cases where payment concessions or arrangements to pay have been negotiated with the Borrower in the ordinary course of servicing of the Mortgage Loans.
  - (ii) Each Mortgage Loan is a Fixed Rate Mortgage Loan, a Tracker Mortgage Loan, a Fixed to Tracker Mortgage Loan or a Variable Rate Mortgage Loan.
- (m)
  - (i) No agreement for any Mortgage Loan is in whole or in part a regulated agreement or regulated credit agreement (as defined in Section 8 of the CCA and Chapter 14A of Part 2 of the RAO, respectively).
  - (ii) No Mortgage Loan is or has ever been a regulated mortgage contract as defined by Article 61(3)(a) of the RAO.
- (n) Except in respect of two Individual Mortgage Loans which represent less than 0.17% of the Mortgage Portfolio as at the Portfolio Reference Date, in the case of Individual Mortgage Loans only, at origination, the relevant Borrower had a residential address in the United Kingdom.
- (o) In respect of each Corporate Mortgage Loan:
  - (i) each Borrower is a private company incorporated with limited liability in England and Wales;
  - (ii) the Seller has not received written notice of any steps having been taken for the liquidation or winding-up of, or the making of an administration order or analogous proceedings in relation to, such Borrower or of any steps having been taken to enforce any security over the assets of such Borrower (including, without limitation, the appointment of any receiver of rent in respect of the Borrower);
  - (iii) prior to making the initial advance to such Borrower, the Originator and/or the Initial Lender of Record instructed solicitors to undertake to conduct a search at Companies House in relation to such Borrower which revealed that no notices of appointment of a liquidator, administrator, administrative receiver or receiver had been filed and that no resolution had been passed to wind up the Borrower;
  - (iv) in relation to such Borrower, the Borrower signed all relevant documentation by a duly authorised director;
  - (v) the Originator and/or the Initial Lender of Record, acting as a Prudent Mortgage Lender, carried out a company search at the underwriting stage to identify the directors and shareholders of the corporate borrower, and to establish whether any incidence of default was registered against either the individuals (where such individual was either a director of the company or held 20 per cent. or more of the company's shares) or the company itself; and

- (vi) the solicitor acting for the Originator and/or the Initial Lender of Record was instructed that the particulars of the relevant Mortgage and any floating charge, together with the instrument by which they were created, be registered with Companies House within 21 days of the date of the grant of the Mortgage and that a certificate of registration shall be received in respect of such registration.
- (p) Unless a Borrower is a corporate borrower, and the requirements in paragraph (o) above are satisfied, each Borrower is an individual and aged 18 years or older at the date of entering into the relevant Mortgage Loan and the identity of each Borrower and each guarantor for a corporate borrower has been verified by the Originator and/or the Initial Lender of Record in accordance with procedures which would be acceptable to a Prudent Mortgage Lender.
- (q) No Mortgage Loan is or will be repayable later than 25 years after the date on which it was originated.
- (r) All formal approvals, consents and other steps necessary to permit an assignment or transfer of the Mortgage Loans, the Mortgages and their Related Security in the manner contemplated by the Transaction Documents have been obtained or taken and there is no requirement, in order for the transfer to be effective, to obtain the consent of any Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Mortgage Loans and their Related Security and such transfer or disposal will not give rise to any claim by any Borrower against the Issuer, the Security Trustee or any of their successors in title or assigns.
- (s) None of the Related Security or Ancillary Rights in respect of a Mortgage Loan or any Mortgage Loans advanced to individuals consist of stock or a marketable security (as such terms are defined for the purposes of section 122 of the Stamp Act 1891), a chargeable security (as such term is defined for the purposes of section 99 of the Finance Act 1986) or a chargeable interest (as such term is defined for the purposes of section 48 of the Finance Act 2003).
- (t) Each Mortgage Loan is a "financial asset" as defined in International Accounting Standard 32 (IAS32).
- (u) 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 (i) the OFT, the FCA or a "qualifying body", as defined in the UTCCR from time to time, or (ii) any Borrower or any other person against the Seller and/or Landbay (in respect of the Keystone Mortgage Loans) pursuant to the UTCCR or otherwise which might restrict or prevent the enforcement of any term of any Mortgage Loan and related Mortgage including any action to declare any term as being "unfair" for the purposes of the UTCCR.
- (v) No Borrower is an employee of the Originator and/or the Initial Lender of Record or any of their respective affiliates.
- (w) Each Mortgage Loan is a buy-to-let mortgage loan and no Borrower is entitled to reside in the relevant Property.
- (x) To the best of the Seller's knowledge (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the results of such enquiries), at the time of the relevant application for a Mortgage, no Borrower had filed for bankruptcy, entered into an individual voluntary arrangement or been sequestrated or had a county court judgment (save for satisfied county court judgments up to the value of £2,000) entered or awarded against him in the period commencing on the date falling six years prior (or two years prior in relation to county court judgments) to the date they executed the relevant Mortgage and ending on the day they executed the relevant Mortgage.
- (y) There are no outstanding claims in respect of any material breaches of the terms of any Mortgage Loan or a Mortgage.
- (z) No Mortgage Loan is more than or equal to one Monthly Payment in arrears.

- (aa) No lien, right of set-off (or analogous right), counterclaim or other right of deduction exists between the Seller and any Borrower or any other party that would entitle that Borrower to reduce any amount payable under the relevant Mortgage Loan.
- (bb) No Mortgage Loan or its related Mortgage contains a mandatory obligation on the part of the Seller to make any Further Advances.
- (cc) Immediately prior to the transfer of the Mortgage Loans pursuant to the Mortgage Sale Agreement, the Seller was (i) the absolute beneficial owner of the Mortgage Loans, their related Mortgages and their Related Security, free from all Encumbrances; and (ii) the absolute legal owner of the Mortgage Loans, their related Mortgages and their Related Security.
- (dd) In relation to each Mortgage Loan and its related Property (other than a Cross-collateral Mortgage) there are no other mortgage loans originated by the Seller itself or under the lending platform established by Landbay, with Landbay as initial lender of record, that are secured on such Property and not being sold to the Issuer pursuant to the terms of the Mortgage Sale Agreement.
- (ee) The underlying Standard Documentation used in respect of each Mortgage Loan is governed by and subject to the laws of England and Wales.
- (ff) The brochures, application forms, offers, offer conditions and marketing material distributed by the Originator and/or the Initial Lender of Record to the Borrower when offering a Mortgage Loan to a Borrower do not conflict in any material respect with the terms applicable to the relevant Mortgage Loan and its Related Security at the time that the Mortgage Loan was entered into; and do not conflict with and would not prohibit or otherwise limit the terms of the Transaction Documents or the matters contemplated thereby.
- (gg) The Seller nor, as far as the Seller is aware after having made all reasonable enquiries, any of the Seller's and/or the Landbay's agents has received written notice of any litigation, claim, dispute or complaint (excluding any vexatious or frivolous complaint) (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Mortgage Loan, Related Security or Contingent Insurance Policy which (if adversely determined) might have a material adverse effect on the value of any Mortgage Loan or which may call into question in any material way its title to any Mortgage Loan or Related Security.
- (hh) For each Mortgage Loan, proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts, proceedings and notices relating to that Mortgage Loan in accordance with applicable law and applicable regulatory guidance or directions and are in all material respects up to date, accurate and in the possession of the Seller.
- (ii) Each Mortgage Loan has been entered into by the Originator and/or the Initial Lender of Record and the Borrower in accordance with all applicable laws to the extent that failure to comply with those laws would have a material adverse effect on the enforceability or the collectability of that Mortgage Loan or its Related Security.

## **Mortgages**

- (a) Each Mortgage constitutes a valid and subsisting first ranking legal mortgage over the relevant Property, and secures the repayment of all advances, interest, costs and expenses and other amounts payable by the Borrower and any Further Advances under the related Mortgage Loan.
- (b) Each Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry where required) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title or the value of the Property for security purposes as set out in the relevant valuation report carried out for the Originator and/or the Initial Lender of Record and, without limiting the foregoing, in the case of a leasehold property:
  - (i) the lease cannot be forfeited on the bankruptcy of the tenant;

- (ii) any requisite consent of the landlord to, or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (iii) a copy of the consent or notice has been or will be placed with the Title Information Documents.
- (c) Each Mortgage Loan, its related Mortgage and the Related Security sold by the Seller under the Mortgage Sale Agreement are free and clear of all mortgages, securities, charges, liens, encumbrances, diligences, claims and equities but subject:
- (i) to the terms of the Mortgage Sale Agreement and the Deed of Charge; and
  - (ii) in the case of the Mortgages registration or recording of which is pending at the Land Registry, to the completion of such registration or recording.

### **Properties**

- (a) Each Mortgage Loan is secured via a Mortgage on a freehold or leasehold residential property in England or Wales.
- (b) In the case of a Mortgage Loan secured on a leasehold property, the related leasehold interest expires not less than 50 years after the maturity of the relevant Mortgage Loan.
- (c) In relation to any Mortgage Loan:
  - (i) no Property has been let or sub-let otherwise than by way of (a) an assured shorthold tenancy or (b) any other tenancy which would be acceptable to a Prudent Mortgage Lender; and
  - (ii) to the extent there was a tenancy agreement in place at the time of origination, such tenancy agreement was on terms that would be acceptable to a Prudent Mortgage Lender and the Seller is not aware of any material breach of such agreement.

### **Valuers' and Solicitors' Reports**

- (a) Prior to the making of each Mortgage Loan, the Seller and/or Landbay (in respect of the Landbay Mortgage Loans):
  - (i) instructed solicitors or a licensed conveyancer to carry out an investigation of title to the relevant Property and to undertake all investigations, searches and other action and enquiries on behalf of the Seller and/or Landbay (in respect of the Landbay Mortgage Loans) in accordance with the instructions which the Seller and/or Landbay (in respect of the Landbay Mortgage Loans) issued to the relevant solicitor or licensed conveyancer as are set out in the Council of Mortgage Lenders' Handbook (the "**CML's Lenders' Handbook**") for England and Wales or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations made on a case by case basis as would be acceptable to a Prudent Mortgage Lender at the relevant time;
  - (ii) received a certificate of title and/or report on title from the solicitor or licensed conveyancer referred to in paragraph (i) above relating to such Property the contents of which were such as would have been acceptable to a Prudent Mortgage Lender at that time; and
  - (iii) where a Mortgage Loan made in relation to a Property is secured by a Mortgage which was made without there being a contemporaneous purchase of such Property by the Borrower, the Seller (in the case of FHL Mortgage Loans and Paratus Mortgage Loans) or under the lending platform established by Landbay, with Landbay as initial lender of record (in the case of the Landbay Mortgage Loans) carried out such written searches and investigations of title to the Property which a Prudent Mortgage Lender would carry out in relation to the remortgaging of a property, which searches and investigations either initially or on a further investigation disclosed nothing which would cause the

Prudent Mortgage Lender to decline to proceed with the initial advance on the proposed terms,

provided that the requirement in paragraph (i) above insofar as it relates to the CML's Lenders Handbook shall only apply in respect of Landbay (in respect of the Landbay Mortgage Loans) starting from 1 April 2016.

- (b) Neither the Originator nor the Initial Lender of Record has agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyance or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan or Related Security.
- (c) Not more than 12 months (or a longer period as may be acceptable to a Prudent Mortgage Lender) prior to making an advance to the Borrower, the Property was valued by an independent qualified valuer approved by the Seller being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers which confirmed that the valuation may be relied upon by the Seller (in the case of an FHL Mortgage Loan and Paratus Mortgage Loans) or Landbay (in the case of a Landbay Mortgage Loan) and the details of which are disclosed in the relevant Mortgage Loan Files and such valuation would have been acceptable to a Prudent Mortgage Lender at the date on which such valuation was performed.
- (d) Prior to making a Mortgage Loan to a Borrower, the Seller (in the case of the FHL Mortgage Loans and Paratus Mortgage Loans) and/or Landbay (in the case of the Landbay Mortgage Loans) instructed solicitors to undertake to ensure each relevant guarantor (where a Mortgage Loan is the subject of a guarantee) executed a deed of guarantee in respect of the repayment by the relevant Borrower of the amounts due under the Mortgage Loan and its related Mortgage in favour of a mortgagee from time to time.

#### **The Seller's Title**

- (a) Subject to completion of any registration or recording which may be pending at the Land Registry, all title deeds (save for title deeds held at the Land Registry and title deeds existing in dematerialised forms) and Mortgage Loan Files are held by, or to the order of, the Seller or the Seller's solicitors or licensed conveyancers.
- (b) All steps necessary with a view to perfecting the Seller's title were duly taken at the appropriate time or are in the process of being taken within any applicable priority periods or time limits for registration without undue delay on the part of the Seller or on the part of those within its control.
- (c) No mortgagee in respect of a Mortgage Loan has received written notice of any claim calling into question in any material way its title to any Mortgage.

#### **Insurance**

- (a) Each Contingent Insurance Policy is in full force and effect, all premiums have been paid and, as far as Paratus is aware, there are no circumstances giving the insurer under any such Contingent Insurance Policy the right to avoid or terminate such policy in so far as it relates to the Properties.

#### **General**

- (a) The Seller is not aware (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the results of such enquiries) of any fraud in relation to any Mortgage Loan which could reasonably be expected to result in the value of the Mortgage Loan or its Related Security being reduced.
- (b) The Seller is not aware (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the results of such enquiries) of any pending action or proceeding by a Borrower, other than complaints in relation to the Mortgage Loans or Mortgages (including complaints which have been made to the Financial Ombudsman Service) which have been notified by the Seller to the Issuer prior to the Closing Date and which do not have a material adverse effect on the value of the Mortgage Loan or the related Property, as made against the Seller (in the case of the

Mortgage Loans) or Landbay (in the case of the Landbay Mortgage Loans) in respect of the Mortgage Loans and their Mortgages.

- (c) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in relation to a Mortgage Loan or a Mortgage other than those undertaken as part of being a Prudent Mortgage Lender.
- (d) At the time of origination, the Originator and/or the Initial Lender of Record (as applicable), in connection with each Mortgage Loan:
  - (i) carried out the identification and other procedures required under the Money Laundering Regulations 2003 or the Money Laundering Regulations 2007 (as applicable), the Guidance for the UK financial sector issued by the Joint Money Laundering Steering Group and the Senior Management Arrangements, Systems and Controls (SYSC) Manual of the FCA Handbook (in relation to any Mortgage Loan where an offer was made on or after 31 October 2004) and the Money Laundering sourcebook of the FCA Handbook; and
  - (ii) complied with the requirements of the Terrorism Act 2000 and Proceeds of Crime Act 2002 to the extent (if any) that the same are applicable.
- (e) So far as the Seller is aware, at origination, no Borrower was a person with whom transactions are currently prohibited under any United States sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United Nations Security Council, the European Union, or Her Majesty's Treasury or other relevant sanctions authority (collectively, "**Sanctions**") and no Borrower was located in a country or territory which was the subject of any Sanctions at that time.
- (f) Neither the Seller, any of its directors, officers or employees, nor any of its affiliates has engaged in any activity or conduct that has resulted or will result in a violation of:
  - (i) any anti-corruption laws or anti-money laundering laws; or
  - (ii) any applicable laws relating to economic or trade sanctions, including the Sanctions.
- (g) In the case of Corporate Mortgage Loans, each Borrower is a body corporate.
- (h) No Mortgage Loan is loan capital which:
  - (i) carries a right of conversion into shares or other securities, or to the acquisition of shares or other securities, including loan capital of the same description; or
  - (ii) carries or has carried:
    - (A) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital;
    - (B) a right to interest the amount of which falls or has fallen to be determined to any extent by reference to the results of, or of any part of, a business or to the value of any property; or
    - (C) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed on the Official List of the Stock Exchange (and for these purposes, the "**Official List of the Stock Exchange**" means the Official List of the Financial Conduct Authority).
- (i) Neither the Seller nor (in the case of the Landbay Mortgage Loans) Landbay has elected to comply with any Mortgage Credit Directive implementing provisions in the period between 21 September 2015 and 20 March 2016.

In this Prospectus:

**"Contingent Insurance Policies"** means all contingency insurance policies of the Seller.

**"Corporate Mortgage Loan"** means each Mortgage Loan in respect of which the Borrower is a corporate entity.

**"Further Advance"** means, in relation to a Mortgage Loan and its related Mortgage, any advance of further sums to the relevant Borrower on the security of the relevant Mortgage after the Cut-Off Date.

**"Fixed to Tracker Mortgage Loan"** means each Mortgage Loan which bears (i) a fixed rate of interest during the initial period of up to five (5) years and six months from the date of its origination (Mortgage Loan during such fixed period, the **"Fixed Mortgage Loans"**), and (ii) a floating rate of interest equal to LIBOR (as defined in the Mortgage Conditions) plus a margin subsequently.

**"HMO Mortgage Loans"** means each Mortgage Loan which has been granted to fund the purchase or re-mortgage of a Property which is, at the time of completion, a house in multiple occupation.

**"ICR"** means, in respect of a Mortgage Loan, the ratio of:

- (a) the yearly gross income rent received on the underlying Property; to
- (b) the yearly interest amount paid by the Borrower calculated using the greater of (i) the interest rate at the time of origination and (ii) the Stressed Interest Rate;

**"Individual Mortgage Loan"** means each Mortgage Loan which is not a Corporate Mortgage Loan.

**"Lending Criteria"** means the lending criteria applicable to each Mortgage Loan and its Related Security.

**"Light Adverse Mortgage Loans"** means Mortgage Loans which did not, at the time of origination, qualify for Paratus' Prime<sup>3</sup> loan products and were advanced to Borrowers which have had:

- (a) a maximum of one satisfied CCJ no greater than £2,000 in the 24 months prior to the origination of their Mortgage Loan;
- (b) no CCJ registered in the 12 months prior to the origination of their Mortgage Loan;
- (c) no unsatisfied CCJ at the time of origination;
- (d) a maximum of one missed payment on any other mortgage loans in the 12 months prior to the origination of their Mortgage Loan;
- (e) a maximum of two missed payments on any unsecured loans in the 12 months prior to the origination of their Mortgage Loan;
- (f) a maximum of two missed payments on any credit cards in the 12 months prior to the origination of their Mortgage Loan; and
- (g) no missed payment on any secured or unsecured borrowing in the six months prior to the origination of their Mortgage Loan.

**"MUP Mortgage Loans"** means each Mortgage Loan which has been granted to fund the purchase of a Property which is a multi-unit property.

**"Monthly Payment"** means the amount which the relevant Mortgage Conditions require a Borrower to pay on each Monthly Payment Date in respect of that Borrower's Mortgage Loan.

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<sup>3</sup> Prime loan products are those Mortgage Loans which were originated pursuant to the relevant Lending Criteria and were not, at the time of origination, Light Adverse Mortgage Loans.

**"Monthly Payment Date"** means the date in each month on which interest (and principal (where applicable)) is due to be paid by a Borrower on a Mortgage Loan under the applicable Mortgage Conditions.

**"Principal Outstanding Balance"** means in relation to any Mortgage Loan and on any day, the principal amount of such Mortgage Loan calculated in accordance with the Mortgage Conditions, being the aggregate of:

- (a) the original principal amount advanced to any relevant Borrower pursuant to the related Mortgage Conditions; minus
- (b) any repayments of the amounts specified in paragraph (a) above.

**"Stressed Interest Rate"** means:

- (a) in respect of a Tracker Mortgage Loan which qualifies as Paratus' Prime loan products;
  - (i) 5.25% if applied for on or prior to 14 January 2017; and
  - (ii) 5.50% if applied for after 14 January 2017;
- (b) in respect of a Tracker Mortgage Loan which does not qualify as Paratus' Prime loan products:
  - (i) 6% if applied for prior to 16 June 2015;
  - (ii) 5.25% if applied for between 16 June 2015 and 14 January 2017; and
  - (iii) 5.50% if applied for after 14 January 2017;
- (c) in respect of a Fixed Rate Mortgage Loan, with a fixed term less than five years, which qualifies as Paratus' Prime loan products:
  - (i) 5.25% if applied for prior to 16 June 2015; and
  - (ii) 5.50% if applied for on or after 14 January 2017;
- (d) in respect of a Fixed Rate Mortgage Loan, with a fixed term less than five years, which does not qualify as Paratus' Prime loan products:
  - (i) 6% if applied for prior to 16 June 2015;
  - (ii) 5.25% if applied for between 16 June 2015 and 14 January 2017; and
  - (iii) 5.50% if applied for on or after 14 January 2017;
- (e) in respect of a Fixed Rate Mortgage Loan, with a fixed term of five years, which qualifies as Paratus' Prime loan products:
  - (i) 5.25% if applied for prior to 19 May 2015; and
  - (ii) the fixed rate of interest for such Fixed Rate Mortgage Loan if applied for on or after 19 May 2015; and
- (f) in respect of a Fixed Rate Mortgage Loan, with a fixed term of five years, which does not qualify as Paratus' Prime loan products:
  - (i) 6% if applied for prior to 19 May 2015; and
  - (ii) the fixed rate of interest for such Fixed Rate Mortgage Loan if applied for on or after 19 May 2015.

**"Title Information Documents"** means the title deeds and any related planning documents or other local authority documents relating to the Property.



**"Tracker Mortgage Loan"** means the Mortgage Loans which bear (i) a floating rate of interest equal to LIBOR (as defined in the Mortgage Conditions) plus a margin for an initial period of up to three (3) years from the date of its origination, and (ii) a floating rate of interest equal to LIBOR (as defined in the Mortgage Conditions) plus a reversion margin subsequently.

**"Variable Rate Mortgage Loans"** means each Mortgage Loan which bears a rate of interest equal to Three Month LIBOR plus a margin.

#### **Acquisition of Additional Mortgage Loans following Closing Date**

The Seller may (but is not obliged to) sell to the Issuer in the period from the Closing Date up to and including the Final Additional Mortgage Loan Purchase Date, Additional Mortgage Loans, to the extent that the relevant conditions to purchase in the Mortgage Sale Agreement are satisfied. The Issuer shall purchase Additional Mortgage Loans using amounts (if any) standing to the credit of the Pre-Funding Reserves if and to the extent that the Issuer is permitted to do so by, and in accordance with, the Mortgage Sale Agreement and the Servicing Agreement.

In particular, any purchase of Additional Mortgage Loans by the Issuer will be subject to the following conditions (amongst other things) (the "**Additional Mortgage Loan Conditions**"):

- (a) the confirmation of the Rating Agencies that such purchase will not adversely affect the then current ratings of the Notes (or in the case of Fitch only, provided that Fitch have confirmed to the Servicer that its policy is not to provide any Rating Agency Confirmation, the Servicer confirms in writing to the Security Trustee that it has notified Fitch of the proposed purchase and Fitch has not raised any objections thereto);
- (b) the provision, by the Issuer and the Seller, of solvency certificates, dated the date of such purchase, signed by an authorised officer of the Issuer or Seller, as applicable;
- (c) a certificate of a director of the Seller confirming that the Additional Mortgage Loans were originated by the Seller in accordance with the Lending Criteria and the Standard Documentation or if the Standard Documentation used to document the Additional Mortgage Loans is not the Standard Documentation listed in the relevant schedule to the Mortgage Sale Agreement or has been amended since the Closing Date, such Standard Documentation has been reviewed by counsel to the Arranger and the Arranger has confirmed in writing to the Issuer and the Servicer that the results of such review are acceptable;
- (d) the provision by the Seller to the Issuer and the Rating Agencies of the particulars of the Additional Mortgage Loans in a data tape in accordance with the provisions of the Mortgage Sale Agreement;
- (e) an agreed upon procedures review conducted by a third-party and completed prior to relevant Additional Mortgage Loan Purchase Date in the form and substance satisfactory to the Arranger;
- (f) no Enforcement Notice having been served;
- (g) the Additional Mortgage Loans having been originated on the Latest Additional Mortgage Loan Origination Date;
- (h) one or more new hedging transactions substantially in the same form as the Swap Transaction entered into by the Issuer on the Closing Date (subject to any agreed change in the notional amount and fixed rate) have been put in place in relation to the Additional Mortgage Loans which are Fixed Rate Mortgage Loans on or prior to the relevant Additional Mortgage Loan Purchase Date;
- (i) the Additional Mortgage Loan Portfolio Tests have been satisfied; and
- (j) prior to the relevant Additional Mortgage Loan Purchase Date, at least one instalment has been made by a relevant Borrower in relation to the relevant Additional Mortgage Loans to be purchased.

The Servicer shall deliver to the Security Trustee and the Issuer, on the relevant Additional Mortgage Loan Purchase Date, a certificate dated the relevant Additional Mortgage Loans Purchase Date confirming that the Additional Mortgage Loan Conditions and other conditions set out in the Servicing Agreement have been satisfied.

In this Prospectus:

**"Additional Mortgage Loan Portfolio Tests"** means as of the relevant Additional Mortgage Loans Purchase Date portfolio tests that shall be satisfied by the Additional Mortgage Loans:

- (a) the weighted average interest rate on the Additional Mortgage Loans shall be not less than 3.5%;
- (b) the weighted average reversion margin on the Additional Mortgage Loans, which are Fixed Rate Mortgage Loans and Tracker Mortgage Loans shall be not less than 4.4%;
- (c) the weighted average Original Loan To Value on the Additional Mortgage Loans shall be less than 74%;
- (d) the weighted average ICR on the Additional Mortgage Loans shall be not less than 160%;
- (e) the aggregate Principal Outstanding Balance of the Additional Mortgage Loans with previous CCJs shall be not more than 0.5% of the aggregate Principal Outstanding Balance of the Mortgage Portfolio;
- (f) the aggregate Principal Outstanding Balance of the Additional Mortgage Loans in respect of which the underlying Property is located in London (as per the Office for National Statistics (ONS) regional mapping) is less than or equal to 61% of the Principal Outstanding Balance of the Mortgage Portfolio;
- (g) the aggregate Principal Outstanding Balance of the Additional Mortgage Loans in respect of which the underlying Property is located in South East England (as per the Office for National Statistics (ONS) regional mapping) is less than or equal to 22% of the Principal Outstanding Balance of the Mortgage Portfolio; and
- (h) the aggregate Principal Outstanding Balance of the Light Adverse Mortgage Loans in the Mortgage Portfolio is less than or equal to 2% of the aggregate Principal Outstanding Balance of the Mortgage Portfolio.

**"Original Loan to Value"** means, at the time of origination, in relation to a Mortgage Loan, the result (expressed as a percentage) of dividing the Principal Outstanding Balance of such Mortgage Loan by the value of the relevant Property specified in the relevant Valuation Report.

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

In relation to Mortgage Loans and their associated Mortgages and other Related Security over registered land, the 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, the sale to the Issuer will take effect in equity only and will transfer beneficial title only. In the case of Mortgage Loans and their associated Mortgages and other Related Security over unregistered land, 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. As a result, the legal title to the Mortgage Loans and their Related Security will remain with the Seller until such time as certain additional steps have been taken, including the giving of notices of the assignment to the Borrowers.

Under the Mortgage Sale Agreement, none of the Seller 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 Seller shall be obliged to give notice of assignment of the Mortgage Loans to the Borrowers following the occurrence of a Perfection Event (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 Seller within 25 Business Days of receipt of written notice from the Issuer or the Security Trustee upon the occurrence of any of the following (each a "**Perfection Event**"):

- (a) the delivery of an Enforcement Notice by the Note Trustee; or
- (b) the occurrence of a Servicer Termination Event; or
- (c) the Seller being required to perfect transfer of legal title to the Mortgage Loans:
  - (i) by an order of a court of competent jurisdiction;
  - (ii) by a regulatory authority which has jurisdiction over the Seller; or
  - (iii) by any organisation of which the Seller is a member or whose members comprise, but are not necessarily limited to, mortgage lenders and with the instructions of which it is customary for the Seller to comply; or
- (d) it becoming necessary as a result of a change in law occurring after the Closing Date to perfect the transfer by way of assignment; or
- (e) it becoming unlawful in any applicable jurisdiction for the Seller to hold legal title in respect of any Mortgage Loan in the Mortgage Portfolio; or
- (f) the Security Trustee notifying the Issuer in writing that the security under the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in jeopardy; or
- (g) the occurrence of an Insolvency Event relating to the Seller.

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 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.

## SERVICING OF THE MORTGAGE PORTFOLIO

### Mortgage Loan Servicing

#### *The Servicer and the Services*

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

The duties of the Servicer include:

- (a) servicing, administering and managing the Mortgage Loans in accordance with the applicable provisions of the FSMA and all cash transactions in respect thereof;
- (b) collecting payments of interest and/or interest and principal as agreed between the Borrower and the Seller in relation to the Mortgage Loans. Such payments are deposited into:
  - (i) in the case of payments by direct debit, the General Transaction Collection Account and (insofar as such payments form part of the Issuer's Share of the Portfolio Transaction Accounts Trust) held on trust by the Seller pursuant to the Portfolio Transaction Collection Accounts Declaration of Trust for the Issuer as beneficiary; and
  - (ii) in the case of other payments, the Global Collection Account and held on trust by the Seller pursuant to the Deed of Accession to Global Collection Account Declaration of Trust, and are to be swept by the Servicer on a daily basis to the General Transaction Collection Account,

and the Servicer shall (to the extent that any such transfer is not automatically completed by the Collection Account Bank or the Global Collection Account Bank):

- (A) transfer from the Funding Transaction Collection Account to the General Transaction Collection Account all amounts of cleared funds received by the Collection Account Bank and credited to the Funding Transaction Collection Account on each Business Day, following close of business on each such Business Day;
- (B) transfer from the General Transaction Collection Account to the Funding Transaction Collection Account an amount in cleared funds credited to the General Transaction Collection Account on each Business Day as is required to return any overdrawn balance of the Funding Transaction Collection Account to zero (or, if less, all amounts of cleared funds credited to the Funding Transaction Collection Account on such day), following close of business on such Business Day;
- (C) ensure that the General Transaction Collection Account shall not be overdrawn (provided that the General Transaction Collection Account shall be permitted to be overdrawn if the same is cured as soon as reasonably practicable);
- (D) ensure that all cleared funds standing to the credit of the Global Collection Account and related to the Mortgage Portfolio (save for certain amounts received in relation to the Mortgage Loans and their Related Security which are required to be refunded or otherwise disbursed), less any fees, costs, charges, liabilities and expenses due under the provisions of the Collection Account Bank Agreement insofar as any such amounts are attributable to the Issuer's Share of the Global Collection Account Trusts, are transferred to the General Transaction Collection Account by the close of business on the following Business Day, provided that any transfer that is delayed for administrative reasons will be made as soon as reasonably practicable (and the Servicer shall use reasonable endeavours to procure that any such delayed transfer is made within one Business Day);

- (E) ensure that certain payments of Third Party Amounts as are necessary from time to time in respect of the Mortgage Loans, are made out of the Funding Transaction Collection Account (save for (i) where such payments are made in respect of amounts received under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited, in which case such payment may be made out of the General Transaction Collection Account and (ii) where such Third Party Amounts have been or are to be paid out of the Collection Accounts); and
- (F) ensure that all cleared funds standing to the credit of the General Transaction Collection Account that exceed the General Transaction Collection Account Minimum Balance on a Business Day are transferred to the Issuer Account by the close of business on the following Business Day, provided that this obligation applies only where the amount of such transfer from the General Transaction Collection Account would equal or exceed £5,000 and provided further that any transfer that is delayed for administrative reasons will be made as soon as reasonably practicable (and the Servicer shall use reasonable endeavours to procure that any such delayed transfer is made within one Business Day);
- (c) preparing reports regarding the status and performance of the Mortgage Loans in accordance with the Servicing Agreement;
- (d) performing the other management and administration functions and services imposed on the Servicer by the Servicing Agreement; and
- (e) performing any other functions imposed on the Servicer, in such capacity, by any other Transaction Documents to which it is a party or do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the administration of the Mortgage Loans or the exercise of such rights, powers and discretion.

"**General Transaction Collection Account Minimum Balance**" means £10,000.

***Information and Reporting by Servicer***

Pursuant to the Servicing Agreement, the Servicer is responsible for keeping and maintaining records, on a Mortgage Loan by Mortgage Loan basis, for the purposes of identifying at any time any amount due by a Borrower, any amount received from or on behalf of a Borrower and the principal balance and (if different) the total balance for the time being and from time to time outstanding on a Borrower's account.

The Servicer shall prepare and deliver to, *inter alios*, the Cash Manager (and the Issuer shall procure that the Servicer supplies) a monthly servicer report (other than in a calendar month where a quarterly servicer report is required to be delivered) by no later than the 12<sup>th</sup> Business Day of each calendar month (the "**Monthly Servicer Report Date**") and a quarterly servicer report by no later than the Business Day prior to each Calculation Date in each case detailing the principal and total balances of the Mortgage Loans and related reconciliations and other information which is required by the Cash Manager for such relevant period (the "**Servicer Reports**") for the purposes of the Cash Manager preparing the Investor Reports. Further, the Servicer shall prepare and deliver a report of loan level information in the Bank of England format prevalent on the Closing Date or as otherwise agreed by the Servicer on a quarterly basis (the "**Quarterly Data Tape**").

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

The Servicer is entitled to charge a quarterly fee (payable on each Interest Payment Date) for its mortgage settlement and related administration services under the Servicing Agreement calculated on a monthly basis by reference to the aggregate Principal Outstanding Balance of the Mortgage Loans as at the first day of the relevant Monthly Collection Period (as calculated in the relevant Servicer Report) at a rate of 0.15 per cent. per annum and payable in arrear on the Interest Payment Date immediately following the Collection Period in which such Monthly Collection Period fell. The fee is inclusive of any VAT and

payable on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).

The reasonable costs and expenses for which the Servicer shall be entitled to reimbursement from the Issuer shall include, *inter alia*, the cost of complying with any regulatory obligations to which the Servicer becomes subject due to any change of law occurring after the Closing Date and which relate directly to the Servicer's obligations under the Servicing Agreement including, without limitation the payment of fees to EuroABS in connection with the disclosure obligations relating to the Investor Reports. Where such cost also relates to other activities of the Servicer, the cost shall only be borne by the Issuer proportionately to the manner in which the cost on the Servicer is calculated.

The Servicer shall be reimbursed for all reasonable and properly incurred costs and expenses incurred by it in connection with the administration of the Mortgage Loans including, but not limited to, insurance premia incurred in connection with certain contingency and other insurance policies.

Certain fees which may be payable by Borrowers in connection with their Mortgage Loans may be for the account of the Servicer where such fees relate to its own administrative function. Such fees (to the extent received) shall be payable to the Servicer on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).

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

The Servicer is permitted in specified circumstances and subject to certain conditions with the prior written consent of the Issuer and the Security Trustee, to sub-contract or delegate its obligations under the Servicing Agreement. If the Servicer sub-contracts or delegates its obligations under the Servicing Agreement, it shall nevertheless remain primarily liable for the performance of such obligations.

#### ***Termination of appointment***

The appointment of the Servicer may be terminated by either (i) the Issuer, (at any time prior to the delivery of an Enforcement Notice) with the prior written consent of the Security Trustee or (ii) the Security Trustee following the delivery of an Enforcement Notice, on the occurrence of a Servicer Termination Event. Additionally, the Servicer may resign upon 60 days' written notice to the Issuer (with a copy to the Security Trustee) **provided that** a Replacement Servicer has been appointed. If the appointment of the Servicer is terminated or the Servicer resigns under the Servicing Agreement, it would be necessary for the Issuer to appoint a replacement servicer with experience of servicing residential property mortgage loans in England and Wales, **provided that** such appointment is on substantially the same terms as those set out in the Servicing Agreement and the then current ratings of the Notes would not be adversely affected thereby, unless otherwise agreed by an Extraordinary Resolution of each Class of Noteholders and the Certificateholders. The ability of a replacement servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment.

A replacement servicer will have a business establishment (for the purposes of Section 9 of Value Added Tax Act 1994) 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 replacement servicing agreement.

Under the Servicing Agreement, the Servicer will be responsible for handling the procedures connected with the redemption of Mortgage Loans and is authorised by the Security Trustee and the Issuer to release the relevant Mortgage Loan documents to the person or persons entitled thereto upon redemption.

The Servicer's appointment will be terminated upon the occurrence of the events set out below (each a "**Servicer Termination Event**"):

- (a) default by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer requiring the same to be remedied;
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the reasonable opinion of the

Issuer (prior to the delivery of an Enforcement Notice) or the opinion of the Security Trustee acting on the instructions of the Note Trustee (following the delivery of an Enforcement Notice), is materially prejudicial to the interests of the Noteholders and Certificateholders and which, in the case of a default or breach that is capable of remedy, continues unremedied for a period of 15 Business Days after the earlier of the Servicer becoming aware of such default and of receipt by the Servicer of written notice from the Issuer (prior to the service of an Enforcement Notice) or the Security Trustee (following the delivery of an Enforcement Notice) requiring the same to be remedied;

- (c) an order is made or an effective resolution passed for the winding up of the Servicer (unless the order is made for the purpose of a reorganisation the terms of which have been approved by the Issuer or, following the service of an Enforcement Notice, the Security Trustee and where the Servicer demonstrates to the satisfaction of the Issuer that it is solvent);
- (d) the Servicer ceasing to be an authorised person under the FSMA or the revocation of an applicable licence, registration or regulatory permission held by it required to perform the Services;
- (e) the occurrence of an Insolvency Event in respect of the Servicer (other than any frivolous or vexatious corporate action or any other corporate action, legal proceedings or other procedure or step referred to in paragraph (e) of the definition of "Insolvency Event" which is disputed in good faith with a reasonable prospect of success by the Servicer and dismissed or otherwise discharged within 30 days of being commenced);
- (f) the Servicer ceasing to carry on substantially the whole of its residential mortgage servicing business (for the avoidance of doubt any sub-contracting or delegation in accordance with the Servicing Agreement would not constitute cessation of the Servicer's business); or
- (g) the occurrence of a Perfection Event (other than the occurrence of the Perfection Event under paragraph (b) of the definition of the "Perfection Event").

If the Servicer's appointment is terminated upon the occurrence of a Servicer Termination Event or the Servicer resigns, a Replacement Servicer shall be appointed as replacement Servicer and shall assume the role of the Servicer.

Forthwith upon the appointment of the Replacement Servicer, the outgoing Servicer shall:

- (a) deliver the title deeds, the mortgage loan files and all books of account and other records maintained by the Servicer relating to the Mortgage Loans and/or the Related Security to the Replacement Servicer; and
- (b) take such further action as the Issuer or, after the delivery of an Enforcement Notice, the Security Trustee shall reasonably direct to enable the services due to be performed by the Servicer under the Servicing Agreement to be performed by the Replacement Servicer as replacement Servicer.

#### ***Arrears Management Procedures***

The Servicer has agreed certain procedures with the Issuer that the Servicer is required to adhere to for 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 relevant Borrower and deciding to take or not to take enforcement action against the Borrower and/or in respect of the Property. These same procedures, as from time to time varied in accordance with the practice of a Prudent Mortgage Lender and the Servicing Standard, will continue to be applied in respect of arrears arising on the Mortgage Loans. In this context, the Arrears Management Procedures will be operated by the Servicer. In the Mortgage Sale Agreement, the Seller has agreed to, at the expense of the Servicer, assist the Servicer in exercising all rights and remedies under and in connection with the Mortgage Loans, provided such assistance is in accordance with the legal and regulatory requirements applicable to the Seller.

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Mortgage Sale Agreement

#### *Mortgage Portfolio*

Under a mortgage sale agreement entered into on or around the Closing Date between, among others, the Seller, the Issuer and the Security Trustee (the "**Mortgage Sale Agreement**"), the Seller shall on the Closing Date (in consideration for payment of the Initial Purchase Price and the issuance of the Residual Certificates to, or at the direction of, the Seller as further consideration for the sale of a Mortgage Portfolio) sell, assign or otherwise transfer to the Issuer a Mortgage Portfolio of Mortgage Loans and their Related Security.

The Mortgage Loans and their Related Security comprising the Mortgage Portfolio will be assigned by way of equitable assignment to the Issuer, referred to as the "sale" by the Seller to the Issuer of the Mortgage Loans and Related Security.

The consideration due to the Seller in respect of the sale of the Mortgage Loans and Related Security comprising the Mortgage Portfolio shall be:

- (a) (i) the Closing Initial Purchase Price in an amount equal to £251,057,979.22, such Closing Initial Purchase Price being due and payable on the Closing Date; and (ii) the Additional Mortgage Loan Purchase Consideration to be paid in respect of any Additional Mortgage Loans (together with the Closing Initial Purchase Price, the "**Initial Purchase Price**"); and
- (b) the right to receive Residual Payments on each Interest Payment Date after the Closing Date until the earlier of (i) the Final Maturity Date, and (ii) cancellation of the Residual Certificates, such right represented by the Residual Certificates to be delivered to, or at the direction of, the Seller on the Closing Date.

In addition, as a result of the Initial Swap Agreement to be entered into by the Issuer on the Closing Date referencing the Fixed Swap Rate, the Issuer is required to make a payment to the Seller in an amount equal to the Swap Breakage Payment.

The Closing Initial Purchase Price shall also be reduced by the payment by the Seller to the Issuer an amount equal to the Closing Reconciliation Amounts.

In this Prospectus:

**"Additional Mortgage Loan Purchase Consideration"** means, in relation to any Additional Mortgage Loan on any date, an amount equal to:

- (a) the Principal Outstanding Balance of the relevant Additional Mortgage Loan as at that date;
- (b) all amounts (other than as set out in (a) above) which are payable as at the Additional Mortgage Loan Purchase Date under the relevant Additional Mortgage Loan;
- (c) the Pre-Funding Revenue Considerations Amount for the relevant Additional Mortgage Loan; and
- (d) an amount equal to the swap breakage payment in respect of any swap transaction into in respect of such Additional Mortgage Loans prior to their sale to the Issuer (which may be a positive or negative number).

**"Pre-Funding Revenue Considerations Amount"** means, in relation to any Additional Mortgage Loan an amount equal to the product of:

- (a) the following ratio:
  - (i) the Principal Outstanding Balance of the relevant Additional Mortgage Loan; divided by
  - (ii) the Principal Amount Outstanding of the aggregate of the Collateralised Notes as at the Closing Date; and



- (b) the Principal Amount Outstanding of the Class X Notes as at the Closing Date.

Any Residual Payment payable to the holders of the Residual Certificates will be paid in accordance with the priority of payments set out in the section headed "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*", "*Cashflows – Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer*" and "*Cashflows – Distributions following the service of an Enforcement Notice on the Issuer*" below.

***Title to the Mortgages, Registration and Notifications***

The completion of the transfer of the Mortgage Loans and their Related Security (and, where appropriate, their registration or recording) to the Issuer is deferred and legal title to the Mortgage Loans and their Related Security shall remain with the Seller until the occurrence of a Perfection Event. Notice of the sale of the Mortgage Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

On the occurrence of a Perfection Event, (i) prior to the service of an Enforcement Notice, the Issuer; or (ii) following the service of an Enforcement Notice, the Security Trustee may by notice in writing (a "**Perfection Notice**") to the Seller (with a copy to the Security Trustee or to the Issuer, as the case may be) require the Seller to complete the assignment to the Issuer of legal title to the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio within twenty-five (25) Business Days of the delivery of the Perfection Notice.

The following events constitute Perfection Events upon which (i) prior to the service of an Enforcement Notice, the Issuer; or (ii) following the service of an Enforcement Notice, the Security Trustee shall perfect legal title to the Mortgage Loans and their Related Security:

- (a) the delivery of an Enforcement Notice by the Note Trustee; or
- (b) the occurrence of a Servicer Termination Event; or
- (c) the Seller being required to perfect transfer of legal title to the Mortgage Loans:
  - (i) by an order of a court of competent jurisdiction;
  - (ii) by a regulatory authority which has jurisdiction over the Seller; or
  - (iii) by any organisation of which the Seller is a member or whose members comprise, but are not necessarily limited to, mortgage lenders and with the instructions of which it is customary for the Seller to comply; or
- (d) it becoming necessary as a result of a change in law occurring after the Closing Date to perfect the transfer by way of assignment; or
- (e) it becoming unlawful in any applicable jurisdiction for the Seller to hold legal title in respect of any Mortgage Loan in the Mortgage Portfolio; or
- (f) the Security Trustee notifying the Issuer in writing that the security under the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in jeopardy; or
- (g) the occurrence of an Insolvency Event relating to the Seller.

In this Prospectus, an "**Insolvency Event**" will occur in respect of an entity in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding-up of the relevant entity (or it makes any composition or arrangement with its creditors); or
- (b) 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

- (c) an encumbrancer takes possession or a Receiver is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the relevant entity is unable 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 of any of its debts; or
- (e) if proceedings are initiated against the relevant entity under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant entity or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of relevant entity, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), unless initiated by the relevant entity, is not discharged within 30 days; or
- (f) any analogous procedure or step is taken in any jurisdiction.

Following a Perfection Event, notice of the legal assignments will be given to the Borrowers and the Issuer will take steps to register and record such legal assignments at the Land Registry.

Save for Title Deeds held at the Land Registry, all the Title Deeds and the mortgage files and computer tapes relating to each of the Mortgage Loans and their Related Security are held by the Servicer (on behalf of the Seller) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the Servicer or its solicitors or agents.

Neither the Security Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations, but each is relying entirely on the representations and warranties made by the Seller contained in the Mortgage Sale Agreement.

### ***Representations and Warranties***

On the Closing Date, the Mortgage Loan Warranties will be given by the Seller in respect of the Mortgage Loans and their Related Security sold by the Seller to the Issuer on that day (save for any Mortgage Loan Warranties expressed to be made by reference to a different day, such as the Cut-Off Date). The Mortgage Loan Warranties will be given by the Seller in respect of Additional Mortgage Loans and their Related Security sold by the Seller to the Issuer, if any, on the relevant Additional Mortgage Loan Purchase Date.

The Seller will agree in the Mortgage Sale Agreement to repurchase any Mortgage Loan (or in the case of the non-existence of a Mortgage Loan indemnify the Issuer in relation to a Mortgage Loan) together with its Related Security if (i) a Mortgage Loan or its Related Security does not comply on the Closing Date or relevant Additional Mortgage Loan Purchase Date, as applicable, with the Mortgage Loan Warranties given by the Seller under the Mortgage Sale Agreement, and (ii) such breach is not remedied within the Grace Period (which starts from the date when such breach was notified to the Issuer and Servicer in writing), the Issuer (before the service of an Enforcement Notice) or Security Trustee (following the service of an Enforcement Notice) or the Servicer on their behalf shall serve upon the Seller (with a copy to the Security Trustee) a mortgage loan repurchase notice. The delivery of such notice shall oblige the Seller to repurchase the relevant Mortgage Loan or Mortgage Loans from the Issuer (or indemnify the Issuer in the case of non-existence of a Mortgage Loan).

The Seller will have no liability for breach of any Mortgage Loan Warranty other than the obligation to repurchase or indemnify as set out above.

In the Servicing Agreement, the Servicer has agreed to notify the Issuer and the Security Trustee of any breach of a Mortgage Loan Warranty as soon as it becomes aware of such breach.

The Seller will also agree in the Mortgage Sale Agreement that, if a term relating to the recovery of interest (other than a term upon which the Servicer has confirmed (on or before the Closing Date or relevant Additional Mortgage Loan Purchase Date, as applicable) that it no longer relies) under the Standard Documentation applicable to any Mortgage Loan sold by it to the Issuer is at any time on or after the Closing Date or relevant Additional Mortgage Loan Purchase Date, as applicable, found by a competent court or other competent authority or any ombudsman or regulator to be an unfair term (for the purposes of the UTCCR or the CRA), it shall repurchase or procure the repurchase of the Mortgage Loan concerned and its Related Security.

The price payable by the relevant Seller upon the repurchase of any Mortgage Loan and its Related Security (the "**Repurchase Price**") will be the Current Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus an amount equal to the Issuer's reasonable costs or any other reasonable expenditure in relation to such repurchase (if any).

### ***Covenants***

The Seller will covenant that, so long as it remains the legal title holder of the Mortgage Loans which are secured by Cross-collateral Mortgages:

- (a) it shall only have Cross-collateral Rights in respect of Cross-collateral Mortgages that it beneficially owns;
- (b) it waives all rights to exercise Cross-collateral Rights in respect of other Cross-collateral Mortgages which are not beneficially owned by it and any rights to the proceeds of enforcement of Cross-collateral Mortgages not beneficially owned by it; and
- (c) it shall not enforce against the Cross-collateral Mortgage in respect of a Mortgage Loan comprised in the Mortgage Portfolio unless such Mortgage Loan itself is in default and if it enforces the Cross-collateral Mortgage in respect of such Mortgage Loan, the proceeds of such enforcement shall be applied by or on behalf of it firstly to repay all amounts owing by the mortgagor under such Mortgage Loan and, secondly, to the extent there are additional proceeds of enforcement, apply such proceeds in accordance with the applicable Mortgage Loan Agreement.

As used in this Prospectus:

"**Accrued Interest**" means, in relation to a Mortgage Loan, as at any given date, the aggregate amount of interest accrued or charged from and including the immediately preceding monthly payment date for such Mortgage Loan but not yet paid (or, if later, the date of completion of such Mortgage Loan) to, but excluding, that given date.

"**Additional Mortgage Loan Purchase Notice**" means a notice delivered pursuant to the Mortgage Sale Agreement in connection with the sale by the Seller to the Issuer of Additional Mortgage Loans.

"**Ancillary Rights**" means, in relation to any right, all ancillary rights, accretions and supplements to such right, including any guarantees or indemnities in respect of such right.

"**Arrears Balance**" means, in relation to a Mortgage Loan, as at any given date, the aggregate amount of all the sums which are due and payable but have not been paid by the relevant Borrower in accordance with the terms of that Mortgage Loan as at that given date including any:

- (a) Arrears of Interest; and
- (b) arrears of any repayment of principal.

"**Arrears of Interest**" means, in relation to a Mortgage Loan, as at any given date, interest which has become and remains due and payable.

"**Borrower**" means, in relation to a Mortgage Loan, each person or persons who is or are named and defined as such in the relevant Mortgage Loan, Mortgage or Mortgage Conditions and to whom such Mortgage Loan is advanced together with any person or persons from time to time assuming the obligations of the Borrower to repay such Mortgage Loan or any part of it.

"**Calculation Date**" means the day falling four Business Days prior to each Interest Payment Date.

"**Collection Period**" means each quarterly period commencing from (but excluding) each Collection Period End Date and ending on (and including) the immediately succeeding Collection Period End Date, with the first Collection Period commencing on (and including) the Cut-Off Date.

"**Collection Period End Date**" means the last calendar day of February, May, August and November, with the first Collection Period End Date ending on (and including) 30 November 2017.

"**Current Balance**" means, in relation to any Mortgage Loan as at any date, the aggregate of:

- (a) the initial amount advanced under such Mortgage Loan together with any other amounts subsequently advanced thereunder or otherwise capitalised thereon less any such amounts previously repaid;
- (b) Arrears of Interest;
- (c) Accrued Interest, and
- (d) any fees, costs and expenses owing or payable by the Borrower.

provided that, should a Borrower have exercised a right of set-off or in the case of the non-existence of a Mortgage Loan, the Current Balance shall be deemed to be the balance that it would have been prior to the exercise of such right of set-off, or had such Mortgage Loan have existed, as the case may be.

"**Cut-Off Date**" means 30 June 2017.

"**Deed of Consent**" means a deed whereby the signatory agreed to postpone his interest (if any) in the relevant Property that created by a Mortgage by declaring that he will not assert any right to an overriding interest by occupation adverse to the mortgagee's rights under the relevant Mortgage.

"**Insurance Policies**" means all buildings insurance policies relating to a Mortgage Loan and the related Property from time to time which has been taken out (a) in the name of the relevant Borrower or (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property and assigned to the Seller or with the interest of the Seller (as mortgagee) endorsed or notes thereon, and "**Insurance Policy**" means any one of them.

"**Loan**" or "**Mortgage Loan**" means a buy-to-let mortgage loan (including the aggregate of the outstanding balance of any Mortgage Loan Advance, any Accrued Interest, Arrears Balance and any fees, costs and other amounts owing to the Seller from the Borrower (including all capitalised sums)) which is secured or intended to be secured by the related Mortgage comprised in the Mortgage Portfolio.

"**Monthly Collection Period**" means each monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month, with the first Monthly Collection Period commencing on (and including) the Cut-off Date.

"**Mortgage**" means a charge by way of legal mortgage securing a Mortgage Loan comprised in the Mortgage Portfolio and all principal sums, interest, costs and other amounts secured or intended to be secured by that legal mortgage or legal charge.

"**Mortgage Conditions**" means, in relation to each Mortgage Loan and the Mortgage relating thereto, the terms and conditions subject to which the Mortgage Loan and Mortgage are made including, for the avoidance of doubt, the terms and conditions incorporated into any letter or letters of offer or agreement to make such Mortgage Loan.

"**Mortgage Loan Advance**" means all of the monies advanced by the Seller or a predecessor in title to a Borrower.

"**Mortgage Loan Agreement**" means, in relation to a Mortgage Loan, the loan agreement entered into between a Borrower and the Originator or the Initial Lender of Record (as applicable).

"**Mortgage Loan Files**" means, in relation to a Mortgage Loan, the customer file (in paper and/or electronic form) maintained by the Issuer or by its agents on its behalf but excluding the Title Deeds.

**"Mortgage Portfolio"** means the Mortgage Loans and their Related Security sold by the Seller to the Issuer on the Closing Date or on any Additional Mortgage Loan Purchase Date, as applicable, and listed, for the purposes of identification, in the Mortgage Sale Agreement or Additional Mortgage Loan Purchase Notice, as applicable, but excluding any Mortgage Loan and its Related Security which is repurchased by the Seller pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer.

**"Property"** means, in relation to a Mortgage Loan and its related Mortgage, the freehold or leasehold property situated in England or Wales charged or intended to be charged as security for the repayment of such Mortgage Loan.

**"Prudent Mortgage Lender"** means a reasonably prudent mortgage lender of specialist mortgage loans of a type similar to the Mortgage Loans lending to borrowers similar to the Borrowers in England and Wales.

**"Receiver"** means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Assets by the Security Trustee pursuant to the Deed of Charge.

**"Regulated Mortgage Contract"** has the meaning given to that term in article 61(3)(a) of the Regulated Activities Order.

**"Related Security"** means, in relation to a Mortgage Loan, the Mortgage relating thereto and all other collateral security for, and rights in respect of such Mortgage Loan including (but not limited to):

- (a) the benefit of all affidavits, declarations, consents, renunciations, waivers and any Deeds of Consent, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan and Related Security;
- (b) the benefit of (including notations of interest on) any life policies, life policy assignments, priority letters, pension policies, guarantees, deposited, charged, obtained or held in connection with the relevant Mortgage Loan and Related Security;
- (c) to the extent assignable (without the consent of the relevant counterparty), all causes and rights of action (whether assigned to the Issuer, the Seller or otherwise) against Valuers, Solicitors, any Land Registry or any other person in connection with any report (including a report on title), Valuation Report, opinion, certificate, consent or other statement of fact or opinion given in connection with the relevant Mortgage Loan or Related Security; and
- (d) 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 and any amounts received by the Seller prior to the Cut-Off Date and yet to be allocated toward amounts due under the relevant Mortgage Loan on the Servicer's systems.

**"Servicing Standard"** means the same standard of care and diligence that the Issuer would reasonably expect from a Prudent Mortgage Lender.

**"Solicitors"** means a firm of solicitors (or a firm of licensed or qualified conveyancers) selected by the Originator and/or the Initial Lender of Record in accordance with the standard practices of the Originator and/or the Initial Lender of Record (as applicable), in the origination of a Mortgage Loan and its Related Security.

**"Standard Documentation"** means the standard documentation of each of the Originator and the Initial Lender of Record being the documents which were used by the Originator and the Initial Lender of Record (as applicable) at the relevant time in connection with its activities as a residential mortgage lender, or any update or replacement therefor as permitted by the terms of the Mortgage Sale Agreement.

**"Successor"** means, in relation to a Mortgage Loan and its Related Security, a successor in title to the Originator and/or the Initial Lender of Record.

**"Title Deeds"** means, in relation to a Mortgage Loan, the agreement or agreements for such Mortgage Loan, the deed constituting the relevant Mortgage and any documents of title to the relevant Property and to the relevant Related Security.

**"Valuation Report"** means the valuation report substantially in the form of the pro-forma report contained in the relevant Standard Documentation and addressed to the Originator and/or the Initial Lender of Record from a Valuer in respect of each Property.

**"Valuer"** means (as applicable) an independent valuer (being a fellow or associate of the Royal Institution of Chartered Surveyors).

### ***Governing Law***

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

### **Servicing Agreement**

#### ***Introduction***

The Issuer, the Security Trustee, the Seller, the Back-Up Servicer Facilitator and the Servicer will enter into, on or around the Closing Date, an agreement pursuant to which the Servicer agrees to service the Mortgage Loans and their Related Security (the "**Servicing Agreement**"). The services to be provided by the Servicer are set out in the Servicing Agreement, and may include any services incidental thereto as may be agreed to in writing by the Issuer, the Seller, the Security Trustee and the Servicer (the "**Services**").

On or about the Closing Date, the Servicer will be appointed by the Issuer and the Seller to be its agent to service the Mortgage Loans and their Related Security. The Servicer must comply with any proper directions and instructions that the Issuer or, following the service of an Enforcement Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer will service the Mortgage Loans and their Related Security in accordance with the terms of the Servicing Agreement (including the procedures of the Servicer set out therein) and its actions in doing so are binding on the Issuer and (where applicable) the Seller.

#### ***Appointment***

The Servicer will be appointed to:

- (a) service, manage and administer the Mortgage Loans and the Related Security in accordance with the applicable provisions of the FSMA and all cash transactions in respect thereof;
- (b) prepare reports regarding the status and performance of the Mortgage Loans in accordance with the Servicing Agreement;
- (c) perform the other management and administration functions and services imposed on the Servicer by the Servicing Agreement; and
- (d) perform any other functions imposed on the Servicer, in such capacity, by any other Transaction Documents to which it is a party or do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the administration of the Mortgage Loans or the exercise of such rights, powers and discretions.

#### ***Undertakings by the Servicer***

The Servicer has undertaken, among other things, to:

- (a) ensure all Mortgage Loans and other Related Security are designated in the computer and other records of the Servicer as being legally and beneficially owned by the Issuer (with legal title being held on trust by the Seller);

- (b) devote such time and attention and exercise all such skill, care and diligence as necessary to ensure proper performance and discharge of the Servicer's obligations and undertakings contained in the Servicing Agreement;
- (c) to the extent practicable, comply with any proper directions, orders and instructions which the Issuer, the Seller or the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement and which in any event are not inconsistent with the terms upon which it has been appointed under the Servicing Agreement nor with any applicable regulatory requirements;
- (d) maintain in working order the information technology systems used by the Servicer in providing the Services, and to maintain and keep in effect all licences (including software licences), agreements, contracts and consents necessary for the use, upkeep and functioning of such information technology systems;
- (e) obtain and keep in force all licences, approvals, registrations, authorisations and consents which are or may be necessary for the lawful performance of the Services and the other obligations contained in the Servicing Agreement and in particular any applicable authorisations, permissions, approvals or consents under FSMA and the Data Protection Act 1998 and Regulation (EU) 2016/679, known as the General Data Protection Regulation;
- (f) at all times, in relation to all matters relating to the Mortgage Loans in the Mortgage Portfolio and the Related Security, act in compliance with and observe all applicable laws and regulatory requirements in force, issued or in place from time to time (including, but not limited to, FSMA, the CCA, the Data Protection Act 1998, Regulation (EU) 2016/679, known as the General Data Protection Regulation, the FCA's rules and guidance in the Consumer Credit Sourcebook of the FCA Handbook and the FCA's Treating Customers Fairly Outcomes) and the terms of the relevant Mortgage Conditions;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in the currency in which such payment is due for value on such day without set off (including, without limitation, in respect of any fees owed to it) or counterclaim;
- (h) (as soon as practicable after such event has come to its attention) give notice in writing to the Issuer, the Note Trustee and the Security Trustee of any Servicer Termination Event or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute a Servicer Termination Event;
- (i) not commit or omit to do any act in relation to the Mortgage Loans which would mean that the Issuer and/or the Seller are in breach of the terms and conditions of the Mortgage Loans;
- (j) procure the publication of the Quarterly Investor Report on [www.euroabs.com](http://www.euroabs.com) as soon as reasonably possible following the second Business Day following each Calculation Date;
- (k) procure the publication of the Monthly Investor Report on [www.euroabs.com](http://www.euroabs.com) as soon as reasonably possible following the 16th Business Day of each calendar month;
- (l) provide the Quarterly Data Tape to the Cash Manager in accordance with the Servicing Agreement, and procure the publication of each Quarterly Data Tape on [www.euroabs.com](http://www.euroabs.com) as soon as reasonably possible following the second Business Day following each Calculation Date;
- (m) at least five Business Days prior to the Reconciliation Date, provide the Cash Manager with the information required for it to calculate the Closing Reconciliation Amounts;
- (n) not, other than in relation to a Permitted Variation or other than as contemplated by or pursuant to the Servicer's client manual, the Servicing Agreement or the other Transaction Documents or the direction of the Issuer (or, following receipt of an Enforcement Notice, the Security Trustee):
  - (i) sell, transfer, convey, release or dispose of the legal title to the Mortgage Loans or Related Security, or create any mortgage, charge, debenture or any other form of security over the legal title to the Mortgage Loans or Related Security;

- (ii) terminate, repudiate, rescind or discharge any Mortgage Conditions; or
- (iii) permanently vary, amend, modify or waive any material provision of any document in relation to a Mortgage of any Mortgage Conditions.

In this Prospectus:

"**Permitted Variation**" means (i) an amendment to a document relating to a Mortgage or the Mortgage Conditions that would be acceptable to a Prudent Mortgage Lender for the purpose of controlling or managing arrears on a Mortgage Loan or (ii) a change in the method of repayment from interest only to either (A) capital and interest repayment or (B) part interest only and part capital and interest repayment.

***Determination of Interest Rates on the Mortgage Loans***

The interest due on the Variable Mortgage Rate Loans, the Tracker Mortgage Loans and the Fixed to Tracker Mortgage Loans (following the expiry of the relevant fixed period) is set by reference to LIBOR (as determined in accordance with the relevant Mortgage Conditions) plus the relevant margin. Subject to the terms of the Mortgage Sale Agreement, each of the Issuer and the Seller grants the Servicer full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine the LIBOR (as defined in the Mortgage Conditions) for the purposes of further determining the Floating Mortgage Rates in relation to the Variable Mortgage Rate Loans, the Tracker Mortgage Loans and the Fixed to Tracker Mortgage Loans (following the expiry of the relevant fixed period) sold by the Seller to the Issuer which have not at the relevant date of determination been repurchased by the Seller.

***Operation of Global Collection Account and Portfolio Transaction Accounts***

The Servicer will undertake to operate the Global Collection Account and Portfolio Transaction Accounts which are opened in the name of the Seller with the Global Collection Account Bank and the Collection Account Bank, in accordance with the terms of the Collection Bank Account Agreement, the Global Collection Account Declaration of Trust (and the Deed of Accession to the Global Collection Account Declaration of Trust) and the Portfolio Transaction Accounts Declaration of Trust. For more information, see the section titled "*Servicing of the Mortgage Portfolio – Mortgage Loan Servicing – The Servicer and the Services*".

***Replacement of Global Collection Account Bank***

If the Global Collection Account Bank fails to maintain any of the Collection Account Bank Minimum Ratings, the Issuer (or the Servicer on its behalf) shall use its reasonable endeavours, in accordance with the Collection Account Bank Agreement and the Servicing Agreement to (or to procure) the:

- (a) termination of the appointment of the Global Collection Account Bank in accordance with the Servicing Agreement and the Collection Account Bank Agreement and use commercially reasonable efforts to procure that the funds standing to the credit of the Global Collection Account that are referable to the Mortgage Loans promptly transferred from the Global Collection Account and placed on deposit on terms the same or substantially the same (*mutatis mutandis*) as the Collection Account Bank Agreement with an institution:
  - (i) that maintains ratings at least equal to the Collection Account Bank Minimum Ratings;
  - (ii) that is a bank for the purposes of section 991 of the Income Tax Act 2007 and payments of interest are made in the ordinary course of its business within the meaning of section 878 of the Income Tax Act 2007; and
  - (iii) that is an institution authorised to carry on banking business including accepting deposits under the FSMA; or
- (b) the obtaining of a guarantee (in such form that would not result in any of the Rating Agencies downgrading the current ratings assigned to any Class or Classes of the Collateralised Rated Notes or withdrawing, qualifying or putting such current ratings assigned to any Class or Classes of the Collateralised Rated Notes on a negative outlook) of the Global Collection Account Bank's obligations under the Collection Account Bank Agreement from a bank with ratings at least equal to the Collection Account Bank Minimum Ratings,



in each case, within 35 days of the date on which the Global Collection Account Bank ceases to have the Collection Account Bank Minimum Ratings.

***Replacement of Collection Account Bank***

If the Collection Account Bank fails to maintain any of the Collection Account Bank Minimum Ratings, the Issuer (or the Servicer on its behalf) shall use its reasonable endeavours, in accordance with the Collection Account Bank Agreement and the Servicing Agreement to (or to procure) the:

- (a) termination of the appointment of the Collection Account Bank in accordance with the Servicing Agreement and the Collection Account Bank Agreement and use commercially reasonable efforts to procure that the funds standing to the credit of the Portfolio Transaction Accounts are promptly transferred from the Portfolio Transaction Accounts and placed on deposit on terms the same or substantially the same (*mutatis mutandis*) as the Collection Account Bank Agreement with an institution:
  - (i) that maintains ratings at least equal to the Collection Account Bank Minimum Ratings;
  - (ii) that is a bank for the purposes of section 991 of the Income Tax Act 2007 and payments of interest are made in the ordinary course of its business within the meaning of section 878 of the Income Tax Act 2007;
  - (iii) is a member of the Direct Debiting Scheme or any scheme which replaces the Direct Debiting Scheme; and
  - (iv) that is an institution authorised to carry on banking business including accepting deposits under the FSMA; or
- (b) the obtaining of a guarantee (in such form that would not result in any of the Rating Agencies downgrading the current ratings assigned to any Class or Classes of Notes or withdrawing, qualifying or putting such current ratings assigned to any Class or Classes of Notes on a negative outlook) of the Collection Account Bank's obligations under the Collection Account Bank Agreement from a bank with ratings at least equal to the Collection Account Bank Minimum Ratings,

in each case, within 35 days of the date on which the Collection Account Bank ceases to have the Collection Account Bank Minimum Ratings.

***Termination of the appointment of the Servicer***

The Issuer or (following the service of an Enforcement Notice) the Security Trustee may at once or at any time thereafter while such default continues, by notice in writing to the Servicer (with a copy to the Security Trustee or the Issuer (as applicable)), terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a "**Servicer Termination Event**") occurs and is continuing:

- (a) default by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer requiring the same to be remedied;
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the opinion of the Security Trustee acting on the instructions of the Note Trustee (following the delivery of an Enforcement Notice), is materially prejudicial to the interests of the Noteholders and Certificateholders and which, in the case of a default or breach that is capable of remedy, continues unremedied for a period of 15 Business Days after the earlier of the Servicer becoming aware of such default and of receipt by the Servicer of written notice from the Issuer (prior to the service of an Enforcement Notice) or the Security Trustee (following the delivery of an Enforcement Notice) requiring the same to be remedied;

- (c) an order is made or an effective resolution passed for the winding up of the Servicer (unless the order is made for the purpose of a reorganisation the terms of which have been approved by the Issuer or, following the service of an Enforcement Notice, the Security Trustee and where the Servicer demonstrates to the satisfaction of the Issuer that it is solvent);
- (d) the Servicer ceasing to be an authorised person under the FSMA or the revocation of an applicable licence, registration or regulatory permission held by it required to perform the Services;
- (e) the occurrence of an Insolvency Event in respect of the Servicer (other than any frivolous or vexatious corporate action or any other corporate action, legal proceedings or other procedure or step referred to in paragraph (e) of the definition of "Insolvency Event" which is disputed in good faith with a reasonable prospect of success by the Servicer and dismissed or otherwise discharged within 30 days of being commenced);
- (f) the Servicer ceasing to carry on substantially the whole of its residential mortgage servicing business (for the avoidance of doubt any sub-contracting or delegation in accordance with the Servicing Agreement would not constitute cessation of the Servicer's business); or
- (g) the occurrence of a Perfection Event (other than the occurrence of the Perfection Event under paragraph (b) of the definition of the "Perfection Event").

The termination of the appointment of the Servicer shall take effect on the date of appointment of a Replacement Servicer, **provided that** the Issuer (assisted by the Back-Up Servicer Facilitator) shall use reasonable endeavours to appoint a Replacement Servicer.

#### ***Voluntary Resignation***

The Servicer may voluntarily resign by giving at least 60 days' written notice to the Issuer and the Seller (with a copy to the Security Trustee) of its intention to resign if a replacement servicer (the "**Replacement Servicer**") has been appointed on substantially the same terms to those in the Servicing Agreement unless otherwise agreed by an Extraordinary Resolution of each Class of Noteholders and the Certificateholders.

#### ***Delivery of documents and records***

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

#### ***Arrears Management Procedures***

The Servicer shall, in relation to any default by any Borrower under or in connection with a Mortgage Loan or its Related Security, comply with:

- (a) the Arrears Management Procedures;
- (b) applicable regulations in accordance with the Arrears Management Procedures that could reasonably be expected to be complied with by a Prudent Mortgage Lender; and
- (c) all reasonable requirements of the Issuer (prior to the service of an Enforcement Notice) or the Security Trustee (following the service of an Enforcement Notice) in relation to such enforcement within the Arrears Management Procedures or, to the extent that the Arrears Management Procedures are not applicable having regard to the nature of the default in question, shall take such action in accordance with the Servicing Standard in respect of such default.

"**Arrears Management Procedures**" means the exercise by the Servicer on behalf of the Issuer and the Seller of the rights and remedies of the Issuer and the Seller and/or the Security Trustee (as applicable) against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with the respective Mortgage Loan or Related Security in accordance with the procedures described in the Servicer's client manual or such other procedures as may

be taken by the Servicer acting in accordance with the standards of a Prudent Mortgage Lender in connection with defaults of a similar nature.

The Servicer shall procure that if, upon completion of the Arrears Management Procedures, an amount in excess of all sums due by the relevant Borrower (including any costs incurred in connection with the Arrears Management Procedures) is recovered or received by the Servicer, the balance, after discharge of all sums due by the Borrower, is paid to the person or persons entitled thereto.

#### ***Issuer's Liability***

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

#### ***Limit to Servicer's Liability***

The Servicer shall have no liability for the obligations of any Borrower, the Issuer and the Security Trustee under any of the Transaction Documents or otherwise and nothing herein shall constitute a guarantee, or similar obligation, by the Servicer in respect of any Borrower, the Issuer and the Security Trustee or of any of those obligations.

#### ***Back-Up Servicer Facilitator***

The Issuer will appoint the Back-Up Servicer Facilitator in accordance with the Servicing Agreement. If the Servicer's appointment is terminated, the Back-Up Servicer Facilitator shall use best efforts to identify, on behalf of the Issuer, and assist the Issuer in the appointment of a suitable replacement servicer in accordance with the Servicing Agreement, such process to commence by no later than 10 Business Days after the date when it became aware of the retirement of the Servicer. The Back-Up Servicer Facilitator shall use its reasonable endeavours to procure that the Replacement Servicer be appointed within 30 days of the termination of the appointment of the outgoing Servicer.

#### ***Governing Law***

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

#### ***Deed of Charge***

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Security Trustee.

#### ***Security***

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the "**Security**") as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders and the Certificateholders):

- (a) a first fixed charge over the benefit of the Issuer in each Mortgage Loan and the Related Security relating to such Mortgage Loan comprised in the Mortgage Portfolio;
- (b) an assignment of rights held by the Issuer against certain third parties and insurers;
- (c) a first fixed charge of the benefit of the Issuer Accounts and any bank or other accounts of the Issuer in which the Issuer may at any time have or acquire any benefit;

- (d) assignment of the benefit of the Issuer under each relevant Transaction Document to which the Issuer is a party (other than the Trust Documents) (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder), including:
- (i) the Agency Agreement;
  - (ii) the Cash Management Agreement;
  - (iii) the Global Collection Account Declaration of Trust;
  - (iv) the Deed of Accession to the Global Collection Account Declaration of Trust;
  - (v) the Portfolio Transaction Accounts Declaration of Trust;
  - (vi) the Corporate Services Agreement;
  - (vii) the Deed Poll;
  - (viii) the Issuer Account Bank Agreement;
  - (ix) the Mortgage Sale Agreement;
  - (x) the Swap Agreement; and
  - (xi) the Servicing Agreement;
- (e) a first floating charge over all the assets and undertakings of the Issuer to the extent not effectively charged pursuant to paragraphs (a) to (d) above.

"**Trust Documents**" means the Trust Deed and Deed of Charge.

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

The Deed of Charge provides that following the service of an Enforcement Notice by or on behalf of the Security Trustee (or a receiver of the Issuer appointed by the Security Trustee pursuant to the Deed of Charge), the application of cash is to be carried out in accordance with the Post-Enforcement Priority of Payments. This order of priority is described in the section entitled "*Cashflows – Distributions following the service of an Enforcement Notice on the Issuer*".

#### ***Enforcement***

The Security shall only become enforceable on the service of an Enforcement Notice pursuant to Condition 11 (*Events of Default*) or, following the redemption in full of the Notes, Residual Certificate Condition 10 (*Events of Default*). The Deed of Charge will set out the procedures by which the Security Trustee may take steps to enforce the Security.

#### ***Governing Law***

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

#### **Collection Account Bank Agreement**

Pursuant to the terms of a bank account agreement entered into on or about the Closing Date between the Seller, the Servicer, the Global Collection Account Bank, the Collection Account Bank and the Security Trustee (the "**Collection Account Bank Agreement**") the Seller will maintain with the Collection Account Bank the Portfolio Transaction Accounts and with the Global Collection Account Bank, the Global Collection Account which will be operated in accordance with the Servicing Agreement, the Global Collection Account Declaration of Trust and the Portfolio Transaction Accounts Declaration of Trust. The Global Collection Account Bank and the Collection Account Bank are required to have at least the Collection Account Bank Minimum Ratings.

The "**Global Collection Account**" is a collection account in the name of the Seller held with the Global Collection Account Bank with account number 90877859 and sort code 20-19-90 into which the Servicer directs payment of principal collections and revenue collections in respect of the Mortgage Portfolio where such payments are not made by way of the Direct Debiting Scheme.

The General Transaction Collection Account is a bank account held by the Seller to which the Servicer shall, in accordance with the Collection Account Bank Agreement, direct payment of principal collections and revenue collections in respect of the Mortgage Portfolio where such payments are made by way of the Direct Debiting Scheme.

The Funding Transaction Collection Account is a bank account held by the Seller to which certain Third Party Amounts are paid to the relevant third party in accordance with the Collection Account Bank Agreement. Where such payments result in an overdrawn balance on a Funding Transaction Collection Account, the Servicer shall ensure that the amounts to repay such overdraft are transferred from the General Transaction Collection Account as described below.

Under the terms of the Collection Account Bank Agreement, on or before the Closing Date the Seller will provide the Collection Account Bank with a new account mandate authorising it to operate the Portfolio Transaction Accounts as directed by the Servicer. The Servicer by way of the Servicing Agreement will undertake, to the extent that any such transfer is not automatically completed by the Collection Account Bank to:

- (a) ensure that the General Transaction Collection Account shall not be overdrawn (provided that the General Transaction Collection Account shall be permitted to be overdrawn if the same is cured as soon as reasonably practicable);
- (b) transfer from the Funding Transaction Collection Account to the General Transaction Collection Account all amounts of cleared funds received by the Collection Account Bank and credited to the Funding Transaction Collection Account on each Business Day, following close of business on each Business Day;
- (c) transfer from the General Transaction Collection Account to the Funding Transaction Collection Account an amount in cleared funds credited to the General Transaction Collection Account on each Business Day as is required to return any overdrawn balance of the Funding Transaction Collection Account to zero (or, if less, all amounts of cleared funds credited to the Funding Transaction Collection Account on such day), following close of business on such Business Day;
- (d) ensure that all cleared funds standing to the credit of the Global Collection Account and related to the Mortgage Portfolio (save for certain amounts received in relation to the Mortgage Loans and their Related Security which are required to be refunded or otherwise disbursed), less any fees, costs, charges, liabilities and expenses due under the provisions of the Collection Account Bank Agreement insofar as any such amounts are attributable to the Issuer's Share of the Global Collection Account Trust, are transferred to the General Transaction Collection Account by the close of business on the following Business Day, provided that any transfer that is delayed for administrative reasons will be made as soon as reasonably practicable (and the Servicer shall use reasonable endeavours to procure that any such delayed transfer is made within one Business Day);
- (e) ensure that certain payments of Third Party Amounts as are necessary from time to time in respect of the Mortgage Loans, are made out of the Funding Transaction Collection Account (save for (i) where such payments are made in respect of amounts received under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited, in which case such payment may be made out of the General Transaction Account); and
- (f) ensure that all cleared funds standing to the credit of the General Transaction Collection Account that exceed the General Transaction Collection Account Minimum Balance on a Business Day are transferred to the Issuer Account by the close of business on the following Business Day, **provided that** this obligation applies only where the amount of such transfer from the General Transaction Collection Account would equal or exceed £5,000 and **provided further** that any transfer that is delayed for administrative reasons will be made as soon as reasonably practicable

(and the Servicer shall use reasonable endeavours to procure that any such delayed transfer is made within one Business Day).

**"Funding Transaction Collection Account"** means the account in the name of the Seller at the Collection Account Bank with sort code 20-19-90 and account number 73619583.

**"General Transaction Collection Account"** means the account in the name of the Seller at the Collection Account Bank with sort code 20-19-90 and account number 73564185.

**"Global Collection Account"** means Paratus AMC Ltd Collection Trust Account (CTA) in the name of the Seller at the Global Collection Account Bank with sort code 20-19-90 and account number 90877859.

**"Portfolio Transaction Accounts"** means the Funding Transaction Collection Account and General Transaction Collection Account.

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

#### *Governing Law*

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

#### **Global Collection Account Declaration of Trust and Deed of Accession to Global Collection Account Trust Declaration of Trust**

The Seller has, pursuant to a declaration of trust (the **"Global Collection Account Declaration of Trust"**) entered into prior to the Closing Date, declared a trust (the **"Global Collection Account Trust"**) over all of its right, title and beneficial interest in respect of the Global Collection Account. The Issuer will, on or about the Closing Date, accede to the trust arrangements in respect of the Global Collection Account as beneficiary in respect of amounts standing to the credit thereof that are referable to the Mortgage Loans by executing an accession undertaking and the **"Deed of Accession to Global Collection Account Declaration of Trust"**.

The Issuer's share of the Global Collection Account Trust (the **"Issuer's Share of the Global Collection Account Trust"**) at any relevant time shall equal all amounts credited to the Global Collection Account at such time in respect of the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio in respect of the Mortgage Loans and their Related Security (save for certain amounts received in relation to the Mortgage Loans and their Related Security which are required to be refunded or otherwise disbursed). Additional beneficiaries may from time to time on and from the Closing Date accede to the Global Collection Account Declaration of Trust without the consent of the Issuer or the Security Trustee; however, any such accession will not affect the manner in which the Issuer's Share of the Global Collection Account Trust is calculated.

On or before the Closing Date, the Seller will provide the Global Collection Account Bank with an account mandate authorising the Servicer to transfer monies that are identified as being referable to the Mortgage Portfolio from the Global Collection Account at the end of each Business Day (to the extent that the Global Collection Account Bank does not undertake such task automatically) into the General Transaction Collection Account.

#### *Governing Law*

The Global Collection Account Declaration of Trust, the Deed of Accession to Global Collection Account Declaration of Trust and any non-contractual obligations arising out of or in connection with them will be governed by English law.

#### **Portfolio Transaction Account Declaration of Trust**

The Seller will, on or about the Closing Date, declare a trust (the **"Portfolio Transaction Account Trust"**) by executing a declaration of trust (the **"Portfolio Transaction Account Declaration of Trust"**) in respect of amounts standing to the credit of the Portfolio Transaction Accounts.

The Issuer's share of the Portfolio Transaction Account Trust (the "**Issuer's Share of the Portfolio Transaction Account Trust**") at any relevant time shall equal all amounts credited to the Portfolio Transaction Account at such time in respect of the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio (save for certain amounts received in relation to the Mortgage Loans and their Related Security which are required to be refunded or otherwise disbursed), but excluding any amounts identified by the Servicer as being required in respect of Third Party Amounts pursuant to the terms of the Servicing Agreement.

### ***Governing Law***

The Portfolio Transaction Account Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Trust Deed**

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes and the Residual Certificates are subject to the provisions in the Trust Deed. The Conditions and the Residual Certificates Conditions and the forms of each Class of Notes and the Residual Certificates are each constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes and the Residual Certificates on trust for the Noteholders and the Certificateholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee (exclusive of VAT) together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

### ***Retirement of Note Trustee***

The Note Trustee may retire after giving not less than 60 calendar days' notice in writing to the Issuer. Further, the Most Senior Class of Notes may, by an Extraordinary Resolution, remove the Note Trustee.

The retirement or removal of the Note Trustee shall not become effective unless there remains at least one Note Trustee under the Trust Deed and the Issuer will covenant in the Trust Deed to use all reasonable endeavours to procure the appointment of a new Note Trustee after the resignation or removal of the existing Note Trustee. If the Issuer has failed to appoint a replacement Note Trustee prior to the expiry of the notice period given by the Note Trustee, the outgoing Note Trustee will be entitled to nominate a successor which shall be approved by an Extraordinary Resolution of the Most Senior Class of Notes. The Rating Agencies shall be notified of such appointment.

### ***Governing Law***

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

### **Agency Agreement**

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee and the Security Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes and Residual Payments on the Residual Certificates.

### ***Governing Law***

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

## **Cash Management Agreement**

On the Closing Date, the Cash Manager, the Issuer and the Security Trustee will enter into a cash management agreement (the "**Cash Management Agreement**").

### ***Cash Management Services to be provided to the Issuer***

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer or, upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer, the Security Trustee. The Cash Manager's principal function will be to (i) calculate the amount of Available Revenue Receipts and Available Redemption Receipts available for application on the immediately following Interest Payment Date, together with (on or prior to the Final Redemption Date and without double counting) any amounts standing to the credit of the Liquidity Reserve Fund to be applied in relation to a Revenue Deficit on such Interest Payment Date; and (ii) effecting payments to and from the Issuer Account. In addition, the Cash Manager will, among other things, perform the following:

- (a) on each Calculation Date, determine if there would be a Revenue Deficit following the application of Available Revenue Receipts on the immediately following Interest Payment Date;
- (b) on each Calculation Date, determine if each or any of the Liquidity Availability Conditions are satisfied;
- (c) on each Calculation Date, following on or prior to the Final Redemption Date, determine the Liquidity Reserve Fund Required Amount;
- (d) on each Calculation Date, determine if the immediately following Interest Payment Date shall be the Senior Note Redemption Date or the Final Redemption Date;
- (e) calculate on each Calculation Date (prior to service of an Enforcement Notice) the amount of Available Revenue Receipts (including any amounts to be debited from the Liquidity Reserve Ledger over and above the Liquidity Reserve Fund Required Amount), Available Redemption Receipts and (subject to the satisfaction of the relevant Liquidity Availability Conditions) any Principal Addition Amounts to be applied on the immediately following Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Redemption Priority of Payments (as applicable);
- (f) calculate on each Calculation Date (prior to the service of an Enforcement Notice) the amount of any Liquidity Reserve Fund Drawings to be applied on the immediately following Interest Payment Date;
- (g) on each Interest Payment Date prior to the delivery of an Enforcement Notice, apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (including, for the avoidance of doubt, Principal Addition Amounts) and, on or prior to the Final Redemption Date only, (subject to the satisfaction of the relevant Liquidity Availability Conditions) any Liquidity Reserve Fund Drawings to be applied in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments;
- (h) record credits and debits on the Ledgers, as and when required;
- (i) and apply the monies standing to the credit of the Swap Collateral Account in accordance with the Swap Collateral Account Priority of Payments defined in Section "*Cashflows – Swap Collateral*"; and
- (j) if required (i) during a Determination Period, calculate the Interest Determination Ratio; and (ii) following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, reconcile the calculations to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with the Cash Management Agreement.



The Cash Manager shall provide such assistance to the Seller and the Issuer in relation to their compliance with any applicable Article 8b Requirements as may be agreed between the Cash Manager and the Issuer and Seller respectively.

"**Article 8b Requirements**" means Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3).

In addition, the Cash Manager will also:

- (a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
- (i) the "**Redemption Receipts Ledger**", which will record all Redemption Receipts received by the Issuer and the distribution of the Redemption Receipts in accordance with the provisions of the Cash Management Agreement;
  - (ii) the "**Revenue Receipts Ledger**", which will record all Revenue Receipts, amounts retained in the Issuer Account in accordance with item (q) of the Pre-Enforcement Revenue Priority of Payments and the distribution of the Revenue Receipts recorded on the Revenue Receipts Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Third Party Amounts to the extent paid from the Issuer Account to the persons entitled thereto;
  - (iii) the "**Liquidity Reserve Fund Ledger**", which will record amounts credited to, and debited from, the Liquidity Reserve Fund. The Liquidity Reserve Fund will be credited with a portion of the proceeds of the issuance of the Notes on the Closing Date up to the Liquidity Reserve Fund Required Amount. Thereafter, on each Interest Payment Date and (other than an Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date) the Cash Manager will credit the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount on or prior to the Final Redemption Date at item (i) of the Pre-Enforcement Revenue Priority of Payments to the extent that funds are available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments. If on any Interest Payment Date there are amounts standing to the credit of the Liquidity Reserve Fund in excess of the Liquidity Reserve Fund Required Amount, such excess amounts shall be debited from the Liquidity Reserve Fund Ledger to be accounted as Available Revenue Receipts and applied in accordance with the Pre-Enforcement Revenue Priority of Payments.  
  
On or prior to the Final Redemption Date any amount standing to the Liquidity Reserve Fund, subject to the Liquidity Availability Conditions, shall be available to be applied directly as Liquidity Reserve Fund Drawings toward any Revenue Deficit determined by the Cash Manager on the immediately preceding Calculation Date (for the avoidance of doubt, after having applied Available Revenue Receipts pursuant to the provisions of the Pre-Enforcement Revenue Priority of Payments). Any such Liquidity Reserve Fund Drawings shall be debited by the Cash Manager on the Liquidity Reserve Fund Ledger.  
  
On the Final Redemption Date, all amounts standing to the credit of the Liquidity Reserve Fund Ledger (after first having applied any Liquidity Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the relevant Liquidity Availability Conditions) and following the application of the Pre-Enforcement Revenue Priority of Payments) shall be debited therefrom and shall be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (see "*Credit Structure – Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*" below);
  - (iv) the "**General Reserve Fund Ledger**" which will record amounts credited to, and debited from, the General Reserve Fund. The General Reserve Fund will be credited with the proceeds of the issuance of the Class Z2 Notes on the Closing Date up to the General Reserve Fund Required Amount. Thereafter, on each Interest Payment Date, the

Cash Manager will credit the General Reserve Fund up to the General Reserve Fund Required Amount at item (o) of the Pre-Enforcement Revenue Priority of Payments, to the extent that funds are available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments. Amounts standing to the credit of the General Reserve Fund shall be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments (see "*Credit Structure – General Reserve Fund and General Reserve Fund Ledger*" below);

- (v) the "**Pre-Funding Redemption Reserve Ledger**" which will record as a credit an amount equal to £47,210,019.79 to be credited to the Pre-Funding Redemption Reserve Ledger on the Closing Date and which will record as a debit (i) the Additional Mortgage Loans Purchase Consideration (other than the Pre-Funding Revenue Consideration Amount in respect of the relevant Additional Mortgage Loan(s)) in relation to any Additional Mortgage Loans to be paid in accordance with the Mortgage Sale Agreement and the Servicing Agreement and (ii) on the first Interest Payment Date only, any amount standing to the credit of the Pre-Funding Redemption Reserve Ledger to be applied as Available Redemption Receipts;
- (vi) the "**Pre-Funding Revenue Reserve Ledger**" which will record as a credit an amount equal to £2,360,500.99 to be credited to the Pre-Funding Revenue Reserve Ledger on the Closing Date and which will record as a debit (i) the Pre-Funding Revenue Consideration Amount in respect of any Additional Mortgage Loans to be paid in accordance with the Mortgage Sale Agreement and the Servicing Agreement and (ii) on the first Interest Payment Date only, any amount standing to the credit of the Pre-Funding Revenue Reserve Ledger to be applied as Available Revenue Receipts (the Pre-Funding Redemption Reserve Ledger together with the Pre-Funding Revenue Reserve Ledger, the "**Pre-Funding Reserve Ledgers**");
- (vii) the "**Principal Deficiency Ledger**" means a ledger maintained by the Cash Manager on behalf of the Issuer, which will comprise the following sub-ledgers:
  - (A) the principal deficiency sub-ledger relating to the Class A Notes (the "**Class A Principal Deficiency Sub-Ledger**");
  - (B) the principal deficiency sub-ledger relating to the Class B Notes (the "**Class B Principal Deficiency Sub-Ledger**");
  - (C) the principal deficiency sub-ledger relating to the Class C Notes (the "**Class C Principal Deficiency Sub-Ledger**");
  - (D) the principal deficiency sub-ledger relating to the Class D Notes (the "**Class D Principal Deficiency Sub-Ledger**"); and
  - (E) the principal deficiency sub-ledger relating to the Class Z1 Notes and the Accumulated Overcollateralisation (the "**Junior Principal Deficiency Sub-Ledger**"),each a "**Principal Deficiency Sub-Ledger**", which will record on the appropriate sub-ledger as a debit entry deficiencies arising from (i) Losses on the Mortgage Portfolio (on the date the Cash Manager is informed of such Losses by the Servicer) and (ii) Principal Addition Amounts (on the Calculation Date on which such Principal Addition Amounts are determined by the Cash Manager) and record as a credit entry all PDL Cure Amounts (if any) on each Interest Payment Date and deemed to be Available Redemption Receipts (see "*Credit Structure – Principal Deficiency Ledger*" below); and
- (viii) the "**Issuer Profit Ledger**", which shall record (A) as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) and (B) as a debit any amount used to discharge any tax liability of the Issuer (up to the credit balance standing of the Issuer Profit Ledger).

- (b) provide the Issuer, the Seller, the Servicer, the Security Trustee, the Note Trustee, the Rating Agencies, and Bloomberg with the Monthly Investor Report by no later than 11.00 a.m. on the second Business Day following the Calculation Date (**provided that** the Cash Manager shall not be required to deliver a Monthly Investor Report in respect of any calendar month in which a Quarterly Investor Report is required to be delivered) and the Quarterly Investor Report by no later than 11.00 a.m. on the second Business Day following the Calculation Date;
- (c) provide the Issuer, the Security Trustee, the Note Trustee and the Rating Agencies with the Quarterly Data Tape, and procure that the Quarterly Data Tape is published at [www.usbank.com/abs](http://www.usbank.com/abs), in each case by no later than 11.00 a.m. on the second Business Day following the Calculation Date; and
- (d) as soon as reasonably practicable upon receiving a request from the Issuer and/or the Security Trustee and **provided that** it has all information necessary to enable it to do so, calculate and provide to the Issuer and the Security Trustee on the Business Day immediately following its receipt of the required information from the Servicer:
  - (i) the Portfolio Minimum Purchase Price;
  - (ii) the Risk Retention Regulatory Change Option Purchase Price; and/or
  - (iii) the Redemption Event Portfolio Purchase Price.

In this Prospectus:

"Losses" means (i) all realised losses on the Mortgage Loans which are not recovered from the proceeds following the sale of the Property to which such Mortgage Loan relates or any losses realised by the Issuer on the Mortgage Portfolio as a result of the failure of the Collection Account Bank to remit funds to the Issuer and (ii) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Mortgage Loan where the Seller has failed to repurchase such Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement.

#### ***Closing Reconciliation Amounts***

The Cash Manager will undertake in the Cash Management Agreement to (a) calculate the Closing Reconciliation Amounts in accordance with the Mortgage Sale Agreement (provided that the Servicer has provided to the Cash Manager each of the amounts referred to in the definition of Redemption Receipts (other than items (b) and (e) thereof), each of the amounts referred to in the definition of Revenue Receipts (other than items (e) and (f) thereof)), and (b) inform the Seller, the Servicer, the Issuer and the Security Trustee of the result.

#### ***Investor Reports***

The Cash Manager on behalf of the Issuer will publish the Monthly Investor Report and Quarterly Investor Report detailing, *inter alia*, certain aggregated mortgage loan data in relation to the Mortgage Portfolio and other information. Such Investor Reports will be published on the website of the Cash Manager at [www.usbank.com/abs](http://www.usbank.com/abs) and made available through Bloomberg **provided that** neither the Issuer nor any other relevant Transaction Party assumes any liability for any failure to publish any Investor Report thereon. In addition, loan level information will be provided in the Quarterly Data Tape by the Servicer to the Cash Manager, who (subject to receipt thereof) shall (i) publish such Quarterly Data Tape at [www.usbank.com/abs](http://www.usbank.com/abs); and (ii) provide a copy of such Quarterly Data Tape to the Issuer, the Security Trustee, the Note Trustee and the Ratings Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Mortgage Loans.

#### ***Cash Manager and Directions from the Security Trustee***

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

### ***Remuneration of Cash Manager***

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

### ***Termination of Appointment and Replacement of Cash Manager***

#### ***Cash Manager Termination Events***

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

- (a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement or any of the Cash Manager warranties in the Cash Management Agreement proves to be untrue, incomplete, or inaccurate, or any certification or statement made by the Cash Manager in any certificate or other document delivered pursuant to the Cash Management Agreement proves to be untrue, and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (c) an Insolvency Event occurs in respect of the Cash Manager; or
- (d) it becomes unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document,

then prior to the delivery of an Enforcement Notice, the Issuer (with the prior written consent of the Security Trustee), or following the delivery of an Enforcement Notice, the Security Trustee, may, deliver a Cash Manager Termination Notice to the Cash Manager (with a copy to the Issuer or the Security Trustee (as applicable)) immediately or at any time after the occurrence of such a Cash Manager Termination Event the effect of which shall be to terminate the Cash Manager's appointment under the Cash Management Agreement from the later of (i) the Cash Manager Termination Date referred to in such notice and (ii) the appointment of a suitable substitute cash manager in accordance with the provisions of the Cash Management Agreement.

In determining whether to give or withhold consent to the termination of the Cash Manager by the Issuer, the Security Trustee will have regard to factors including, *inter alia*, the availability of a substitute cash manager. Upon termination of the appointment of the Cash Manager, the Issuer shall use reasonable endeavours to appoint a substitute cash manager that satisfies the conditions set out below and the Security Trustee shall consent to such appointment if the conditions below are satisfied.

#### ***Termination of appointment of Cash Manager by Issuer or Security Trustee***

If:

- (i) the Issuer, with the written consent of the Security Trustee, has given not less than 60 days prior written notice of its intention to terminate the Cash Management Agreement to the Cash Manager; or

- (ii) the Security Trustee has given not less than 60 days prior written notice of its intention to terminate the Cash Management Agreement to the Cash Manager and the Issuer,

then the Cash Management Agreement shall terminate with effect from the Cash Manager Termination Date referred to in such notice or (if later) the date that a substitute cash manager that satisfies the conditions set out below has been appointed in accordance with the Cash Management Agreement.

#### *Substitute Cash Manager*

Any substitute cash manager:

- (a) must have the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and is approved by the Issuer and the Security Trustee;
- (b) must agree to enter into a cash management agreement with the Issuer substantially on the terms of the Cash Management Agreement, and which provides for the substitute cash manager to be remunerated at such a rate as is agreed by the Issuer but which does not exceed the rate then commonly charged by providers of services of the kind described in the Cash Management Agreement and required by the Cash Management Agreement to be provided by the Cash Manager and is otherwise on substantially the same terms as those of the Cash Management Agreement;
- (c) must be resident for tax purposes solely in the United Kingdom; and
- (d) (if any Collateralised Rated Notes remain outstanding) must be a party that the Rating Agencies have previously confirmed by whatever means such Rating Agencies consider appropriate (**provided that** the Issuer is permitted to and does confirm in writing (including by email) to the Security Trustee that such confirmation has been obtained) the appointment of which will not cause the then current ratings of the Collateralised Rated Notes to be adversely affected **provided further that** to the extent that a request for written confirmation from the Rating Agencies elicits no response from a Rating Agency within 10 Business Days of the date of such request, the Issuer shall be entitled to assume (and shall certify in writing to the Note Trustee and the Security Trustee (upon which certification the Note Trustee and Security Trustee shall be entitled to rely absolutely without liability to any person for so doing) that it is entitled to assume) that the appointment of such entity as a substitute cash manager will not cause the ratings assigned to the Collateralised Rated Notes by that non-responsive Rating Agency to be downgraded or withdrawn.

For the avoidance of doubt, upon termination of the appointment of the Cash Manager, if the Issuer is unable to find a suitable third party willing to act as a substitute cash manager, this shall not constitute a breach of the provisions of the Cash Management Agreement.

To the extent the Issuer does not appoint a substitute Cash Manager in accordance with the terms of the Cash Management Agreement prior to the termination date specified in the notice delivered by the Cash Manager in accordance the Cash Management Agreement, the Cash Manager may appoint a substitute Cash Manager, provided that such appointment satisfies the provisions of the Cash Management Agreement.

#### ***Resignation of the Cash Manager***

The Cash Manager may resign on giving not less than 60 days' written notice (or such shorter time as may be agreed between the Cash Manager, the Issuer, the Servicer and the Security Trustee) of its intention to terminate the Cash Management Agreement to the Issuer, the Servicer, the Note Trustee and (following service of an Enforcement Notice) the Security Trustee without providing any reason therefor and without being responsible for any liability incurred by reason thereof, and the Cash Management Agreement shall terminate with effect from the Cash Manager Termination Date referred to in such notice or (if later) the date that a suitable substitute cash manager has been appointed in accordance with the provisions of the Cash Management Agreement and the Security Trustee shall consent to such appointment if the conditions above are satisfied (see "*Termination of Appointment and Replacement of Cash Manager – Substitute Cash Manager*" above).

### ***Governing Law***

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

### **The Issuer Account Bank Agreement**

Pursuant to the terms of a bank account agreement entered into on or about the Closing Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Security Trustee (the "**Issuer Account Bank Agreement**"), the Issuer will maintain with the Issuer Account Bank the Issuer Account and the Swap Collateral Account, which will be operated in accordance with the Cash Management Agreement and the Deed of Charge and, in relation to the Swap Collateral Account, the Swap Agreement. The Issuer Account Bank is required to have at least the Account Bank Minimum Ratings.

### ***Governing Law***

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

### **The Corporate Services Agreement**

On or prior to the Closing Date, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings and the Security Trustee will enter into a corporate services agreement (the "**Corporate Services Agreement**") pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), providing the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, **provided that** a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Issuer (with prior written consent of the Security Trustee) and, following delivery of an Enforcement Notice, the Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice to the Corporate Services Provider (with a copy of such notice to the Issuer).

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee (with a copy of such notice to the Issuer and the Servicer) or the Issuer (with a copy of such notice to the Security Trustee and the Servicer), if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

### ***Governing Law***

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

### **Swap Agreement**

On or about the Closing Date, the Issuer will enter into an ISDA Master Agreement (together with the Schedule and Credit Support Annex thereto) (the "**Swap Agreement**" " and an interest rate swap transaction thereunder (the "**Initial Swap Transaction**") and each a "**Swap Transaction**") with Natixis, London branch ("**Natixis**") as the swap counterparty (the "**Swap Counterparty**"), each in accordance with the applicable criteria of each Rating Agency on the Closing Date to hedge the risk of a differential between the rate of interest receivable in respect of the Fixed Rate Mortgage Loans acquired by it on the Closing Date, on the one hand, and the LIBOR-based rate of interest payable on the Collateralised Rated Notes on the other hand.

As a condition to the Issuer purchasing any Additional Mortgage Loans, the Issuer must first have entered into sufficient additional Swap Transactions to hedge any additional interest rate exposure arising from any Additional Mortgage Loans that are added to the Mortgage Portfolio and which are Fixed Rate Mortgage Loans (the "**Additional Swap Transaction(s)**").

In each case, the fixed rate applicable to (i) the Initial Swap Transaction, and (ii) any Additional Swap Transaction(s) (or any replacement transaction in respect of the Initial Swap Transaction and/or the Additional Swap Transaction(s)) will not at any time exceed 0.86 per cent per annum.

The Swap Agreement, or in certain circumstances, individual Swap Transactions, may be terminated early in a number of circumstances as more fully set out in the Swap Agreement, including in particular following a payment default by either party, an insolvency-related event in respect of either party and certain tax-related events. If the Swap Agreement, or any individual Swap Transaction, is terminated early, the Issuer may be obliged to pay a termination payment to the Swap Counterparty. The amount of any such termination payment will be based on the market value of the relevant Swap Transaction(s) being terminated, computed in accordance with the Swap Agreement, which would generally be by reference to the cost of entering into a replacement swap transaction that would have the effect of preserving the respective full payment obligations of the parties, in accordance with the procedures set out in the Swap Agreement.

Under the terms of the Swap Agreement, in the event that the relevant ratings of the Swap Counterparty, or its respective guarantor, as applicable, is or are, as applicable, downgraded by a Rating Agency below the relevant ratings specified (in accordance with the criteria of Fitch and Moody's) in the Swap Agreement and (in some cases) as a result of such downgrade the then current ratings of the class of Notes relating to the Swap Agreement, would or may, as applicable, be adversely affected, then the Swap Counterparty will, in accordance with the Swap Agreement, be required to take certain remedial measures which may include: (i) providing collateral for its obligations under the Swap Agreement, (ii) arranging for its obligations under the Swap Agreement to be transferred to an entity with ratings required by the relevant Rating Agency as specified in the Swap Agreement (in accordance with the criteria of Fitch and Moody's), (iii) procuring another entity, with ratings required by the relevant Rating Agency as specified in the Swap Agreement (in accordance with the criteria of Fitch and Moody's), to become co-obligor or guarantor in respect of its obligations under the Swap Agreement, or (iv) taking such other action as it may agree with the relevant Rating Agency. If, at any time, the rating of the Swap Counterparty falls below a rating level specified in the Swap Agreement, the remedial measures available to the Swap Counterparty may be more limited. If the Swap Counterparty fails to take one of the actions described above within the specified period referred to in the Swap Agreement, then the Issuer will be entitled to terminate the Swap Agreement.

### ***Governing Law***

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

## CREDIT STRUCTURE

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

References in this Prospectus to (i) the crediting or debiting of any Ledger (other than the Principal Deficiency Ledger) refers to the cash movement of amounts into or from the Issuer Account as recorded on such Ledger; and (ii) amounts standing to the credit of any relevant Ledger means that amounts can be identified as being of the particular nature to be recorded on such Ledger.

The structure of the credit support arrangements may be summarised as follows:

### 1. **Liquidity and Credit Support for the Notes provided by Available Revenue Receipts**

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Mortgage Loans will, assuming that all of the Mortgage Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (v) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders at item (w) of the Pre-Enforcement Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Mortgage Loans in the Mortgage Portfolio relative to the interest rates on the Notes (as to which, see "*Risk Factors - Limited Liquidity*" above) and the performance of the Mortgage Portfolio.

Available Revenue Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger debit entries which may arise from (i) Losses on the Mortgage Portfolio or (ii) the application of Available Redemption Receipts as Principal Addition Amounts to cover any Revenue Deficits in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments.

Further, Principal Addition Amounts and, on or prior to the Final Redemption Date, amounts standing to the credit of the Liquidity Reserve Fund will be available to cover any Revenue Deficits subject to the application of the Liquidity Availability Conditions. Amounts standing to the credit of the General Reserve Fund will be available to cover shortfalls in interest and principal payable in respect of the Collateralised Rated Notes.

On or prior to the Final Redemption Date, to the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments required to be met under items (a) to (h) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish the Liquidity Reserve Fund up to and including an amount equal to the Liquidity Reserve Fund Required Amount. For the avoidance of doubt, following the Final Redemption Date, item (i) of the Pre-Enforcement Revenue Priority of Payments is not applicable.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments required to be met under items (a) to (n) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to credit the General Reserve Fund up to an amount equal to the General Reserve Fund Required Amount.

In certain circumstances and subject to certain conditions, the Liquidity Reserve Fund (prior to the delivery of an Enforcement Notice) will be available for liquidity support to the Class A Notes and Class B Notes. The Liquidity Reserve Fund will be available for to cover any shortfall in the payment of the Senior Expenses. Following the delivery of the Enforcement Notice, the Liquidity Reserve Fund will be available to be applied in accordance with the Post-Enforcement Priority of Payments. The General Reserve Fund will be available for (i) (prior to the service of an Enforcement Notice) credit enhancement and liquidity support to the Collateralised Rated



Notes and (ii) (following the delivery of an Enforcement Notice) credit enhancement and liquidity support to all the Notes, as to which see further "*Credit Structure – Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*" and "*Credit Structure – General Reserve Fund and General Reserve Fund Ledger*", respectively.

On each Interest Payment Date, to the extent that the amount of Available Revenue Receipts exceeds the aggregate of the payments required to be met under items (a) to (t) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to repay the Principal Amount Outstanding on the Class X1 Notes until it has been reduced to zero.

On each Interest Payment Date, to the extent that the amount of Available Revenue Receipts exceeds the aggregate of the payments required to be met under items (a) to (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to repay the Principal Amount Outstanding on the Class X2 Notes until it has been reduced to zero.

On each Interest Payment Date from and including the Optional Redemption Date, to the extent that the amount of Available Revenue Receipts exceeds the aggregate of the payments required to be met under items (a) to (s) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available as Enhanced Amortisation Amounts to be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

## 2. **Liquidity Reserve Fund and Liquidity Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a liquidity reserve fund (the "**Liquidity Reserve Fund**") which will, under certain circumstances and subject to certain conditions, be available for liquidity support for certain of the Notes.

The Liquidity Reserve Fund will provide liquidity support to the Class A Notes at all times. Prior to the Class A Note Redemption Date the Liquidity Reserve Fund will provide conditional liquidity support to the Class B Notes.

Following the Class A Note Redemption Date but on or prior to the Senior Note Redemption Date the Liquidity Reserve Fund will provide liquidity support to the Class B Notes unconditionally.

All amounts standing to the Liquidity Reserve Fund will provide liquidity support to the Senior Expenses unconditionally.

Notwithstanding the provisions of the foregoing paragraphs, following delivery of an Enforcement Notice, the Liquidity Reserve Fund shall provide liquidity support and credit enhancement to all Classes of Notes.

The Liquidity Reserve Fund will be deposited in the Issuer Account (with a corresponding credit being made to the Liquidity Reserve Fund Ledger). The Cash Manager will maintain the Liquidity Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Liquidity Reserve Fund.

On the Closing Date the Cash Manager will credit the Liquidity Reserve Fund with an amount equal to the Liquidity Reserve Fund Required Amount from a portion of the proceeds of the issuance of the Notes. Thereafter, the Liquidity Reserve Fund shall be credited on each Interest Payment Date (prior to the service of an Enforcement Notice) and (other than an Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date) up to the Liquidity Reserve Fund Required Amount on such Interest Payment Date at item (i) of the Pre-Enforcement Revenue Priority of Payments, to the extent of the availability of funds for such purpose and in accordance with the Pre-Enforcement Revenue Priority of Payments. To the extent the funds standing to the credit of the Liquidity Reserve Fund exceed the Liquidity Reserve Fund Required Amount, such funds may be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

On or prior to the Final Redemption Date, following the application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments, all amounts then

standing to the credit of the Liquidity Reserve Fund shall be available for Liquidity Reserve Fund Drawings subject to the Liquidity Availability Conditions as outlined below. For the avoidance of doubt, following such application of the Liquidity Reserve Fund on the Final Redemption Date and following the Final Redemption Date, the Liquidity Reserve Fund Drawings will no longer be applicable.

On or prior to the Senior Note Redemption Date, the Cash Manager will, subject to the Liquidity Availability Conditions and to the extent applicable, following a determination made by it on the immediately preceding Calculation Date, (for the avoidance of doubt following the application of Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments) apply Liquidity Reserve Fund Drawings in an amount equal to the lesser of (i) the balance standing to the Liquidity Reserve Fund, and (ii) the aggregate amount of any Revenue Deficits. On each Interest Payment Date falling on or prior to the Senior Note Redemption Date, the Cash Manager shall apply the Liquidity Reserve Fund Drawings to cover Revenue Deficits in the order of priority in which the item corresponding to the relevant Revenue Deficit appears in the Pre-Enforcement Revenue Priority of Payments.

**"Revenue Deficit"** means, (a) on or prior to the Senior Note Redemption Date, the amount required on an Interest Payment Date to meet any deficit in Available Revenue Receipts available to pay amounts due (or that would be due but for any deferral provision relating thereto pursuant to Condition 18 (*Subordination by Deferral*)) in respect of any of items (a) to (f) and/or (h) of the Pre-Enforcement Revenue Priority of Payments determined in respect of such Interest Payment Date in accordance with the Liquidity Availability Conditions on such Interest Payment Date; and (b) following the Senior Note Redemption Date, the amount required on an Interest Payment Date to meet any deficit in Available Revenue Receipts available to pay amount due in respect of the Senior Expenses, and the aggregate of such Revenue Deficits being **"Revenue Deficits"**.

The **"Liquidity Availability Conditions"** are:

- (a) Principal Addition Amounts and Liquidity Reserve Fund Drawings and amounts standing to the credit of the Liquidity Reserve Fund shall be available at all times to provide for Revenue Deficits under items (a) to (f) of the Pre-Enforcement Revenue Priority of Payments;
- (b) **provided that** the Class B Notes are the Most Senior Class of Notes, Principal Addition Amounts and Liquidity Reserve Fund Drawings shall be available in relation to Revenue Deficits corresponding to item (h) of the Pre-Enforcement Revenue Priority of Payments at all times; and
- (c) at all other times and in relation to item (h) of the Pre-Enforcement Priority of Payments only, amounts corresponding to the amount standing to the credit of the Liquidity Reserve Fund and Principal Addition Amounts shall be available to provide for a Revenue Deficit should: (i) (in relation to amounts standing to the credit of the Liquidity Reserve Fund) following application of Available Revenue Receipts on such date, and (ii) (in relation to Principal Addition Amounts only) following application of such amounts to meet the relevant Revenue Deficit, the debit entry on the Class B Principal Deficiency Sub-Ledger would be no greater than 10 per cent. of the Principal Amount Outstanding in respect of the Class B Notes as at the relevant date.

On any Calculation Date, if the Cash Manager determines that following application of any amounts standing to the Liquidity Reserve Fund to provide for any Revenue Deficits on the immediately following Interest Payment Date in the manner outlined above, the amount so applied would be insufficient to provide for such Revenue Deficit in full then, subject to the application of the Liquidity Availability Conditions, the Cash Manager shall in accordance with and pursuant to the Pre-Enforcement Redemption Priority of Payments, retain an amount of Available Redemption Receipts and apply the same in or toward satisfaction of such continuing Revenue Deficit (**"Principal Addition Amounts"**).

On the Final Redemption Date all amounts standing to the credit of the Liquidity Reserve Fund will be applied (after first, having applied any Liquidity Reserve Fund Drawings (subject to the application of the Liquidity Availability Conditions) and following the application of the Pre-

Enforcement Revenue Priority of Payments) on the Final Redemption Date as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

The "**Liquidity Reserve Fund Required Amount**" means (a) as on the Closing Date, 1.5% of the Principal Amount Outstanding of the Class A Notes and the Class B Notes as at that date; and (b) on any Interest Payment Date, the greater of:

- (i) 1.5% of the Principal Amount Outstanding of the Class A Notes and the Class B Notes as at that date; and
- (ii) 1.1% of the Principal Amount Outstanding of the Collateralised Notes as at that date.

For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies released from the Liquidity Reserve Fund*" below.

### 3. **General Reserve Fund and General Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a reserve fund (the "**General Reserve Fund**") which will be available for credit enhancement and liquidity support for the Notes.

The General Reserve Fund will provide credit enhancement and liquidity support to the Collateralised Rated Notes at all times. Following delivery of an Enforcement Notice, the General Reserve Fund shall provide credit enhancement and liquidity support to all Classes of Notes.

The General Reserve Fund will be deposited in the Issuer Account (with a corresponding credit being made to the General Reserve Fund Ledger). The Cash Manager will maintain the General Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

On the Closing Date the Cash Manager will credit the General Reserve Fund with an amount equal to the General Reserve Fund Required Amount from the proceeds of the issuance of the Class Z2 Notes. Thereafter, the General Reserve Fund shall be credited on each Interest Payment Date (prior to the service of an Enforcement Notice) and (other than an Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date) up to the General Reserve Fund Required Amount on each Interest Payment Date at item (o) of the Pre-Enforcement Revenue Priority of Payments, to the extent of the availability of funds for such purpose and in accordance with the Pre-Enforcement Revenue Priority of Payments.

On each Interest Payment Date, the entire balance of the General Reserve Fund will be applied as Available Revenue Receipts.

The "**General Reserve Fund Required Amount**" means 2.0% of the Principal Amount Outstanding of the Collateralised Notes on the Closing Date.

For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies released from the General Reserve Fund*" below.

### 4. **Principal Deficiency Ledger**

The Principal Deficiency Ledger will be established on the Closing Date to record any Losses affecting the Mortgage Loans in the Mortgage Portfolio and/or any Principal Addition Amounts (determined in accordance with the Liquidity Availability Conditions). At or about the same time, the Cash Manager shall establish five Principal Deficiency Sub-Ledgers, being the Class A Principal Deficiency Sub-Ledger, Class B Principal Deficiency Sub-Ledger, Class C Principal Deficiency Sub-Ledger, Class D Principal Deficiency Sub-Ledger and Junior Principal Deficiency Sub-Ledger.

Any Losses on the Mortgage Portfolio and/or any Principal Addition Amounts will be recorded as a debit on the Principal Deficiency Ledger (on the date that the Cash Manager is informed of such Losses by the Servicer or on the Calculation Date that such Principal Addition Amounts are determined by the Cash Manager (as applicable)) and shall be allocated to the relevant Principal Deficiency Sub-Ledger in the following order of priority:

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

Investors should note that realised Losses in any period will be calculated after applying any recoveries from the sale of a property which is secured in respect of any Mortgage Loan following enforcement of such Mortgage Loan to outstanding fees and interest amounts due and payable on such relevant Mortgage Loan.

The Cash Manager will record as a credit, PDL Cure Amounts expressed to be credited to the relevant Principal Deficiency Sub-Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments (in the case of Available Revenue Receipts).

**"Junior PDL Notional Capacity"** means on any Calculation Date the sum of:

- (a) the Principal Amount Outstanding of the Class Z1 Notes; and
- (b) the Accumulated Overcollateralisation.

**"Accumulated Overcollateralisation"** means on any Calculation Date an amount equal to the aggregate of Available Revenue Receipts applied as Available Redemption Receipts pursuant to item (s) of the Pre-Enforcement Revenue Priority of Payments in the period from the Optional Redemption Date to (and including) the Interest Payment Date immediately preceding such Calculation Date.

## 5. **Available Revenue Receipts and Available Redemption Receipts**

Prior to the service of an Enforcement Notice on the Issuer, Available Revenue Receipts and Available Redemption Receipts shall be applied on each Interest Payment Date (other than an Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date) in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, respectively. It is not intended that any surplus will be accumulated in the Issuer other than (a) amounts which the Issuer expects to generate in each accounting period as its profit in respect of the business of the Issuer; (b) on or prior to the Final Redemption Date, amounts standing to the credit of the Liquidity Reserve Fund; and (c) amounts standing to the credit of the General Reserve Fund.

If, on any Interest Payment Date while there are Collateralised Rated Notes outstanding, the Available Revenue Receipts, Liquidity Reserve Fund Drawings (to the extent applicable) and Principal Addition Amounts are insufficient to pay the interest that would otherwise be payable absent the deferral provisions in respect of the Notes other than in respect of the Class A Notes or, should they be the Most Senior Class of Notes, the Class B Notes, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Any such deferral in

accordance with the deferral provisions contained in the Conditions will not constitute an Event of Default or Potential Event of Default until the Final Maturity Date. However, failure to pay interest on the Class A Notes or, should they be the Most Senior Class of Notes, the Class B Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

## CASHFLOWS

Pursuant to and in accordance with the terms of the Cash Management Agreement, on each Calculation Date prior to the service of an Enforcement Notice upon the Issuer, the Cash Manager shall calculate the amount of Available Revenue Receipts and Available Redemption Receipts available for application on the immediately following Interest Payment Date, together with (on or prior to the Final Redemption Date and without double counting) any amounts standing to the credit of the Liquidity Reserve Fund and to be applied in relation to a Revenue Deficit on such Interest Payment Date.

On each Calculation Date, the Cash Manager shall perform its determinations in the following order:

- (a) *first*, the allocation of amounts determined to constitute Available Revenue Receipts shall be determined pursuant to the provisions of the Pre-Enforcement Revenue Priority of Payments;
- (b) *second*, the allocation of amounts standing to the credit of the Liquidity Reserve Fund to be applied in relation to a Revenue Deficit;
- (c) *third*, the allocation of amounts determined to constitute Available Redemption Receipts shall be determined pursuant to the provisions of the Pre-Enforcement Redemption Priority of Payments; and
- (d) *fourth*, any additional amounts to be applied as Available Revenue Receipts in accordance with item (g) of the Pre-Enforcement Redemption Priority of Payments.

### Definition of Revenue Receipts

"**Revenue Receipts**" means (without double-counting) the aggregate of:

- (a) payments of interest and other fees due from time to time under the Mortgage Loans (including payments on arrears of interest, but excluding payments relating to capitalised expenses arising on or prior to the Cut-Off Date) and other amounts including the proceeds of enforcement of the Mortgage Loans to the extent such proceeds relate to fees and interest received by the Issuer in respect of the Mortgage Loans and their Related Security;
- (b) any early repayment charges and other fees which are received in respect of any Mortgage Loan;
- (c) the proceeds of repurchase of a Mortgage Loan by the Seller from the Issuer (or in the case of the non-existence of a Mortgage Loan, the indemnity payment from the Seller to the Issuer) pursuant to the Mortgage Sale Agreement in excess of the Principal Outstanding Balance (or, where a Borrower have exercised a right of set-off or in the case of the non-existence of a Mortgage Loan, the Principal Outstanding Balance that it would have been prior to the exercise of such right of set-off, or had such Mortgage Loan have existed, as the case may be) but where, for the purposes of this provision Principal Outstanding Balance does not include amounts which have been capitalised subsequent to the Cut-Off Date;
- (d) any payment pursuant to any Insurance Policy in respect of a Property or the Insurance Policy in connection with a Mortgage Loan in the Mortgage Portfolio (to the extent that the same are not applied towards the payment of any principal amount due under the Mortgage Loan);
- (e) any recoveries in respect of any Mortgage Loan relating to any Collection Period after the Collection Period in which a Loss is recognised in respect of such Mortgage Loan; and
- (f) any other amounts received in respect of a Mortgage Loan which are not classified as Redemption Receipts.

### Definition of Available Revenue Receipts

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

- (a) Revenue Receipts and/or, if one or more of the Monthly Collection Periods falling in the immediately preceding Collection Period was a Determination Period, Calculated Revenue

Receipts (in each case, excluding Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date) received by the Issuer corresponding to the immediately preceding Collection Period;

- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period;
- (c) the amount (if any) standing to the credit of the General Reserve Fund as at the last day of the immediately preceding Collection Period;
- (d) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with the Cash Management Agreement;
- (e) amounts determined to be credited to the Issuer Account on the immediately preceding Interest Payment Date in accordance with item (q) of the Pre-Enforcement Revenue Priority of Payments;
- (f) amounts determined to be applied as Available Revenue Receipts on the immediately succeeding Interest Payment Date in accordance with item (h) of the Pre-Enforcement Redemption Priority of Payments;
- (g) on the first Interest Payment Date only, any amount standing to the credit of the Pre-Funding Revenue Reserve Ledger (after having taken into account any amounts to be debited from the Revenue Reserve Ledger on or prior to such Interest Payment Date);
- (h) any amounts received from the Swap Counterparty under the Swap Agreement (other than (i) Swap Collateral and any proceeds thereof (until such time as and to the extent permitted by the Swap Agreement such Swap Collateral is applied (or is realised and applied) towards satisfaction of the obligations of the Swap Counterparty and only to the extent that such Swap Collateral is not to be applied by the Issuer in the purchase of one or more replacement hedging transactions, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions), (ii) any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions, (iii) any Swap Replacement Premium applied or to be applied by the Issuer in making any swap termination payment due from it to a Swap Counterparty and (iv) any amounts in respect of Swap Tax Credits);
- (i) any amounts to be debited from the Liquidity Reserve Ledger over and above the Liquidity Reserve Fund Required Amount;
- (j) in respect of the first Interest Payment Date only, any Closing Revenue Reconciliation Amount paid by the Seller pursuant to the terms of the Mortgage Sale Agreement; and
- (k) other net income of the Issuer corresponding to the immediately preceding Collection Period, excluding any Redemption Receipts;

*less:*

- (l) any Third Party Amounts paid from the Issuer Account to the persons entitled thereto and relating to the immediately preceding Collection Period.

**"Calculated Revenue Receipts"** means the product of (a) the Interest Determination Ratio and (b) all collections received by the Issuer during a Determination Period.

**"Calculated Redemption Receipts"** means the product of (a) 1 minus the Interest Determination Ratio and (b) all collections received by the Issuer during a Determination Period.

**"Determination Period"** means a period consisting of one or more consecutive Monthly Collection Periods in which the Cash Manager does not receive Servicer Reports that it is due to receive during such period.

**"Interest Determination Ratio"** means, on any Interest Payment Date, (a) the aggregate Revenue Receipts calculated in the three preceding Monthly Collection Periods in respect of which all relevant

Servicer Reports are available (or, where there are not at least three such previous Monthly Collection Periods, any such previous Monthly Collection Periods) divided by (b) the aggregate of all Revenue Receipts and all Redemption Receipts calculated in such Servicer Reports.

**"Reconciliation Amount"** means in respect of any Monthly Collection Period (a) the actual Redemption Receipts as determined in accordance with the available Servicer Reports, *less* (b) the Calculated Redemption Receipts in respect of such Monthly Collection Period, *plus* (c) any Reconciliation Amount (which for the avoidance of doubt may be a positive or negative number) not applied on any previous Interest Payment Date, **provided that** if the result of such calculation is a negative number, the Cash Manager shall deem an amount equal to the absolute amount of such negative Reconciliation Amount to constitute Available Revenue Receipts and if the result of such calculation is a positive number, the Cash Manager shall deem an amount equal to such Reconciliation Amount to constitute Available Redemption Receipts.

**"Third Party Amounts"** means the amounts applied from time to time during the immediately preceding Collection Period in accordance with the Servicing Agreement and Cash Management Agreement in making payment of certain monies which properly belong to third parties (including the Seller) and to the extent that such amounts are not provided for separately in the relevant Priority of Payments, such third party amounts including (but not limited to):

- (a) certain costs and expenses charged by the Servicer in respect of its servicing of the Mortgage Loans in accordance with the Servicing Agreement, other than any Servicing Fee and not otherwise covered by the items below;
- (b) payments of certain insurance premiums in respect of the Insurance Policies (to the extent referable to the Mortgage Loans);
- (c) amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited to the extent that such amount is of a revenue nature;
- (d) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower;
- (e) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger; and
- (f) without double counting, amounts required to (i) remedy any overdraft in relation to the Global Collection Account (insofar as such overdraft is attributable to the Issuer's Share of the Global Collection Account Trust Portfolio Transaction), (ii) to pay any amounts due to the Global Collection Account Bank (where applicable, insofar as such amounts are attributable to the Issuer's Share of the Global Collection Account Trust or Collection Account Bank), or (iii) required to be retained in the Portfolio Transaction Accounts.

#### **Application of Monies released from the Liquidity Reserve Fund**

Other than where the amount standing to the credit of the Liquidity Reserve Fund exceeds the Liquidity Reserve Fund Required Amount, amounts standing to the credit of the Liquidity Reserve Fund will not be applied as Available Revenue Receipts. Rather, on each Interest Payment Date on or prior to the Final Redemption Date and subject to the Liquidity Availability Conditions, amounts standing to the Liquidity Reserve Fund shall be applied directly as Liquidity Reserve Fund Drawings toward any Revenue Deficit determined by the Cash Manager on the immediately preceding Calculation Date (for the avoidance of doubt, after having applied Available Revenue Receipts pursuant to the provisions of the Pre-Enforcement Revenue Priority of Payments).

On or prior to the Final Redemption Date, Liquidity Reserve Fund Drawings shall be available in an amount equal to the lesser of (i) the balance standing to the Liquidity Reserve Fund (for the avoidance of doubt, following application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments), and (ii) the amount required on such Interest Payment Date to meet any deficit in Available Revenue Receipts available to pay amounts due (or that would be due but for any deferral provision relating thereto pursuant to Condition 18 (*Subordination by Deferral*)) in respect of any



Revenue Deficits in accordance with and subject to the Liquidity Availability Conditions on such Interest Payment Date.

On the Final Redemption Date all amounts standing to the credit of the Liquidity Reserve Fund will be applied (after first, having applied any Liquidity Reserve Fund Drawings to meet any Revenue Deficit (subject to the application of the Liquidity Availability Conditions) and Available Revenue Receipts pursuant to the provisions of the Pre-Enforcement Revenue Priority of Payments) as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments. For the avoidance of doubt, following such application of the Liquidity Reserve Fund on the Final Redemption Date and following the Final Redemption Date, Liquidity Reserve Fund Drawings will no longer be applicable.

Following service of an Enforcement Notice, all amounts standing to the credit of the Liquidity Reserve Fund will be applied in accordance with the Post-Enforcement Priority of Payments.

**Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer**

The Cash Manager, on behalf of the Issuer, is required pursuant to the terms of the Cash Management Agreement to apply or provide for the application of Available Revenue Receipts on each relevant Interest Payment Date prior to the service of an Enforcement Notice by the Note Trustee on the Issuer (other than an Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date), and in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Priority of Payments**" and, together with the Pre-Enforcement Redemption Priority of Payments and the Post-Enforcement Priority of Payments, the "**Priorities of Payments**" and each a "**Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with any amounts in respect of VAT comprised therein as provided therein; and
  - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with any amounts in respect of VAT comprised therein as provided therein;
  
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof (in each case without double counting) of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due to them under the provisions of the Agency Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
  - (iii) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due under the provisions of the Servicing Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
  - (iv) any amount then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Servicing

- Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
- (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due under the provisions of the Corporate Services Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
  - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Issuer Account Bank Agreement, together with any amounts in respect of VAT comprised therein as provided therein; and
  - (vii) (without double counting) any amounts then due and payable to the Global Collection Account Bank or Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Collection Account Bank Agreement insofar as any such amounts are attributable to the Issuer's Share of the Global Collection Account Trust and/or are attributable to the Portfolio Transaction Accounts, together with any amounts in respect of VAT comprised therein as provided therein;
- (c) *third*, to pay, *pro rata* and *pari passu* according to the respective amounts thereof (in each case without double counting) of:
- (i) any amounts then due and payable by the Issuer to third parties (the "**Third Party Expenses**") (if any) and any amounts (in excess of amounts already credited to the Issuer Profit Ledger prior to such Interest Payment Date and required to pay or discharge any liability of the Issuer for corporation tax); and
  - (ii) any Transfer Costs which the Servicer has failed to pay pursuant to the Servicing Agreement;
- (d) *fourth*, to pay the Issuer an amount equal to the Issuer Profit Amount;
- (e) *fifth*, to pay any amounts due and payable to the Swap Counterparty under the Swap Agreement other than any Swap Counterparty Subordinated Amounts which are due and payable under item (r) below;
- (f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class A Notes;
- (g) *seventh*, for so long as the Class A Notes are outstanding to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (h) *eighth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class B Notes;
- (i) *ninth*, on or prior to the Final Redemption Date, to credit the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount;
- (j) *tenth*, for so long as the Class B Notes are outstanding to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class C Notes;
- (l) *twelfth*, for so long as the Class C Notes are outstanding to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

- (m) *thirteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class D Notes;
- (n) *fourteenth*, for so long as the Class D Notes are outstanding to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (o) *fifteenth*, to credit the General Reserve Fund up to the General Reserve Fund Required Amount;
- (p) *sixteenth*, to credit the Junior Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (q) *seventeenth*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be retained in the Issuer Account to be applied on the next Interest Payment Date as Available Revenue Receipts;
- (r) *eighteenth*, to pay any Swap Counterparty Subordinated Amounts, if any, due and payable to the Swap Counterparty in respect of any Swap Agreement;
- (s) *nineteenth* on any Interest Payment Date occurring on or after the Optional Redemption Date (so long as any of the Collateralised Notes and the Class Z2 Notes remain outstanding), to apply all amounts as Available Redemption Receipts;
- (t) *twentieth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class X1 Notes and Class X2 Notes;
- (u) *twenty-first*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class X1 Notes until the Principal Amount Outstanding on the Class X1 Notes has been reduced to zero;
- (v) *twenty-second*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class X2 Notes until the Principal Amount Outstanding on the Class X2 Notes has been reduced to zero; and
- (w) *twenty-third*, any excess amounts *pro rata* and *pari passu* to the Certificateholders.

As used in this Prospectus:

"**Appointee**" means any attorney, manager, agent, delegate, nominee, custodian, financial adviser or other professional adviser or other person properly appointed or employed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions.

"**Final Discharge Date**" means the date on which the Security Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Obligations and/or all other monies and other liabilities due or owing by the Issuer have been paid or discharged in full.

"**Final Redemption Date**" means the Interest Payment Date in respect of which the Cash Manager determines on the immediately preceding Calculation Date (or on any other date falling after such Calculation Date but prior to the relevant Interest Payment Date) that the sum of:

- (a) the Available Redemption Receipts (excluding item (e) of the definition thereof); and
- (b) (i) all amounts standing to the credit of the General Reserve Fund; and (ii) all amounts standing to the credit of the Liquidity Reserve Fund (after first, having applied any Liquidity Reserve Fund Drawings to meet any Revenue Deficit on such Interest Payment Date (subject to the application of the Liquidity Availability Conditions) and following the application of the Pre-Enforcement Revenue Priority of Payments),

would be sufficient to redeem in full the Collateralised Rated Notes on the Interest Payment Date immediately succeeding the relevant Calculation Date and **provided that** such Interest Payment Date does not fall on or immediately following the Optional Portfolio Purchase Completion Date or the Risk

Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date (whereupon, for the avoidance of doubt, amounts standing to the General Reserve Fund and the Liquidity Reserve Fund shall be applied pursuant to the Post-Enforcement Priority of Payments together with other amounts expressed to be available to the Issuer to effect the redemption in full of the Notes).

**"Issuer Profit Amount"** means £4,200 on each of the first five Interest Payment Dates following the Closing Date, and £250 on each Interest Payment Date falling thereafter, which shall be credited to the Issuer Profit Amount Ledger for the Issuer to retain as a profit for entering into the transaction.

**"Transfer Costs"** means the Issuer's costs and expenses associated with the transfer of servicing to a replacement servicer.

#### **Definition of Redemption Receipts**

**"Redemption Receipts"** means (without double-counting) the aggregate of:

- (a) principal repayments under the Mortgage Loans (including payments of amounts capitalised prior to the Cut-Off Date but excluding recoveries of arrears of principal where such arrears arose on or prior to the Cut-Off Date and amounts capitalised following the Cut-Off Date);
- (b) the proceeds of the repurchase of a Mortgage Loan by the Seller from the Issuer (or, in the case of the non-existence of a Mortgage Loan, the indemnity payment from the Seller to the Issuer) pursuant to the Mortgage Sale Agreement in an amount equal to the Principal Outstanding Balance in respect of such Mortgage Loan (or, where a Borrower has exercised a right of set-off or in the case of the non-existence of a Mortgage Loan, the Principal Outstanding Balance that it would have been prior to the exercise of such right of set-off, or had such Mortgage Loan have existed, as the case may be), where for the purposes of this provision Principal Outstanding Balance does not include amounts which have been capitalised subsequent to the Cut-Off Date;
- (c) recoveries of principal from defaulting Borrowers under Mortgage Loans (excluding on any arrears of principal arising on or prior to the Cut-Off Date and on amounts capitalised following the Cut-Off Date) upon enforcement and sale of the relevant property acting as security for such Mortgage Loan and following receipt of such associated funds or any amounts recovered from third parties to the extent that such proceeds or receipts constitute principal provided that any amounts recovered relating to any Collection Period following (but not including) the Collection Period in which a Loss has been recognised shall not be deemed to constitute Redemption Receipts and shall rather be applied as Revenue Receipts;
- (d) any payment pursuant to any Insurance Policy in respect of a Property or the Insurance Policy in connection with a Mortgage Loan in the Mortgage Portfolio (to the extent that such payments are of a principal nature); and
- (e) any other amounts received by the Issuer in respect of a Mortgage Loan which is of a principal nature.

#### **Definition of Available Redemption Receipts**

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

- (a) Redemption Receipts and/or, if one or more of the Monthly Collection Periods falling in the immediately preceding Collection Period was a Determination Period, any Calculated Redemption Receipts (in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date) received by the Issuer corresponding to the immediately preceding Collection Period;
- (b) any amounts of Available Revenue Receipts retained pursuant to items (g), (j), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments and deemed to be Available Redemption Receipts ("**PDL Cure Amounts**");
- (c) any Enhanced Amortisation Amounts;

- (d) on the first Interest Payment Date only, any amounts standing to the credit of the Pre-Funding Redemption Reserve Ledger (after having taken into account any other amounts to be debited from the Pre-Funding Redemption Reserve Ledger on or prior to the first Interest Payment Date);
- (e) on the Final Redemption Date only the sum of (i) all amounts standing to the credit of the General Reserve Fund; and (ii) all amounts standing to the credit of the Liquidity Reserve Fund (after first, having applied any Liquidity Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the application of the Liquidity Availability Conditions) and following the application of the Pre-Enforcement Revenue Priority of Payments);
- (f) in respect of the first Interest Payment Date only, any Closing Redemption Reconciliation Amount paid by the Seller pursuant to the terms of the Mortgage Sale Agreement; and
- (g) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with the Cash Management Agreement,

*less:*

- (h) amounts under a Direct Debit which were transferred to the Issuer Account but thereafter are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited to the extent that such amount is of a principal nature.

"**Enhanced Amortisation Amounts**" means any amounts which are to be applied as Available Redemption Receipts in accordance with item (s) of the Pre-Enforcement Revenue Priority of Payments.

**Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer**

On each relevant Interest Payment Date prior to the service of an Enforcement Notice on the Issuer (other than an Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date), and in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full), the Cash Manager on behalf of the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Redemption Receipts in the following order of priority (the "**Pre-Enforcement Redemption Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full):

- (a) *first*, any Principal Addition Amounts (subject to the application of the Liquidity Availability Conditions) to be applied towards the reduction of any Revenue Deficit;
- (b) *second*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (c) *third*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (d) *fourth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (e) *fifth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (f) *sixth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class Z Notes until the Principal Amount Outstanding of the Class Z Notes has been reduced to zero; and

- (g) *seventh*, any excess amounts to be applied as Available Revenue Receipts.

**Distributions following the service of an Enforcement Notice on the Issuer**

(I) On any day after an Enforcement Notice has been served on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by the Security Trustee in connection with the enforcement of the Security and (II) on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date or the Risk Retention Regulatory Change Option Date or the Redemption Event Purchase Completion Date, the Issuer (or the Cash Manager on its behalf), will apply all amounts expressed to be available to be applied on such date other than any amount standing to the credit of the Swap Collateral Account which will be applied in accordance with the Swap Collateral Account Priority of Payments (other than any amount to be applied as Swap Collateral Account Surplus in accordance with the Swap Collateral Account Priority of Payments) in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Post-Enforcement Priority of Payments**"):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:

- (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee, Receiver and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with any amounts in respect of VAT comprised therein as provided therein;
- (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee under the provisions of the Deed of Charge and the other Transaction Documents, together with any amounts in respect of VAT comprised therein as provided therein; and
- (iii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to any Receiver and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with any amounts in respect of VAT comprised therein as provided therein;

- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:

- (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
- (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
- (iii) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due under the provisions of the Servicing Agreement, together with any amounts in respect of VAT comprised therein as provided therein;
- (iv) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement together with any amounts in respect of VAT comprised therein as provided therein;
- (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with any amounts in respect of VAT comprised therein as provided therein;

- (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Issuer Account Bank under the provisions of the Issuer Account Bank Agreement, together with any amounts in respect of VAT comprised therein as provided therein; and
- (vii) (without double counting) any amounts then due and payable to the Global Collection Account Bank or Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Collection Account Bank Agreement insofar as any such amounts are attributable to the Issuer's Share of the Global Collection Account Trust and/or are attributable to the Portfolio Transaction Accounts, together with any amounts in respect of VAT comprised therein as provided therein;
- (c) *third*, in or towards satisfaction of any Transfer Costs which the Servicer has failed to pay pursuant to the Servicing Agreement;
- (d) *fourth*, to pay any amounts due and payable to the Swap Counterparty under the Swap Agreement other than any Swap Counterparty Subordinated Amounts which are due and payable under item (m) below;
- (e) *fifth*, to pay, *pro rata* and *pari passu*, unpaid interest due and payable on the Class A Notes;
- (f) *sixth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amount thereof, principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (g) *seventh*, to pay, *pro rata* and *pari passu*, unpaid interest due and payable on the Class B Notes;
- (h) *eighth*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (i) *ninth*, to pay, *pro rata* and *pari passu*, unpaid interest due and payable on the Class C Notes;
- (j) *tenth*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (k) *eleventh*, to pay, *pro rata* and *pari passu*, unpaid interest due and payable on the Class D Notes;
- (l) *twelfth*, to pay, *pro rata* and *pari passu*, principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (m) *thirteenth*, to pay any Swap Counterparty Subordinated Amounts, if any, due and payable to the Swap Counterparty in respect of any Swap Agreement;
- (n) *fourteenth*, to pay, *pro rata* and *pari passu*, unpaid interest due and payable on the Class X1 Notes and the Class X2 Notes;
- (o) *fifteenth*, in or towards repayment, *pro rata* and *pari passu*, of principal due and payable on the Class X1 Notes and the Class X2 Notes until the Principal Amount Outstanding on the Class X1 Notes and the Class X2 Notes has been reduced to zero;
- (p) *sixteenth*, in or towards repayment, *pro rata* and *pari passu*, of principal due and payable on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero;
- (q) *seventeenth*, without double-counting, to pay any Third Party Expenses (if any) and any amounts in excess of amounts already credited to the Issuer Profit Ledger prior to such Interest Payment Date and required to discharge any liability of the Issuer for corporation tax;
- (r) *eighteenth*, to pay the Issuer Profit Amount; and
- (s) *nineteenth*, to pay any excess amounts *pro rata* and *pari passu* to the Certificateholders.

### *Swap Collateral*

In the event that any Swap Collateral is received by the Issuer from a Swap Counterparty, the Cash Manager will credit such amounts representing that Swap Collateral including any interest thereon or distributions in respect thereof. The Swap Collateral Account will be debited by the relevant amount in the event that Swap Collateral is returned to the Swap Counterparty or is applied (or is realised and applied) towards satisfaction of obligations of that Swap Counterparty, in each case in accordance with the Swap Agreement. In the event that such Swap Collateral is applied towards satisfaction of obligations of such Swap Counterparty and is not to be applied by the Issuer in the purchase of one or more replacement hedging transactions, such amount shall be credited to the Revenue Receipts Ledger for application in accordance with the Pre-Enforcement Revenue Priority of Payments (in each case subject to the Swap Collateral Priority of Payments).

In addition, upon any early termination of the Swap Agreement (a) any Replacement Swap Premium received by the Issuer from a replacement swap provider, (b) any termination payment received by the Issuer from the outgoing Swap Counterparty and (c) any Swap Tax Credits will be credited to the Swap Collateral Account.

Amounts and securities standing to the credit of the Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) will not be available for the Issuer or the Security Trustee to make payments to the Secured Creditors generally, but may be applied by the Cash Manager only in accordance with the following provisions in accordance with the instructions of the Swap Counterparty or the Servicer (the "**Swap Collateral Account Priority of Payments**"):

- (a) to pay an amount equal to any Swap Tax Credits received by the Issuer to the relevant Swap Counterparty;
- (b) prior to the designation of an Early Termination Date (as defined in the Swap Agreement, the "**Early Termination Date**") in respect of the Swap Agreement, solely in or towards payment or discharge of any Return Amounts (as defined in the Swap Credit Support Annex), Interest Amounts and Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Swap Counterparty;
- (c) following the designation of an Early Termination Date in respect of the Swap Agreement where (A) such Early Termination Date has been designated following a Swap Counterparty Default or Swap Counterparty Downgrade Event and (B) the Issuer enters into a replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
  - (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated;
  - (ii) *second*, in or towards payment of any termination payment due to the outgoing Swap Counterparty; and
  - (iii) *third*, the surplus (if any) on such day to be transferred to the Issuer Account to be applied as Available Revenue Receipts;
- (d) following the designation of an Early Termination Date in respect of the Swap Agreement where: (A) such Early Termination Date has been designated otherwise than as a result of one of the events specified at item (c)(A) above, and (B) the Issuer enters into a replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such Replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:



- (i) *first*, in or towards payment of any termination payment due to the outgoing Swap Counterparty;
  - (ii) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated; and
  - (iii) *third*, any surplus on such day to be transferred to the Issuer Account to be applied as Available Revenue Receipts;
- (e) following the designation of an Early Termination Date in respect of the Swap Agreement for any reason where the Issuer does not enter into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement and, on the date on which the relevant payment is due, in or towards payment of any termination payment due to the outgoing Swap Counterparty; and
- (f) following payments of amounts due pursuant to (e) above, if amounts remain standing to the credit of a Swap Collateral Account, such amounts may be applied only in accordance with the following provisions:
- (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement; and
  - (ii) *second*, any surplus remaining after payment of such Replacement Swap Premium to be transferred to the Issuer Account to be applied as Available Revenue Receipts,

**provided** that for so long as the Issuer does not enter into a replacement Swap Agreement with respect to the Swap Agreement on or prior to the earlier of:

- (A) the Calculation Date immediately before the Interest Payment Date on which the Principal Amount Outstanding of all Collateralised Rated Notes would be reduced to zero (taking into account any Swap Collateral Account Surplus to be applied as Available Revenue Receipts on such Interest Payment Date); or
- (B) the day on which an Enforcement Notice is given pursuant to Condition 11 (*Events of Default*); or
- (C) the date on which the Principal Outstanding Balance of the Fixed Rate Loans is reduced to zero,

then the amount standing to the credit of such Swap Collateral Account on such day shall be transferred to the Issuer Account to be applied as Available Revenue Receipts as soon as reasonably practicable thereafter.

The Swap Collateral Account will be opened in the name of the Issuer and will be held at a financial institution which satisfies the Account Bank Minimum Ratings. A Swap Collateral Account will be established and maintained in respect of the Swap Agreement. As security for the payment of all monies payable in respect of the Notes and the other Secured Obligations, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Account and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

**"Interest Period Swap Counterparty Amount"** means the amount produced by applying three month (or, in respect of the first period, the linear interpolation of three and six month) LIBOR to the notional amount (as defined below) of the Swap Transaction for the relevant Swap Calculation Period and multiplying the resulting amount by the Day Count Fraction (as defined below).

**"Swap Collateral Account Surplus"** means the amounts applied as Available Revenue Receipts pursuant to the Swap Collateral Account Priority of Payments.

**"Swap Payment Date"** means 12th day of March, June, September and December in each year commencing on December 2017 and ending on the termination date of the Swap Transaction, in each case subject to adjustment in accordance with the following business day convention as set out in the Swap Agreement.

**"Swap Counterparty Default"** means the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement).

**"Swap Counterparty Downgrade Event"** means the occurrence of an Additional Termination Event (as defined in the Swap Agreement) following the failure by the Swap Counterparty to comply with the requirements of the ratings downgrade provisions set out in the Swap Agreement.

## SWAP ARRANGEMENTS

### *Interest rate basis hedging arrangements*

Prior to the transfer of the Mortgage Loans and their Related Security by the Seller to the Issuer, the beneficial title to the Closing Mortgage Portfolio was held by the Warehouse Borrower, which entered into a number of hedging transactions with Natixis, acting through its London Branch (the "**Warehouse Swap Counterparty**") to hedge any Fixed Rate Mortgages which are acquired by it from time to time pursuant to the terms of the warehouse transaction documents (the "**Warehouse Hedging Transactions**"). The Warehouse Hedging Transactions in respect of the Closing Mortgage Portfolio will be terminated on or about the Closing Date and in respect of the Additional Mortgage Loans on or about the relevant Additional Mortgage Loan Purchase Date, as a result of which a termination payment is expected to be due and payable by the Warehouse Borrower to the Warehouse Swap Counterparty (the "**Swap Breakage Payment**").

The Initial Swap Transaction will have a fixed rate to be determined on or about the Closing Date (the "**Initial Fixed Rate**"). In consideration for entering into the Initial Swap Transaction, the Swap Counterparty will, on the Closing Date, make a payment to the Issuer which is equal to the Swap Breakage Payment.

The notional amount under each Swap Transaction is determined by reference to a fixed amortisation schedule. The amortisation schedule will be based on the expected repayment profile of the Fixed Rate Mortgage Loans assuming a 2% constant repayment rate.

If the actual rate of repayment of the Fixed Rate Mortgage Loans is faster or slower than anticipated, this may lead to the aggregate notional amount of the Swap Transaction(s) to be, respectively, greater than or less than the outstanding amount of the Fixed Rate Mortgage Loans. In such circumstances, there would be a mismatch between the aggregate notional amount of the Swap Transaction(s) and the outstanding principal balance of the Fixed Rate Mortgage Loans.

As a condition to the Issuer purchasing any Additional Mortgage Loans, the Issuer must first have entered into sufficient additional Swap Transactions to hedge any additional interest rate exposure arising from any Additional Mortgage Loans that are added to the Mortgage Portfolio and which are Fixed Rate Mortgage Loans.

Under each Swap Transaction, in respect of each Interest Payment Date, the following amounts will be calculated:

- (a) the product of (i) a rate equal to LIBOR for the relevant Interest Period; (ii) the applicable notional amount for that Swap Transaction; and (iii) the applicable day count fraction in respect of that Swap Transaction (the "**Interest Period Swap Counterparty Amount**"); and
- (b) the product of (i) the fixed rate specified in respect of that Swap Transaction; (ii) the applicable notional amount for that Swap Transaction and (iii) the applicable day count fraction in respect of that Swap Transaction (the "**Interest Period Issuer Amount**").

If the Interest Period Swap Counterparty Amount for the relevant Interest Payment Date is greater than the Interest Period Issuer Amount for that Interest Payment Date, the Swap Counterparty will pay the positive difference to the Issuer. If the Interest Period Issuer Amount is greater than the Interest Period Swap Counterparty Amount for that Interest Payment Date, the Issuer will pay the positive difference to the Swap Counterparty. If the Interest Period Swap Counterparty Amount and the Interest Period Issuer Amount for in respect of any Interest Payment Date are the same, neither the Issuer nor the Swap Counterparty will make a payment to the other in respect of that Interest Payment Date.

If the Issuer is required to make a payment to the Swap Counterparty, such payment will be made from Available Revenue Receipts on the relevant Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments.

If the Swap Counterparty is required to make a payment to the Issuer, such amount will be added to and will form part of the Available Revenue Receipts and will be applied in accordance with Pre-Enforcement Revenue Priority of Payments.

#### ***Ratings of Swap Counterparties and transfer of Swap Agreement***

Under the terms of the Swap Agreement, in the event that the relevant ratings of the Swap Counterparty, or its respective guarantor, as applicable, is or are, as applicable, downgraded by a Rating Agency below the relevant ratings specified (in accordance with the criteria of Fitch and Moody's) in the Swap Agreement and (in some cases) as a result of such downgrade the then current ratings of the class of Notes relating to the Swap Agreement, would or may, as applicable, be adversely affected, then the Swap Counterparty will, in accordance with the Swap Agreement, be required to take certain remedial measures which may include: (i) providing collateral for its obligations under the Swap Agreement, (ii) arranging for its obligations under the Swap Agreement to be transferred to an entity with ratings required by the relevant Rating Agency as specified in the Swap Agreement (in accordance with the criteria of Fitch and Moody's), (iii) procuring another entity, with ratings required by the relevant Rating Agency as specified in the Swap Agreement (in accordance with the criteria of Fitch and Moody's), to become co-obligor or guarantor in respect of its obligations under the Swap Agreement, or (iv) taking such other action as it may agree with the relevant Rating Agency. If, at any time, the rating of the Swap Counterparty falls below a rating level specified in the Swap Agreement, the remedial measures available to the Swap Counterparty may be more limited. If the Swap Counterparty fails to take one of the actions described above within the specified period referred to in the Swap Agreement, then the Issuer will be entitled to terminate the Swap Agreement.

Where the Swap Counterparty provides collateral in accordance with the terms of the Swap Agreement, such collateral ("**Swap Collateral**") will, upon receipt by the Issuer, be credited to the Swap Collateral Account (the "**Swap Collateral Account**") in the name of the Issuer provided by (other than in the case of Swap Collateral comprising securities) the Issuer Account Bank pursuant to the Issuer Account Bank Agreement or in swap collateral investments in the name of the Issuer. Where the Swap Counterparty provides Swap Collateral comprising securities, a swap collateral custody account will be established by the Issuer with a suitably rated counterparty in their capacity as swap collateral custodian (the "**Swap Collateral Custodian**"), pursuant to an agreement entered into at such time between, *inter alios*, the Swap Collateral Custodian and the Issuer (the "**Swap Collateral Custody Agreement**"), which governs the operation of the swap collateral custody account. Any Swap Collateral provided by the Swap Counterparty will not form part of the amounts to be applied under the Priorities of Payments except to the extent that such Swap Collateral is applied in or towards satisfaction of amounts due by the Swap Counterparty to the Issuer in accordance with the terms under which the Swap Collateral was provided and only to the extent that such Swap Collateral is not to be applied by the Issuer in the purchase of one or more replacement hedging transactions, as to which see "*Cashflows - Swap Collateral*" above.

The Swap Counterparty may, at its own expense and in accordance with the terms of the Swap Agreement, transfer its obligations in respect of any Swap Agreement to another entity.

#### ***Termination payments upon early termination of hedging arrangements***

Termination of any Swap Transaction (including any Swap Agreement) may occur independently of an Event of Default under the Notes.

The Swap Agreement may be terminated in certain circumstances, including, but not limited to, the following, each as more specifically defined in the Swap Agreement:

- (a) if there is a failure by a party to pay amounts due under the Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period;
- (d) there is a change in tax law, which has the effect that a party to the Swap Agreement will, or there is a substantial risk that it will, be required to make any withholding in respect of any payments to the other party.

- (e) if a change of law results in the obligations of one of the parties becoming illegal;
- (f) if the Swap Counterparty is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement;
- (g) if an Enforcement Notice is served on the Issuer, pursuant to Condition 11.1 (*Events of Default*) of the Notes;
- (h) if any provision of the Transaction Documents (or any other document or instrument to which, as at the date of the Swap Agreement, the Issuer is a party and which is connected to the transactions contemplated by the Transaction Documents) is amended without the prior and express written consent of the Swap Counterparty and, in the reasonable opinion of the Swap Counterparty, such amendment (x) has the effect that immediately thereafter, the Swap Counterparty would potentially be required to pay more or receive less if it transferred the Swap Transaction(s) to another person than it would have paid or received prior to such amendment or (y) has the effect that the Issuer's obligations to the Swap Counterparty under the Swap Agreement are further contractually subordinated to the Issuer's obligations to any other of its creditors compared with the position that subsisted immediately prior to such amendment or (z) affects the amount, timing or priority of any payments or deliveries due from the Swap Counterparty to the Issuer or from the Issuer to the Swap Counterparty (including any amounts, rights and obligations in relation to the Swap Collateral Account); or
- (i) if an irrevocable notice is given by or on behalf of the Issuer that redemption of all the Notes will occur pursuant to Condition 8.3 (*Mandatory Redemption of the Notes in full on or after the Optional Redemption Date*), Condition 8.4 (*Mandatory Redemption in full pursuant to a Risk Retention Regulatory Change Option*) or Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*).

Any termination of the Swap Agreement (whether in full or in part) may give rise to a termination payment due either to or from the Issuer. Any such payment due from the Issuer to the Swap Counterparty will rank in order of priority as described in the section entitled "*Cashflows and Cash Management*" and for the purposes of the relevant priority of payments "**Swap Counterparty Subordinated Amounts**" means in relation to a Swap Agreement the amount, if any, due to the Swap Counterparty on that Interest Payment Date pursuant to Section 6(e) of the Swap Agreement in connection with a termination of that Swap Agreement (after application of netting against any Swap Collateral previously posted by the Swap Counterparty) where such termination has arisen as a result of an Event of Default under the Swap Agreement where the Swap Counterparty is the Defaulting Party or as a result of an Additional Termination Event under the Swap Agreement which results from a downgrade by one or more Rating Agencies of the Swap Counterparty and the failure by the Swap Counterparty to take one or more of the actions specified in the Swap Agreement (and for these purposes Event of Default, Defaulting Party and such Additional Termination Events have the meanings indicated in the Swap Agreement).

Where the Issuer enters into a further Swap Agreement to replace all or part of any Swap Agreement which terminates early, the Issuer shall upon receipt apply the amount, if any, received in consideration for entry into that replacement Swap Agreement (the "**Swap Replacement Premium**") in or towards payment of any termination payment then payable by the Issuer to the Swap Counterparty in respect of that Swap Agreement which has terminated early and the remainder of that amount, if any, shall be credited to the Revenue Receipts Ledger.

#### ***Withholding under Swap Agreement***

If a Swap Counterparty or the Issuer is required to make any deduction or withholding, for or on account of any present or future tax, levy, impost, duty charge, assessment or fee that is imposed by any government or taxing authority from any amounts payable by it under the Swap Agreement on any Interest Payment Date, then under the terms of the Swap Agreement as the case may be (i) the Swap Counterparty will be obliged to pay additional amounts ("**Additional Amounts**") to ensure that the Issuer receives the full amount it would otherwise have received from the Swap Counterparty, or (ii) the Issuer shall make such payment after such withholding or deduction has been made (such withholding or deduction, a "**Withheld Amount**") and shall not be obliged to make any additional payments to the Swap Counterparty (as applicable) in respect of such withholding or deduction.

### **Application of Excess Swap Collateral and Swap Replacement Premium**

Any amount attributable to the return of collateral to the Swap Counterparty and any Swap Replacement Premium applied by the Issuer in making any swap termination payment due from the Issuer to the Swap Counterparty will be paid directly to the Swap Counterparty in accordance with the Swap Collateral Account Priority of Payments. Any swap termination payment applied by the Issuer in the purchase of one or more replacement hedging transactions shall be applied directly to such purchase and shall be paid in accordance with the Swap Collateral Account Priority of Payments.

If the Issuer receives any tax credit, allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that gave rise to the payment by a Swap Counterparty of an Additional Amount, then an amount equal to the net cash received by the Issuer in respect of such tax credit, allowance, set-off or repayment being a "**Swap Tax Credit**" shall be paid directly to the Swap Counterparty in accordance with the Swap Collateral Account Priority of Payments.

### ***The Swap Agreement Credit Support Documents***

Each Swap Counterparty will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) with the Issuer (an "**Approved Credit Support Document**") in support of its obligations under the Swap Agreement. The Swap Counterparty will enter in an Approved Credit Support Document on or around the Closing Date in support of its obligations under the Swap Agreement.

Pursuant to the terms of each Approved Credit Support Document, if at any time a Swap Counterparty is required to provide collateral in respect of any of its obligations under the Swap Agreement, the Approved Credit Support Document will provide that, from time to time and subject to the conditions specified in the Approved Credit Support Document and the Swap Agreement, the Swap Counterparty will make transfers of cash and/or securities by way of collateral to the Issuer in support of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral when required in accordance with the terms of the Approved Credit Support Document.

Any amount attributable to the return of collateral to a Swap Counterparty and any Swap Replacement Premium applied by the Issuer in making a swap termination payment due from the Issuer to a Swap Counterparty will be paid directly to the Swap Counterparty and not in accordance with the Revenue Priority of Payments or the Enforcement Priority of Payments (see also "*Cashflows and Cash Management*").

## DESCRIPTION OF THE GLOBAL NOTES

### General

Each Class of Notes as at the Closing Date will each be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes. The Notes are intended to be held under the New Safekeeping Structure.

The Global Notes will be deposited on or about the Closing Date with a common safekeeper for both Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and will be registered in the name of a nominee of the Common Safekeeper.

The Issuer will procure that the Registrar maintains a register in which the Registrar will record the Common Safekeeper as the owner of the Global Notes.

Upon confirmation by the Common Safekeeper that it, or a nominee thereof, has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto ("**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and, for so long as the rules of Euroclear or Clearstream, Luxembourg so permit, higher integral multiples of £1,000 (an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests or the Residual Certificate Book-Entry Interests through Participants or through other Indirect Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the 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 a nominee for the Common Safekeeper is the registered holder of the Global Note underlying the Book-Entry Interests, the nominee for the Common Depository will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed and the Agency Agreement. Except as set out under "*Issuance of Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in respect of the Global Notes and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Global Note, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and

Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of a Global Note, unless and until Book-Entry Interests are exchanged for Definitive Notes, the Global Note held by the Common Safekeeper or a nominee thereof may not be transferred except as a whole by the Common Safekeeper or nominee thereof to a successor of the Common Safekeeper or nominee thereof.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

"**Common Depository**" means a common depository where Global Notes will be deposited for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") on the Closing Date and registered in the name of a nominee of the Common Depository.

"**New Safekeeping Structure**" means a structure where a Global Registered Note is registered in the name of a Common Safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and will be deposited on or about the issue date with the Common Safekeeper for Euroclear and/or Clearstream, Luxembourg.

### **Payments on the Global Notes**

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Elavon Financial Services D.A.C., UK Branch (the "**Principal Paying Agent**"), on behalf of the Issuer to the order of the Common Depository or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes (i) where the Notes are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Notes are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of



such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Lead Manager, the Co-Manager, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

The Issuer understands that:

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

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

### **Redemption**

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

## **Cancellation**

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

## **Transfers and Transfer Restrictions**

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

Beneficial interests in the Global Notes may be held only through Euroclear and Clearstream, Luxembourg. 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.

## **Issuance of Definitive Notes**

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

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

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

## Notices

Whilst the Notes are represented by Global Notes the Issuer may, at its option, send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Noteholders for communication by Euroclear and Clearstream, Luxembourg to the Noteholders. Alternatively, such notices regarding the Notes may instead be published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom; **provided that** if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders, publication in such newspaper shall not be required with respect to such information so long as the rules of the Irish Stock Exchange allow. The Issuer may elect not to publish any notice in a newspaper for so long as the Notes are held in global form and notice is given to Euroclear and Clearstream, Luxembourg. The Note Trustee may, in accordance with Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Noteholders if such method is reasonable having regard to, among other things, the market practice then prevailing and the requirements of the relevant stock exchange. See also Condition 16 (*Notice to Noteholders*) of the Notes.

## DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATE

### General

The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificate will be registered on issue on or around the Closing Date in the name of a nominee of the Common Depositary as nominee for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the holder of the Global Residual Certificate.

Upon confirmation by the Common Depositary that it has been issued with the Global Residual Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Residual Certificate ("**Residual Certificate Book-Entry Interests**") representing beneficial interests in the Residual Certificates attributable thereto.

Ownership of Residual Certificate Book-Entry Interests will be limited to Participants or Indirect Participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Residual Certificate Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Residual Certificate Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Seller. Ownership of Residual Certificate Book-Entry Interests will be shown on, and transfers of Residual Certificate Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Residual Certificate Book-Entry Interests.

So long as the nominee of the Common Depositary is the registered holder of the Global Residual Certificate underlying the Residual Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Residual Certificate represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Residual Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Residual Certificate Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Residual Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests*".

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

Unless and until Residual Certificate Book-Entry Interests are exchanged for Definitive Residual Certificates, the Global Residual Certificate held by the nominee for the Common Depositary may not be transferred except as a whole by that nominee for the Common Depositary to a successor nominee for that Common Depositary or a nominee of a successor of the Common Depositary.

Purchasers of Residual Certificate Book-Entry Interests in a Global Residual Certificate will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a Global Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out in the section below entitled "*Transfers and Transfer Restrictions*"), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

#### **Issuance of Definitive Residual Certificates**

The Global Residual Certificate will become exchangeable in whole, but not in part, for Definitive Residual Certificates at the request of the holder of the relevant Global Residual Certificate if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in the Global Residual Certificate and do in fact do either of those things and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form (the "**Exchange Event**").

Any Definitive Residual Certificate issued in exchange for Residual Certificate Book-Entry Interests in the Global Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Residual Certificate Book-Entry Interests. Whenever a Global Residual Certificate is to be exchanged for Definitive Residual Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Residual Certificate Book-Entry Interests) of such Definitive Residual Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Residual Certificate within 30 days of the occurrence of the Exchange Event.

#### **Payments on Global Residual Certificate**

Payment of amounts due in respect of the Global Residual Certificate will be made in Sterling by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

Each holder of Residual Certificate Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or its nominee in respect of those Residual Certificate Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties,

assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then none of the Issuer, the Principal Paying Agent or any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Residual Certificate Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**"), Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the Global Residual Certificate. The Record Date in respect of the Global Residual Certificate shall be as at the close of business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Residual Certificate Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Lead Manager, the Co-Manager, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Residual Certificate Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Residual Certificate Book-Entry Interests.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

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

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

## **Transfers and Transfer Restrictions**

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

Beneficial interests in the Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Residual Certificate will bear a legend similar to that appearing under the section of this Prospectus entitled "*Transfer Restrictions and Investor Representations*" below, and neither the Global Residual Certificate nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set out in the legend appearing in the relevant Global Residual Certificate.

## **Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests**

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

## **Notices**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Certificateholders for communication by Euroclear and Clearstream, Luxembourg to the Certificateholders and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also Residual Certificates Condition 15 (*Notice to Certificateholders*)). The Note Trustee may in accordance with the Residual Certificates Condition 15.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Certificateholders, if such method is reasonable having regard to the then prevailing market practice.

## TERMS AND CONDITIONS OF THE NOTES

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

### 1. GENERAL

The £237,800,000 Class A floating rate notes due September 2044 (the "**Class A Notes**"), the £20,300,000 Class B floating rate notes due September 2044 (the "**Class B Notes**"), the £17,400,000 Class C floating rate notes due September 2044 (the "**Class C Notes**"), the £5,800,000 Class D floating rate notes due September 2044 (the "**Class D Notes**" and together with the Class A Notes, the Class B Notes and the Class C Notes, the "**Collateralised Rated Notes**"), the £8,700,000 Class X1 fixed rate notes due September 2044 (the "**Class X1 Notes**"), the £5,800,000 Class X2 fixed rate notes due September 2044 (the "**Class X2 Notes**") (and together with the Class X1 Notes, the "**Class X Notes**" and the Class X Notes together with the Collateralised Rated Notes are the "**Rated Notes**"), the £8,700,000 Class Z1 Notes due September 2044 (the "**Class Z1 Notes**") and the £5,800,000 Class Z2 Notes due September 2044 (the "**Class Z2 Notes**") (and together with the Class Z1 Notes, the "**Class Z Notes**") (and the Class Z1 Notes together with the Collateralised Rated Notes the "**Collateralised Notes**") (and the Rated Notes together with the Class Z Notes, the "**Notes**"), in each case of Twin Bridges 2017-1 PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 21 July 2017 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the "**Conditions**") to a "**Class**" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X1 Notes, the Class X2 Notes, the Class Z1 Notes or the Class Z2 Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

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

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and an incorporated terms memorandum (the "**Incorporated Terms Memorandum**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Incorporated Terms Memorandum and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of the Principal Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

### 2. INTERPRETATION

#### 2.1 Definitions

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Incorporated Terms Memorandum available as described above.



## 2.2 Interpretation

These Conditions shall be construed in accordance with the principles of construction set out in the Incorporated Terms Memorandum.

## 3. FORM, DENOMINATION AND TITLE

### 3.1 Form and Denomination

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

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

For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000. A Global Note will be exchanged for the relevant Note in definitive registered form (such exchanged Global Notes in definitive registered form, the "**Definitive Notes**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
  - (ii) announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things,

and in either case no alternative clearing system satisfactory to the Note Trustee is available; or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the relevant Notes in definitive registered form.

If Definitive Notes are issued in respect of Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding of the Notes at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Notes in global and (if issued and printed) definitive form will be £100,000.

References to "*Notes*" in these Conditions shall include the Global Notes and the Definitive Notes.

**"Principal Amount Outstanding"** means, on any day:

- (a) in relation to a Note, the original principal amount of that Note on the Closing Date less the aggregate amount of all principal payments in respect of such Note which have been made since the Closing Date; and
- (b) in relation to a Class, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding in such Class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding, regardless of class.

### 3.2 **Title**

Title to the Global Notes shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Definitive Note shall only pass by and upon registration of the transfer in the Register.

Definitive Notes may be transferred upon the surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or the Principal Paying Agent. Such transfers shall be subject to the minimum denominations specified in Condition 3.1 (*Form and Denomination*) above. All transfers of Definitive Notes are subject to any restrictions on transfer set out on the Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of such Definitive Note will, within five Business Days of receipt and surrender of such Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

## 4. **STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY**

### 4.1 **Status and relationship between the Notes**

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in these Conditions and the Transaction Documents.
- (b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class B Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents. The interests of the persons who for the time being are registered in the Register as holders of Class B Notes (the "**Class B Noteholders**") will be subordinated to the interests of the persons who for the time being are registered in the Register as holders of Class A Notes (the "**Class A Noteholders**") (so long as any Class A Notes remain outstanding).

- (c) The Class C Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class C Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in these Conditions and the Transaction Documents. The interests of the persons who for the time being are registered in the Register as holders of the Class C Notes (the "**Class C Noteholders**") will be subordinated to the interests of each of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or any Class B Notes remain outstanding).
- (d) The Class D Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents. The interests of the persons who for the time being are registered in the Register as holders of the Class D Notes (the "**Class D Noteholders**") will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes remain outstanding).
- (e) The Class X Notes constitute direct, secured and (subject as provided in the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class X1 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes, as provided in these Conditions and the Transaction Documents. The Class X1 Notes and the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes. Following the service of an Enforcement Notice, the Class X1 Notes and the Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class X1 Notes (the "**Class X1 Noteholders**") will be subordinated to the interests of the holders of the Collateralised Rated Notes (so long as any Collateralised Rated Notes remain outstanding). The Class X2 Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes and the Class X1 Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class X2 Notes (the "**Class X2 Noteholders**") and the Class X1 Noteholders together with the Class X2 Noteholders (the "**Class X Noteholders**") will be subordinated to the interests of the holders of the Collateralised Rated Notes (so long as any Collateralised Rated Notes remain outstanding).
- (f) The Class Z Notes constitute direct and secured obligations of the Issuer. The Class Z Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes and the Class X Notes, as provided in these Conditions and the Transaction Documents. Prior to the service of an Enforcement Notice the Class Z Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of items ranking senior thereto in the relevant Priority of Payments. Following the service of an Enforcement Notice, the Class Z Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of principal at all times, but subordinate to all payments due in respect of the Collateralised Rated Notes. Accordingly, the interests of the persons who for the time being are registered in the

Register as holders of the Class Z1 Notes (the "**Class Z1 Noteholders**") and as holders of the Class Z2 Notes (the "**Class Z2 Noteholders**") and the Class Z1 Noteholders together with the Class Z2 Noteholders (the "**Class Z Noteholders**") will be subordinated to the interests of the holders of the Collateralised Rated Notes and the Class X Notes (so long as any Collateralised Rated Notes and/or Class X Notes remain outstanding).

- (g) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee (acting on the instructions of the Note Trustee), respectively, to have regard to the interests of holders of each Class of the Notes as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee (acting on the instructions of the Note Trustee) where there is a conflict of interests between one or more Classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Most Senior Class of Notes or if there are no Notes then outstanding to the Certificateholders.
- (h) The Trust Deed also contains provisions limiting the powers of any Class of Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class of Notes. Except in certain circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes, the exercise of which will be binding (save in respect of a Basic Terms Modification) on the holders of all other Classes of Notes and the Certificateholders in each case irrespective of the effect thereof on their respective interests.

As long as any Notes are outstanding but subject to Condition 13.13 (*Limitation on other Noteholders*), the Security Trustee shall act on the instructions of the Note Trustee not have regard to the interests of the other Secured Creditors.

#### 4.2 **Security**

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

#### 5. **COVENANTS**

Save with the prior written consent of the Note Trustee or unless otherwise permitted under these Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertakings;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets

or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;

- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Issuer Account and the Issuer's interest in the Global Collection Account and the Portfolio Transaction Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Notes:** purchase or otherwise acquire any Notes;
- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;
- (l) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the Value Added Tax (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same; or
- (m) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 6. INTEREST

### 6.1 Accrual of interest

#### *Interest Accrual*

Each Note (other than the Class Z Notes) bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each interest bearing Note (in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 7

(*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

## 6.2 **Interest Payment Dates**

Interest will be payable in arrear on each Interest Payment Date for all classes of Notes (other than the Class Z Notes).

"**Interest Payment Date**" means the 12th day of March, June, September and December or, if such day is not a Business Day, the immediately following Business Day with the first Interest Payment Date falling in December 2017.

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

## 6.3 **Rate of Interest**

### *Rate of Interest*

(a) The rate of interest payable from time to time in respect of each Class of Notes (other than the Class Z Notes) (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be:

(i) in respect of each Class of Notes (other than the Class X Notes and the Class Z Notes) and any Interest Period, determined on the basis of the following provisions:

(A) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for three and six months deposit in Sterling) in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of:

I. in respect of the Collateralised Rated Notes:

(i) from (and including) the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin; and

(ii) from (and including) the Optional Redemption Date, the Relevant Step-Up Margin; and

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

(B) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph

(A) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph (A) shall have applied and taking into account, in the case of the Collateralised Rated Notes, the application of from (and including) the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin, and from (and including) the Optional Redemption Date, the Relevant Step-Up Margin;

- (ii) in respect of the Class X1 Notes from (and including) the Closing Date to (but excluding) the Interest Payment Date falling in September 2019, 4.25 per cent. per annum and from (and including) the Interest Payment Date falling in September 2019, will bear no interest; and
  - (iii) in respect of the Class X2 Notes from (and including) the Closing Date to (but excluding) the Interest Payment Date falling in June 2021, 6.40 per cent. per annum and from (and including) the Interest Payment Date falling in June 2021, will bear no interest.
- (b) In the event that the Rate of Interest is less than zero per cent., the Rate of Interest shall be deemed to be zero per cent.

### **Definitions**

In these Conditions (except where otherwise defined), the expression:

- (a) "**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London;
- (b) "**Interest Determination Date**" means the first day of the Interest Period for which the rate will apply;
- (c) "**LIBOR**" means the London Inter-Bank Offered Rate for Sterling deposits;
- (d) "**Reference Banks**" means the principal London office of each of the five major banks engaged in the London interbank market selected by the Agent Bank (in consultation with the Issuer), **provided that**, once a Reference Bank has been selected by the Agent Bank (in consultation with the Issuer), that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such or declines to act as such;
- (e) "**Relevant Margin**" means:
  - (i) in respect of the Class A Notes, 0.78 per cent. per annum;
  - (ii) in respect of the Class B Notes, 1.45 per cent. per annum;
  - (iii) in respect of the Class C Notes, 1.80 per cent. per annum; and
  - (iv) in respect of the Class D Notes, 2.20 per cent. per annum;

- (f) "**Relevant Screen Rate**" means, the London inter-bank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) three month deposits in Sterling on Bloomberg on page BP0003M or Bloomberg Screen (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for three and six month Sterling deposits on Bloomberg on page BP0003M and BP0006M), provided that the rates shown on such screen apply to the relevant day; or
- (i) such other page as may replace Bloomberg page BP0003M (or BP0006M, as applicable) on that service for the purpose of displaying such information; or
- (ii) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Note Trustee) as may replace such screen;
- (g) "**Relevant Step-Up Margin**" means:
- (i) in respect of the Class A Notes, 1.17 per cent. per annum;
- (ii) in respect of the Class B Notes, 2.175 per cent. per annum;
- (iii) in respect of the Class C Notes, 2.70 per cent. per annum; and
- (iv) in respect of the Class D Notes, 3.30 per cent. per annum;
- (h) "**Secured Creditors**" means the Security Trustee and the Note Trustee each in its own capacity, any Receiver or any Appointee appointed or employed by the Security Trustee or the Note Trustee, each in its own capacity, the Registrar, the Paying Agents, the Corporate Services Provider, the Agent Bank, the Servicer (and any Replacement Servicer), the Back-Up Servicer Facilitator, the Cash Manager (and any replacement Cash Manager), the Issuer Account Bank, the Global Collection Account Bank, the Collection Account Bank, the Swap Counterparty, the Noteholders, the Certificateholders and any party named as such in a Transaction Document;
- (i) "**Transaction Documents**" means the Mortgage Sale Agreement, Servicing Agreement, Cash Management Agreement (and any replacement cash management agreement), Deed of Charge (and the documents to be entered into pursuant thereto), Trust Deed, Agency Agreement, Issuer Account Bank Agreement, Incorporated Terms Memorandum, Issuer Power of Attorney, Seller Power of Attorney, Corporate Services Agreement, Deed Poll, Swap Agreements, Global Collection Account Declaration of Trust, Deed of Accession to the Global Collection Account Declaration of Trust, Collection Account Bank Agreement and the Portfolio Transaction Account Declaration of Trust.

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

(a) ***Rates of Interest***

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

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

The Interest Amounts shall, in the case of the Class X Notes, be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Notes on the



basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

**6.5 Publication of Rates of Interest and Interest Amounts**

The Agent Bank shall cause the Rate of Interest and the Interest Amounts for each Class of Notes (other than the Class Z Notes) in respect of each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 16 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than three Business Days prior to the immediately succeeding Interest Payment Date. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

**6.6 Determination by the Note Trustee**

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and the Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of such default by the Issuer, determine or cause to be determined the Rates of Interest it shall deem fair and reasonable in all circumstances and the Interest Amounts in the manner provided in Condition 6.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

**6.7 Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6 (*Interest*), whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 6 (*Interest*).

**6.8 Agent Bank**

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an agent bank for the purposes of the Notes. The Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank and shall, in the event of the appointed office of any bank being unable or unwilling to continue to act as the agent bank or failing duly to determine the Rate of Interest or the Interest Amounts in respect of any Class of Notes for any Interest Period, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed pursuant to the terms of the Agency Agreement.

**7. PAYMENTS**

**7.1 Payment of Interest and Principal**

Subject to paragraph 2 of Condition 3.1 (*Form and Denomination*), payments of any amount in respect of a Note, including principal and interest, shall be made by credit or transfer to an account in sterling maintained by the payee.

## 7.2 **Laws and Regulations**

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

## 7.3 **Payment of Interest following a Failure to pay Principal**

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6.1 (*Accrual of interest*) and Condition 6.3 (*Rate of Interest*) will be paid in accordance with this Condition 7.

## 7.4 **Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents **provided that** there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Ireland or in London.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice to be provided as soon as possible and, in any event, no later than one Business Day prior to the Record Date of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

## 7.5 **No Payment on non-Business Day**

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 7.5, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

## 7.6 **Partial Payment**

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register indicating the amount and date of such payment.

## 7.7 **Payment of Interest**

If interest is not paid in respect of a Note of any Class (other than a Class X Note or a Class Z Note) on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 7.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 7.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 16 (*Notice to Noteholders*).

## 8. **REDEMPTION**

### 8.1 **Redemption at Maturity**

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding together with any accrued but

unpaid interest on the Interest Payment Date falling in September 2044 (the "**Final Maturity Date**").

## 8.2 **Mandatory Redemption prior to the service of an Enforcement Notice**

- (a) Prior to the service of an Enforcement Notice, each Class of Collateralised Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Redemption Receipts available for such purpose in accordance with the Pre-Enforcement Redemption Priority of Payments which shall be applied in the following order of priority:
  - (i) to repay the Class A Notes until they are each repaid in full; and thereafter
  - (ii) to repay the Class B Notes until they are each repaid in full; and thereafter
  - (iii) to repay the Class C Notes until they are each repaid in full; and thereafter
  - (iv) to repay the Class D Notes until they are each repaid in full; and thereafter
  - (v) to repay the Class Z1 Notes until they are each repaid in full.
- (b) Prior to the Optional Redemption Date, the Class X1 Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Revenue Receipts available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.
- (c) Prior to the Optional Redemption Date, the Class X2 Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Revenue Receipts available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.
- (d) Prior to the Optional Redemption Date, the Class Z2 Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Revenue Receipts available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.
- (e) The Principal Amount Outstanding of each Note shall be redeemed on each Interest Payment Date in accordance with the relevant Priority of Payments. The principal amount to be redeemed in respect of a Note (the "**Note Principal Payment**") on any Interest Payment Date prior to the service of an Enforcement Notice shall be the Available Redemption Receipts and/or Available Revenue Receipts (as applicable) available for the redemption of the relevant Class of Notes on such Interest Payment Date in accordance with the relevant Priority of Payments, as calculated on the Calculation Date immediately preceding such Interest Payment Date, multiplied by the relevant Note Factor and rounded down to the nearest penny. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Note Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, is the Principal Amount Outstanding of the relevant Class of Notes. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Note Factor shall in each case (in the absence of wilful default or manifest error) be final and binding on all persons.
- (f) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and Note Factor to be notified not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on its Main Securities Market) the Irish Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 16 (*Notice to Noteholders*) not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Notes

on any Interest Payment Date a notice to this effect will be given to the holders of the Notes.

### 8.3 **Mandatory Redemption of the Notes in full on or after the Optional Redemption Date**

On the Issuer giving not more than 60 days' nor fewer than two Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date on or after the Optional Redemption Date and following the sale of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio in accordance with the provisions of the Deed Poll, the Portfolio Minimum Purchase Price together with all amounts standing to the credit of the General Reserve Fund and/or the Liquidity Reserve Fund and (without double counting) any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer for application on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date will be applied in accordance with the Post-Enforcement Priority of Payments with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice*).

### 8.4 **Mandatory Redemption in full pursuant to a Risk Retention Regulatory Change Option**

- (a) On any Business Day, if a Risk Retention Regulatory Change Event occurs and the Retention Holder exercises the Risk Retention Regulatory Change Option, the Issuer will give not more than 90 nor less than two Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, and the Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date immediately following the date specified in such notice (the "**Risk Retention Regulatory Change Option Date**") together with any interest accrued thereon, **provided that** the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all such payments on such Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer on which the Note Trustee shall be entitled to rely without any further enquiry or liability).
- (b) Any Note redeemed pursuant to paragraph (a) above will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to, but excluding, the relevant Interest Payment Date on the Interest Payment Date immediately following the Risk Retention Regulatory Change Option Date specified in a notice given pursuant to paragraph (a) above.

### 8.5 **Mandatory Redemption for Taxation or Other Reasons**

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or
- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes,

then the Issuer shall, if the same would avoid the effect of such relevant event described in sub-paragraph (a) or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange for the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, **provided that:**

- (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the holders of the Notes (and in making such determination, the Note Trustee may without liability therefor rely solely, without further investigation or inquiry, on (A) any confirmation made orally to the Issuer (in which case the Issuer shall confirm the same in writing to the Note Trustee) or in writing from each of the Rating Agencies that the then current ratings of the Collateralised Rated Notes would not be adversely affected by such substitution or (B) if no such confirmation from the Rating Agencies is forthcoming and the Issuer has certified to the Cash Manager, the Note Trustee and the Security Trustee that such proposed action (i) (while any Rated Notes remain outstanding) has been notified to the Rating Agencies, (ii) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Notes, (iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (iv) (while any of the Collateralised Rated Notes remain outstanding) would not have an adverse effect on the rating of the Collateralised Rated Notes) (upon which confirmation or certificate the Note Trustee and Security Trustee shall be entitled to rely absolutely without liability to any person for so doing); and
- (ii) such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law.

A "**Redemption Event**" shall occur if the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a) or (b) of this Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), or above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution.

Following the occurrence of a Redemption Event, the Mortgage Loans and their Related Security comprising the Mortgage Portfolio shall be capable of being sold pursuant to the provisions of the Deed Poll on the Redemption Event Purchase Completion Date for a price equal to the Redemption Event Portfolio Purchase Price. The Redemption Event Portfolio Purchase Price will, on the Interest Payment Date immediately following the Redemption Event Portfolio Purchase Completion Date, be applied in accordance with the Post-Enforcement Priority of Payments with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice*). The Issuer shall give not more than 90 days' nor fewer than two Business Days' notice of any such redemption of the Notes to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee.

"**Redemption Event Portfolio Purchase Price**" means an amount not less than (without double counting):

- (i) an amount equal to the aggregate amount required to satisfy items (a) to (r) (inclusive) of the Post-Enforcement Priority of Payments on the Interest Payment Date following the Redemption Event Purchase Completion Date including (for the avoidance of doubt) the Issuer's costs and expenses (i) incurred pursuant to the sale and redemption in connection with the sale and purchase of the Mortgage Loans and their Related Security under this Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*) and (ii) associated with transferring its interests in any Mortgage Loans and their Related Security to the Portfolio Call Option Holder or its nominee (if any) and an amount agreed

between the Issuer and the Portfolio Call Option Holder in respect of costs anticipated to be incurred by the Issuer after the Redemption Event Purchase Completion Date; less

- (ii) the balance standing to the credit of the General Reserve Fund; less
- (iii) the balance standing to the credit of the Liquidity Reserve Fund; less
- (iv) (without double counting) any other amounts that would constitute Available Revenue Receipts and Available Redemption Receipts on the immediately following Interest Payment Date (provided that such amounts relate only to the periods up to (and including) the last day of the Monthly Collection Period immediately prior to the Redemption Event Purchase Completion Date);

**"Redemption Event Purchase Completion Date"** means the date indicated by the Portfolio Call Option Holder or its nominee (as applicable) in an acceptance notice addressed, *inter alios*, to the Issuer and confirmed by the Issuer in writing, on which the purchase by the Portfolio Call Option Holder or its nominee (as applicable) of the Mortgage Loans and their Related Security shall be completed in accordance with this Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), the Residual Certificates Conditions and the Deed Poll, **provided further that**, (i) if the Redemption Event occurs and is notified by the Issuer in accordance with the provisions of the Deed Poll not less than six Business Days prior to the Interest Payment Date immediately following the occurrence of the Redemption Event, such date shall fall on or before the Interest Payment Date immediately following the Redemption Event, and (ii) if the Redemption Event occurs and is notified by the Issuer in accordance with the provisions of the Deed Poll less than six Business Days prior to the Interest Payment Date immediately following the occurrence of the Redemption Event, such date shall fall (x) after the Interest Payment Date immediately following the occurrence of the Redemption Event and (y) on or before the second Interest Payment Date immediately following the Redemption Event;

#### 8.6 **Principal Amount Outstanding**

The "**Principal Amount Outstanding**" of each Class of Notes on any date shall be, in each case, their original principal amount, in respect of the Class A Notes of £237,800,000, in respect of the Class B Notes of £20,300,000, in respect of the Class C Notes of £17,400,000, in respect of the Class D Notes of £5,800,000, in respect of the Class X1 Notes of £8,700,000, in respect of the Class X2 Notes of £5,800,000, in respect of the Class Z1 Notes of £8,700,000, and in respect of the Class Z2 Notes of £5,800,000, in each case less the aggregate amount of all principal payments in respect of such Class of Notes which have been made since the Closing Date.

#### 8.7 **Notice of Redemption**

Any such notice as is referred to in Condition 8.3 (*Mandatory Redemption of the Notes in full on or after the Optional Redemption Date*) or Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to the Deed Poll may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

#### 8.8 **No Purchase by the Issuer**

The Issuer will not be permitted to purchase any of the Notes.

#### 8.9 **Cancellation on redemption in full**

All Notes redeemed in full will be cancelled upon redemption. Notes cancelled upon redemption in full may not be resold or re-issued.

9. **TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

10. **PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 10, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, and notice to that effect is duly given to the relevant Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

11. **EVENTS OF DEFAULT**

11.1 **Notes**

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (an "**Enforcement Notice**") to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued (but unpaid) interest as provided in the Trust Deed (with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the Seller, the Servicer, the Back-Up Servicer Facilitator, the Issuer Account Bank, the Global Collection Account Bank, the Collection Account Bank and the Cash Manager), if any of the following events (each, an "**Event of Default**") occur:

- (a) if default is made in the payment of any principal or interest due in respect of the Most Senior Class of Notes and the default continues for: (I) a period of ten days in the case of principal, or (II) five days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party which in the opinion of the Note Trustee is materially prejudicial to the interests of the Most Senior Class of Notes and the failure continues for a period of 15 days (except that in any case where the Note Trustee considers the failure to be incapable of remedy, then no continuation or notice as is aforementioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any representation or warranty made by the Issuer under any Transaction Document is incorrect when made which in the opinion of the Note Trustee is materially prejudicial to the interests of the Most Senior Class of Notes and the matters giving rise to such misrepresentation are not remedied within a period of 15 days (except that in any case where the Note Trustee considers the matters giving rise to such misrepresentation to be

incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

- (d) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders; or
- (e) if (i) the Issuer ceases or threatens to cease to carry on the whole or, in the opinion of the Note Trustee, a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or (iii) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (f) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with the court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), unless initiated by the Issuer, is not discharged within 30 days; or
- (g) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

**"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, the consequence of such event being that the Security Trustee may, in accordance with the Deed of Charge, deliver to the Issuer a notice (such notice, a **"Security Protection Notice"**) providing for the immediate conversion of the floating charge created by the Deed of Charge into a fixed charge over all assets of the Issuer which were the subject of the floating charge.

## 11.2 **General**

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Condition 11.1 (*Notes*), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding, together with accrued interest thereon as provided in the Trust Deed.

## 12. **ENFORCEMENT**

### 12.1 **General**

The Note Trustee may, at any time, at its discretion and without notice and in such manner as it thinks fit, take such proceedings, actions and/or steps, or direct the Security Trustee to take such proceedings, actions and/or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the



service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) the Note Trustee shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

#### 12.2 **Preservation of Assets**

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the holders of the Notes (and all persons ranking in priority to the holders of the Notes), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the Post-Enforcement Priority of Payments). The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 12.2 without further enquiry and shall incur no liability to any person for so doing.

#### 12.3 **Limitations on Enforcement**

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

#### 12.4 **Limited Recourse**

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the "**Charged Assets**"). If:

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

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain due or to be paid in respect of the Notes (including, for the avoidance of doubt, payments of principal, premium (if any) or interest in respect of the Notes) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Notes and any further payment rights shall be extinguished.

13. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

13.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

13.2 For the purposes of these Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Collateralised Rated Notes then outstanding, the Class X Notes or if there are no Rated Notes then outstanding, the Class Z Notes.

13.3 **Limitations on other Noteholders**

- (a) Subject as provided in Conditions 13.3(b) and 13.3(c):
  - (i) a resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on such Noteholders and all other Classes of Noteholders and the holders of the Residual Certificates irrespective of the effect upon them;
  - (ii) subject to Condition 13.3(a)(iii), a resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (i) such Noteholders and all other Classes of Noteholders ranking junior to such Class of Noteholders in the Post-Enforcement Priority of Payments in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them; and
  - (iii) subject to paragraph (c) below, no resolution of any Class of Noteholders shall take effect for any purpose unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and, in the case of the Residual Certificates, all Notes ranking in priority thereto (or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes and in the case of the Residual Certificates all Notes ranking in priority thereto).
- (b) Subject as provided in Condition 13.3(c), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification.

13.4 **Quorum**

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.

- (b) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of the Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or, where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or, where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, or of the method of calculating the amounts payable in respect of the Residual Certificates (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes ranking senior to such Class or the Residual Certificates in the Priorities of Payments), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) make any change to the definition of Basic Terms Modification, or (viii) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons holding or representing in the aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding and (ii) three-quarters in number of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant Class of Noteholders and (if affected) the Certificateholders in accordance with the Residual Certificates Conditions.
- (d) The quorum at any adjourned meeting shall be:
  - (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than ten per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding;
  - (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution shall be one or more persons present and holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding; and
  - (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or of the Residual Certificates then in issue.

The terms of the Trust Deed and the Deed of Charge provide for the Noteholders to give directions in writing to the Note Trustee upon which the Note Trustee is bound to act.

- 13.5 The Note Trustee may at any time and from time to time, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification:

- (a) (except in the case of a Basic Terms Modification) to these Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee, will not be materially prejudicial to the interests of the Noteholders (or, if there are no Notes outstanding, the interests of the Certificateholders); or
- (b) to these Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

13.6 Provided that there are Notes outstanding, notwithstanding the provisions of Condition 13.5 but subject to Condition 13.7, the Note Trustee shall be obliged and shall direct the Security Trustee, without any consent or sanction of the Noteholders or the other Secured Creditors, but subject to the receipt of the prior written consent of any of the Secured Creditors party to the Transaction Document being modified (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, **provided that** the Issuer (or the Cash Manager on its behalf) certifies in writing to the Note Trustee and the Security Trustee (as applicable) that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
- (b) in order to enable the Issuer and/or the Swap Counterparty to comply with (i) any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) ("**EMIR**"); or (ii) any other obligation which applies to it under EMIR, provided that the Issuer (or the Cash Manager on its behalf) or the Swap Counterparty, as appropriate, certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect;
- (c) for the purpose of complying with any changes in the requirements of Article 405 of Regulation (EU) No. 575/2013 (the "**CRR**"), Article 17 of the Alternative Investment Fund Managers Directive ("**AIFMD**"), Article 51(1) of Regulation (EU) No 231/2013 (the "**AIFMR**") and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**") after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMD, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto, **provided that** the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or any other person that is party to a Transaction Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), **provided that** the Issuer (or the Servicer on its behalf) or the relevant

Transaction Party, as applicable, provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect; or

- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto, **provided that** the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Conditions 13.6(a) to 13.6(e) above being a "**Modification Certificate**"). The Note Trustee is only obliged to concur with the Issuer in making any modification to these Conditions referred to in Conditions 13.6(a) and 13.6(e) and/or requiring the Security Trustee to do so above (other than in respect of a Basic Terms Modification) and/or any Transaction Document should:

- (A) at least 30 days' prior notice of any such proposed modification have been given to the Note Trustee and the Security Trustee;
- (B) the Modification Certificate in relation to such modification be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee are notified of the proposed modification and on the date that such modification takes effect;
- (C) the consent of each Secured Creditor which is party to the relevant Transaction Document have been obtained (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document);
- (D) the Note Trustee be satisfied that it has been or will be reimbursed for all costs, fees and expenses (including properly incurred legal fees) incurred by it in connection with such modification;
- (E) the Issuer (or the Cash Manager or the Servicer on its behalf) either:
  - I. has obtained from each of the Rating Agencies a Rating Agency Confirmation; or
  - II. has certified in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and neither of the Rating Agencies has indicated that such modification would result in a downgrade, qualification or withdrawal of the then current ratings assigned to any Class of the Notes by such Rating Agency; and
- (F) the Issuer has certified (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) in writing to the Note Trustee (which certification may be in the Modification Certificate) that in relation to such modification (I) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Issuer, in each case specifying the date and time by which Noteholders must respond, and has made available at such time the modification documents for inspection at the registered office of the Principal Paying Agent for the time being during normal business hours, and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of any Class of Notes have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be

held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of any Class of Notes then outstanding have notified the Issuer in accordance with the notice provided above and the then current practice of any applicable clearing system through which such Notes may be held within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Issuer's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

- 13.7 When implementing any modification pursuant to Condition 13.6:
- (a) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification) the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 13.6 and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
  - (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (i) exposing the Note Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.
- 13.8 Other than in relation to a Basic Terms Modification, the Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants (including any Event of Default or Potential Event of Default) or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, **provided that** the Note Trustee shall not exercise any powers conferred on it by this Condition 13.8 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Condition 11 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 13.9 Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with these Conditions, the Residual Certificates Conditions or the Transaction Documents shall be binding on the Noteholders and Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders*).
- 13.10 Any modification to the Transaction Documents and these Conditions shall be notified by the Issuer in writing to the Rating Agencies (other than any modification which in the opinion of the Note Trustee (i) will not be materially prejudicial to the interests of the Noteholders (or, if there

are no Notes outstanding, the interests of Certificateholders); or (ii) is a formal, minor or technical nature or is made to correct a manifest error).

- 13.11 In connection with any such substitution of principal debtor referred to in Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*), the Note Trustee may also agree, and may direct the Security Trustee to agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, **provided that** such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of all the Noteholders and Certificateholders or the other Secured Creditors.
- 13.12 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class of the Collateralised Rated Notes, the Note Trustee may, among other things, have regard to whether the Rating Agencies have confirmed orally or in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current ratings of the Collateralised Rated Notes.
- 13.13 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee (acting on the instructions of the Note Trustee) is required to have regard to the interests of the Noteholders of any Class or Classes, it shall (A) have regard to the general interests of the Noteholders of such Class or Classes but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee (acting on the instructions of the Note Trustee) shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee or the Security Trustee (acting on the instructions of the Note Trustee) or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders and (B) subject to the more detailed provisions of the Trust Deed and the Deed of Charge, as applicable, have regard to the interests of holders of each Class of Notes (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee (acting on the instructions of the Note Trustee) where there is a conflict of interests between one or more Classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class or Classes of Notes ranking in priority to the other relevant Classes of Notes.
- 13.14 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.
- 13.15 "**Ordinary Resolution**" means, in respect of the holders of any of the Classes of Notes:
- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by not less than a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll;
  - (b) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or
  - (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes.

- 13.16 **"Extraordinary Resolution"** means, in respect of the holders of any of the Classes of Notes:
- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than three-quarters of Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll;
  - (b) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or
  - (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes.
- 13.17 **"Eligible Person"** means any one of the following persons who shall be entitled to attend and vote at a meeting:
- (a) a bearer of any Voting Certificate; and
  - (b) a proxy specified in any Block Voting Instruction.
- 13.18 **"Voting Certificate"** means an English language certificate issued by a Paying Agent in which it is stated:
- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
    - (i) the conclusion of the meeting specified in such Voting Certificate; and
    - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
  - (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.
- 13.19 **"Block Voting Instruction"** means an English language document issued by a Paying Agent in which:
- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
    - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
    - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
  - (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and



ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;

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

13.20 For the purposes of this Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*):

"**24 hours**" means a period of 24 hours including all or part of a day (disregarding for this purpose the day upon which such Meeting is to be held) upon which banks are open for business in both the place where the relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"**48 hours**" means two consecutive periods of 24 hours.

13.21 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

#### 13.22 **Issuer Substitution Condition**

The Note Trustee may agree, subject to such amendment of these Conditions and of any of the Transaction Documents, and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, **provided that** the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 5 (*Covenants*) or that would otherwise be appropriate for a single purpose vehicle incorporated for such purposes as the Issuer in its jurisdiction of incorporation (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Condition 13.22, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

#### 14. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and

providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. **REPLACEMENT OF NOTES**

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

16. **NOTICE TO NOTEHOLDERS**

16.1 **Publication of Notice**

- (a) Subject to Condition 16.1(d), any notice to Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, **provided that** if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Definitive Notes, notices to Noteholders will be sent to them by (i) email or (ii) first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail, at the respective email addresses or addresses (as the case may be) on the Register. Any such notice sent by post will be deemed to have been given on the fourth day after the date of posting and any notice sent by email shall be deemed to have been given at the time of dispatch **provided that** in the case of a notice given by email a confirmation of receipt is received by the sending party.
- (c) While the Notes are represented by Global Notes, notices to Noteholders will be valid if published as described above or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (d) So long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any

such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.

16.2 **Note Trustee's Discretion to Select Alternative Method**

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

17. **REPLACEMENT NOTES**

If the Issuer Substitution Condition is satisfied in accordance with these Terms and Conditions and the Trust Deed, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces.

18. **SUBORDINATION BY DEFERRAL**

18.1 **Interest**

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and (other than in respect of the Class X Notes) accrued interest thereon) payable in respect of the Notes (other than the Most Senior Class of Notes) after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the Notes (other than the Most Senior Class of Notes), to the extent only of any insufficiency of funds. The Issuer shall not be entitled to such deferral on an Interest Payment Date which is the Final Maturity Date or any other Interest Payment Date on which the Notes are to be redeemed in full. No such deferral shall result in the occurrence of an Event of Default until the Final Maturity Date.

18.2 **General**

Any amounts of Deferred Interest in respect of a Class of Notes (other than the Class X Notes) shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 18.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with these Conditions.

18.3 **Notification**

As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes (other than the Most Senior Class of Notes or the Class X Notes) will be deferred, or that a payment previously deferred will be made, in each case in accordance with this Condition 18, the Issuer will give notice thereof to the relevant Class of Noteholders, as appropriate, in accordance with Condition 16 (*Notice to Noteholders*).

Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are to be redeemed in full or, are required to be redeemed in full, at which time all deferred interest and accrued interest thereon shall become due and payable.

19. **NON-RESPONSIVE RATING AGENCY**

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Collateralised Rated Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the Rating Agencies that the then current ratings of the Collateralised Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**").
- (b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee, as applicable) and:
  - (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and
  - (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in paragraphs (b)(i)(A) or (B) and (b)(ii) of this Condition 19 has occurred.

20. **JURISDICTION AND GOVERNING LAW**

20.1 **Jurisdiction**

- (a) Subject to Condition 20.1(b), the Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.
- (b) This Condition 20.1 (*Jurisdiction*) is for the benefit of the Note Trustee and Security Trustee only. As a result, and notwithstanding Condition 20.1(a) above, this Condition does not prevent the Note Trustee and/or the Security Trustee taking proceedings relating to any dispute in any other courts with jurisdiction. Further, to the extent allowed by law, the Note Trustee and/or the Security Trustee may take concurrent proceedings in any number of jurisdictions.

20.2 **Governing Law**

The Transaction Documents, the Notes, the Residual Certificates and these Conditions (and any non- contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

21. **RIGHTS OF THIRD PARTIES**

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

## TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

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

### 1. GENERAL

The one hundred and one residual certificates (the "**Residual Certificates**") of Twin Bridges 2017-1 PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 21 July 2017 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the registered holders for the time being of the Residual Certificates (the "**Certificateholders**") (the "**Note Trustee**"). Any reference in these residual certificates terms and conditions (the "**Residual Certificates Conditions**") to a "**Class**" of Notes or of "**Noteholders**" shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class X1 Notes, the Class X2 Notes, the Class Z1 Notes, or the Class Z2 Notes, as the case may be, or to the respective holders thereof. The security for the Residual Certificates is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

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

The statements in these Residual Certificates Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a incorporated terms memorandum (the "**Incorporated Terms Memorandum**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

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

### 2. INTERPRETATION

#### 2.1 Definitions

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Incorporated Terms Memorandum available as described above.

#### 2.2 Interpretation

These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Incorporated Terms Memorandum.

### 3. FORM AND TITLE

#### 3.1 Form and Denomination

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

For so long as any of the Residual Certificates are represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in such Global Residual Certificate and

entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. The Global Residual Certificate will be deposited with and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg.

A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate in definitive registered form, the "**Definitive Residual Certificates**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
  - (ii) announce an intention permanently to cease business or to cease to make their book-entry systems available for settlement of beneficial interests in the Global Residual Certificate and do in fact do either of those things,

and in either case no alternative clearing system satisfactory to the Note Trustee is available; or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations which become effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to "Residual Certificates" in these Residual Certificates Conditions shall include the Global Residual Certificate and the Definitive Residual Certificates.

### 3.2 **Title**

Title to the Global Residual Certificate shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to Definitive Residual Certificates shall only pass by and upon registration of the transfer in the Register.

Definitive Residual Certificates may be transferred upon the surrender of the relevant Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Definitive Residual Certificates are subject to any restrictions on transfer set out on the Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Residual Certificate to be issued upon transfer of such Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

#### 4. STATUS AND SECURITY

##### 4.1 Status of the Residual Certificates

The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 11.3 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay further consideration for its purchase of the Mortgage Portfolio, consisting of the Residual Payments. The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payments on the Residual Certificates. Residual Payments will be made subject to and in accordance with the Pre-Enforcement Revenue Priority of Payments, Pre-Enforcement Redemption Priority of Payments and Post-Enforcement Priority of Payments.

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee (acting on the instructions of the Note Trustee), respectively, to have regard to the interests of the Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (acting on the instructions of the Note Trustee) (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard (except as expressly provided otherwise) to the interests of the Noteholders for so long as there are any Notes outstanding.

##### 4.2 Security

The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

The Certificateholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

#### 5. ISSUER COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of these Residual Certificates Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of, its assets



or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;

- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Issuer Account, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Residual Certificates:** purchase or otherwise acquire any Residual Certificates; or
- (k) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 6. RESIDUAL PAYMENTS

### 6.1 Right to Residual Payments

Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of further consideration for the purchase by the Issuer of the Mortgage Portfolio.

### 6.2 Payment

A Residual Payment may be payable in respect of the Residual Certificates on each Interest Payment Date and each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments.

- (a) **"Interest Payment Date"** means each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.
- (b) **"Residual Payment"** means:
  - (i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the amount (if any) by which Available Revenue Receipts

exceeds the amounts required to satisfy items (a) to (v) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date; and

- (ii) following the delivery of an Enforcement Notice, in respect of each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (a) to (r) of the Post-Enforcement Priority of Payments on that date.
- (c) "**Residual Payment Amount**" means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Residual Payment for that date, divided by the number of Residual Certificates then in issue rounded downwards to the nearest penny.

### 6.3 **Determination of Residual Payment**

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

### 6.4 **Publication of Residual Payment and Residual Payment Amount**

The Cash Manager shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*) as soon as possible after their determination and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date.

### 6.5 **Determination by the Note Trustee**

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

### 6.6 **Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 6.6, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar, the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Residual Certificates Condition 6.6.

### 6.7 **Termination of Payments**

Following the redemption in full of the Notes, the realisation of the Charged Assets and payment of the proceeds of realisation in accordance with the applicable Priority of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be cancelled.

7. **PAYMENTS**

7.1 **Payment of Residual Payment Amounts**

Subject to the second paragraph of Residual Certificates Condition 3.1 (*Form and Denomination*), payments of Residual Payment Amounts shall be made by credit or transfer to an account in sterling maintained by the payee.

7.2 **Laws and Regulations**

Payments of any Residual Payment Amounts are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Certificateholders will not be charged commissions or expenses on payments.

7.3 **Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents, **provided that** there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Ireland or in London.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Certificateholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

7.4 **No Payment on non-Business Day**

If the date for payment of any amount in respect of a Residual Certificate is not a Presentation Date, Certificateholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to interest or other payment in respect of such delay. In this Residual Certificates Condition 7.4, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

8. **TAXATION**

All payments of Residual Payment Amounts by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imports, duties, fees, deductions, withholding or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

9. **PRESCRIPTION**

Claims in respect of Residual Payment Amounts will be prescribed after ten years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 9, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, and notice to that effect is duly given to the relevant Certificateholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

## 10. **EVENTS OF DEFAULT**

### 10.1 **Residual Certificates**

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give a notice (an "**Enforcement Notice**") to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the following events (each, an "**Event of Default**") with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the Seller, the Servicer, the Issuer Account Bank and the Cash Manager:

- (a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of five days from the due date for payment; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and the failure continues for a period of 30 days (following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied), except in any case where the Note Trustee considers the failure to be incapable of remedy, in which case no continuation or notice as is aforementioned will be required; or
- (c) if any representation or warranty made by the Issuer under any Transaction Document is incorrect when made which in the opinion of the Note Trustee is materially prejudicial to the interests of the Certificateholders and the matters giving rise to such misrepresentation are not remedied within a period of 15 days (except that in any case where the Note Trustee considers the matters giving rise to such misrepresentation to be incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (d) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders; or
- (e) if (i) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or (iii) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (f) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or

assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the Issuer, is not discharged or within 30 days; or

- (g) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## 10.2 **General**

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Residual Certificates Condition 10.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

## 11. **ENFORCEMENT**

### 11.1 **General**

The Note Trustee may, at any time, at its discretion and without notice and in such manner as it thinks fit, take such proceedings, actions and/or steps or direct the Security Trustee to take such proceedings, actions and/or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Residual Certificates or the Trust Deed (including these Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless, following redemption of the Notes in full:

- (a) the Note Trustee shall have been so directed by an Extraordinary Resolution of the Certificateholders or directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

Other than as provided in Condition 11.2 (*Limitations on Enforcement*), no Certificateholder may proceed directly against the Issuer.

### 11.2 **Limitations on Enforcement**

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

### 11.3 **Limited Recourse**

Notwithstanding any other Residual Certificates Condition or any provision of any Transaction Document, all obligations of the Issuer to the Certificateholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the "**Charged Assets**"). If:

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

then the Certificateholders shall have no further claim against the Issuer in respect of any further amounts due or to be paid in respect of the Residual Certificates (including, for the avoidance of doubt, payments of Residual Payment Amounts in respect of the Residual Certificates) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Residual Certificates and any further payment rights shall be extinguished.

## 12. MEETINGS OF CERTIFICATEHOLDERS AND NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class, and the Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Residual Certificates Conditions, the Conditions or the provisions of any of the Transaction Documents.

12.2 For the purposes of these Residual Certificates Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Collateralised Rated Notes then outstanding, the Class X Notes or if there are no Rated Notes then outstanding, the Class Z Notes.

### 12.3 Limitations on other Noteholders and Certificateholders

- (a) Subject as provided in Residual Certificates Conditions 12.3(a)(i) and 12.3(c):
  - (i) subject to Residual Certificates Conditions 12.3(a)(ii) and (iii), a resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on all other Classes of Noteholders and the holders of the Residual Certificates irrespective of the effect it has upon them;
  - (ii) subject to Residual Certificates Condition 12.3(a)(iii), a resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to the Most Senior Class of Notes in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them; and
  - (iii) subject to paragraph (c) below, no resolution of any Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes.
- (b) Subject as provided in Residual Certificates Conditions 12.3(c), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only, shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.

- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue (if affected) which are affected by such Basic Terms Modification.

#### 12.4 **Quorum**

- (a) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the Residual Certificates then in issue.
- (b) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the Residual Certificates then in issue.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of the Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes or of the method of calculating the amounts payable in respect of the Residual Certificates (including, if any such modification is proposed for any Class of Notes), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) make any change to the definition of Basic Terms Modification, or (viii) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**"), shall be one or more persons holding or representing in the aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding and (ii) three-quarters in number of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant Class of Noteholders and (if affected) by a meeting of the Certificateholders.
- (d) The quorum at any adjourned meeting shall be:
  - (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than ten per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding or any Residual Certificates then in issue;
  - (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution one or more persons present and holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding or any of the Residual Certificates then in issue; and
  - (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or any of the Residual Certificates then in issue.

12.5 The Note Trustee may at any time and from time to time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be

conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification:

- (a) to these Residual Certificates Conditions, the Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders); or
- (b) to these Residual Certificates Conditions, the Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or is made to correct a manifest error.

- 12.6 The Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach (including any Event of Default or Potential Event of Default) of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, **provided that** the Note Trustee shall not exercise any powers conferred on it by this Residual Certificates Condition 12.6 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Residual Certificates Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 12.7 Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with the Conditions, these Residual Certificates Conditions or the Transaction Documents shall be binding on the Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Certificateholders as soon as practicable thereafter in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).
- 12.8 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies (other than any modification which in the opinion of the Note Trustee (i) will not be materially prejudicial to the interests of the Noteholders (or, if there are no Notes outstanding, the interest of Certificateholders); or (ii) is of a formal, minor or technical nature or is made to correct a manifest error).
- 12.9 In connection with any such substitution of principal debtor referred to in Condition 8.5 (*Mandatory Redemption for Taxation or Other Reasons*) or the Residual Certificates Condition 12.19 (*Issuer Substitution Condition*), the Note Trustee and the Security Trustee may also agree, without the consent of the Certificateholders or the other Secured Creditors, to a change of the laws governing the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, **provided that** such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee be materially prejudicial to the interests of the Certificateholders or the other Secured Creditors.
- 12.10 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Residual Certificates Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee (acting on the instructions of the Note Trustee) is required to have regard to the interests of the Certificateholders, it shall have regard to the general interests of the Certificateholders but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual



Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee (acting on the instructions of the Note Trustee) shall not be entitled to require, nor shall any Certificateholders be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Certificateholders.

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

12.12 "**Ordinary Resolution**" means:

- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by not less than a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue.

12.13 "**Extraordinary Resolution**" means:

- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a majority consisting of not less than three-quarters of the Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters in number of the holders of the Residual Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than three-quarters in number of the holders of the Residual Certificates then in issue.

12.14 "**Eligible Person**" means any one of the following persons who shall be entitled to attend and vote at a meeting:

- (a) a bearer of any Voting Certificate; and
- (b) a proxy specified in any Block Voting Instruction.

12.15 "**Voting Certificate**" means an English language certificate issued by a Paying Agent in which it is stated:

- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Voting Certificate; and

- (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
  - (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.
- 12.16 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:
- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
    - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
    - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
  - (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
  - (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
  - (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, **provided that** no such person shall be named as a proxy:
    - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
    - (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.
- 12.17 For the purposes of this Condition 12 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*):

"**24 hours**" means a period of 24 hours including all or part of a day (disregarding for this purpose the day upon which such Meeting is to be held) upon which banks are open for business in both the place where the relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"**48 hours**" means 2 consecutive periods of 24 hours.

12.18 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

12.19 **Issuer Substitution Condition**

The Note Trustee may agree, subject to such amendment of these Residual Certificates Conditions and of any of the Transaction Documents, and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, **provided that** the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Residual Certificates are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Residual Certificates Condition 5 (*Issuer Covenants*) (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Residual Certificates Condition 12.19, the Note Trustee may in its absolute discretion agree, without the consent of the Certificateholders, to a change in law governing the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Certificateholders.

13. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. **REPLACEMENT OF RESIDUAL CERTIFICATES**

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

15. **NOTICE TO CERTIFICATEHOLDERS**

15.1 **Publication of Notice**

While the Residual Certificates are represented by a Global Residual Certificate, notices to Certificateholders will be valid if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Certificateholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid, shall be deemed to have been given on the day of such delivery.

While the Residual Certificates are represented by Definitive Residual Certificates, the Note Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in its opinion, such method is reasonable having regard to market practice then prevailing and

**provided that** notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall deem appropriate.

15.2 **Note Trustee's Discretion to Select Alternative Method**

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Certificateholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the quotation systems on or by which the Residual Certificates are then quoted and/or traded and **provided that** notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall require.

16. **REPLACEMENT RESIDUAL CERTIFICATES**

If the Issuer Substitution Condition is satisfied, the Issuer may, without the consent of the Certificateholders, issue replacement residual certificates to replace the Residual Certificates, which shall have terms and conditions which may differ from the terms and conditions of the Residual Certificates which it replaces.

17. **JURISDICTION AND GOVERNING LAW**

17.1 **Jurisdiction**

- (a) Subject to Residual Certificates Condition 17.1(b), the Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.
- (b) This Residual Certificates Condition 17.1 (*Jurisdiction*) is for the benefit of the Note Trustee and Security Trustee only. As a result, and notwithstanding Residual Certificates Condition 17.1(a) above, this Condition does not prevent the Note Trustee and/or the Security Trustee taking proceedings relating to any dispute in any other courts with jurisdiction. Further, to the extent allowed by law, the Note Trustee and/or the Security Trustee may take concurrent proceedings in any number of jurisdictions.

17.2 **Governing Law**

The Transaction Documents, the Notes, the Residual Certificates and these Residual Certificates Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

18. **RIGHTS OF THIRD PARTIES**

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

## TAXATION

### United Kingdom Taxation

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. 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.*

### United Kingdom Withholding Tax

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Main Securities Market of the Irish Stock Exchange are regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 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.

### 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 Notes Condition 13.22 (*Issuer Substitution Condition*) or otherwise and does not consider the tax consequences of any such substitution.

### Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign**

**passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements ("**IGAs**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

## **ERISA CONSIDERATIONS FOR INVESTORS**

The Notes may not be acquired by a "Benefit Plan Investor" or a governmental, church or non-U.S. plan which is subject to federal, state, local or non-U.S. laws which are similar to the prohibited transaction provisions of Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). A Benefit Plan Investor is defined as an (i) employee benefit plan as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, (ii) a plan described in and subject to Section 4975 of the Code, or (iii) an entity whose underlying assets include plan assets by reason of a plan's investment in the entity under U.S. Department of Labor Regulations § 2510.3-101 (29 C.F.R. § 2510.3-101) as modified by Section 3(42) of ERISA. Each investor, in purchasing and holding the Notes shall be deemed to represent that it is not, and is not using the assets of, a Benefit Plan Investor or such a governmental, church or non-U.S. plan.

## SUBSCRIPTION AND SALE

Natixis (the "**Arranger**" and "**Lead Manager**"), the Co-Manager and the Seller have, pursuant to a subscription agreement dated on or about the Closing Date between, amongst others, the Seller, the Arranger, the Lead Manager, the Co-Manager and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe, or procure subscription, and pay for:

- (a) in the case of the Lead Manager and the Co-Manager:
  - (i) £237,800,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes;
  - (ii) £20,300,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes;
  - (iii) £17,400,000 of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes;
  - (iv) £5,800,000 of the Class D Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class D Notes;
  - (v) £8,700,000 of the Class X1 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class X1 Notes; and
  - (vi) £5,800,000 of the Class X2 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class X2 Notes;
- (b) in the case of the Seller:
  - (i) £8,700,000 of the Class Z1 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z1 Notes; and
  - (ii) £5,800,000 of the Class Z2 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z2 Notes,respectively as at the Closing Date.

On the Closing Date, the Issuer will also issue the Residual Certificates to the Seller as further consideration for the Issuer's purchase of the Mortgage Portfolio.

The Issuer has agreed to indemnify the Lead Manager and the Co-Manager against certain liabilities in connection with the issue of the Notes.

***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.***

### **Australia**

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (the "**Corporations Act**")) in relation to the Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia.

The Lead Manager and the Co-Manager have represented, warranted and agreed in the Subscription Agreement that it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia; and



- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering memorandum, offering circular, advertisement or other offering material relating to the Notes or any sale of the Notes in Australia, unless:
  - (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding monies lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act and complies with the terms of any authority granted under the Banking Act 1959 (Cth) of Australia;
  - (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;
  - (iii) such action complies with all applicable laws, regulations and directives (including an offer or invitation which is received by a person in Australia); and
  - (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By purchasing, or making or accepting an offer to purchase, any Notes from the Issuer and/or the Lead Manager and the Co-Manager, each prospective investor to whom the Notes are issued (an "**Investor**"):

- (a) will be deemed by the Issuer, the Lead Manager and the Co-Manager to have acknowledged that if any Investor on-sells the Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
  - (i) that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer the Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or
  - (ii) the sale offer is received outside Australia; and
- (b) will be deemed by the Issuer, the Lead Manager and the Co-Manager to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Note.

This Prospectus is not, and under no circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

### **Belgium**

This Prospectus has not been submitted for approval to the Belgian Financial Services and Markets Authority and, accordingly, no Notes may be distributed in Belgium by way of a public offering, as defined for the purposes of the law of 16 June 2006, as amended, on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets.

### **France**

Each of the Lead Manager and the Co-Manager has represented and agreed with the Issuer that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, or any other offering material relating to the Notes and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services in relation to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

This Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

## **Ireland**

Each of the Lead Manager and the Co-Manager has represented, warranted and agreed with the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007 (Nos. 1 to 3) (as amended) of Ireland, 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 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 2014, the Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (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 1363 of the Companies Act 2014, by the Central Bank of Ireland; 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 1370 of the Companies Act 2014 by the Central Bank of Ireland.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each of the Lead Manager and the Co-Manager undertakes that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **Republic of Italy**

The offering of the Notes is not registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") (the Italian securities and exchange commission) pursuant to Italian securities legislation and, accordingly, under the Subscription Agreement each of the Issuer, the Lead Manager and the Co-Manager has represented and agreed that it does not offer, sell or distribute, and will not offer, sell or distribute, any of the relevant Notes or any offering material relating to the Notes in the Republic of Italy by means of an offer to the public of financial products under the meaning of article 1, paragraph 1, letter t) of the Italian Legislative Decree no. 58 of 24 February 1998 (the "**Consolidated Financial Act**") unless an exemption applies. Accordingly, the Notes shall only be offered, sold or delivered and copies of any offering material relating to the Notes may only be distributed in Italy:

- (a) to "qualified investors" (*investitori qualificati*), pursuant to article 100 of the Consolidated Financial Act and article 34-ter, paragraph 1, letter (b) of CONSOB Regulation no. 11971 of 14 May 1999, as amended (the CONSOB Regulation); or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under article 100 of the Consolidated Financial Act and article 34-ter of the CONSOB Regulation.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or any offering material relating to the Notes in the Republic of Italy under paragraphs (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Consolidated Financial Act, the Consolidated Banking Act and CONSOB Regulation no. 16190 of 29 October 2007, all as amended;

- (b) in compliance with article 129 of the Consolidated Banking Act and with the implementing instructions of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request post-offering information on the offering or issue of securities in the Republic of Italy; and
- (c) in accordance with any other applicable laws and regulations, including all relevant Italian securities, tax and exchange controls, laws and regulations and any limitations which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

### **Spain**

Each of the Lead Manager and the Co-Manager has represented and agreed that it has only made and will only make an offer of Notes to the public (*oferta pública*) in Spain in the period beginning on the date of notification of the approval of this Prospectus in relation to the Notes by the Central Bank of Ireland to the *Comisión Nacional del Mercado de Valores* (CNMV) in Spain, in accordance with the Recast Text of Securities Market Law (*Texto Refundido de la Ley del Mercado de Valores*) approved by the Royal Decree Legislative 4/2015, of 23 October ("**TRLMV**"), Royal Decree 1310/2005, of 4 November, developing partially the Securities Market Law as regards admission to listing on official secondary markets, public offers and the prospectus required thereto and the regulations made thereunder, and ending at the latest on the date which is 12 months after the date of the approval of the Prospectus.

The Notes may not be offered or sold in Spain other than by institutions authorised under the TRLMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies, to provide investment services in Spain, and in compliance with the provisions of the TRLMV and any other applicable legislation.

### **Switzerland**

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA and investors in the Notes will not benefit from protection or supervision by such authority.

### **The Netherlands**

Each of the Issuer, the Lead Manager and the Co-Manager has represented and agreed that to the extent that article 5:20 paragraph 5 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "**FMSA**") applies, Notes (including rights representing an interest in any security in global form) may not be offered, sold, transferred or delivered in The Netherlands other than to qualified investors (*gekwalificeerde beleggers*) within the meaning of the FMSA.

For the purposes of this provision, the expressions (i) an "offer of Notes to the public" in relation to any Notes in The Netherlands; and (ii) "Prospectus Directive", have the meaning given to them above in the section titled headed "*Subscription and Sale - EEA*".

### **United Kingdom**

Each of the Lead Manager and the Co-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, an invitation or inducement to engage in investment activity (within the

meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Lead Manager and the Co-Manager has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with the Prospectus Directive, having applied for the admission of the Notes to the Official List of the Irish Stock Exchange and admission of the Notes to trading on its Main Securities Market, no further action has been or will be taken in any jurisdiction by the Lead Manager or the Co-Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

## **EEA**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Lead Manager and the Co-Manager has represented and agreed, and each subscriber of Notes will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by the Prospectus in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Lead Manager and the Co-Manager for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of the Notes referred to in paragraphs (a) to (c) above shall require the Issuer, the Lead Manager or the Co-Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

## **United States**

The Notes have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or any other relevant jurisdiction of the United States and therefore may not be offered, sold, resold or otherwise transferred, directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons (as defined under Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the Notes are being offered outside the United States to persons other than U.S. persons (as defined in Regulations S).

Except with the prior written consent of Paratus AMC Limited and where such sale falls within the exemption provided by Rule 20 of the U.S. Risk Retention Rules, the Notes offered and sold by the Issuer may not be purchased by, or for the account or benefit of, any "U.S. Person" as defined in the U.S. Risk Retention Rules.

## General

Other than admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on its Main Securities Market, no action has been taken by the Issuer, the Arranger, the Lead Manager, the Co-Manager or the Seller that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Lead Manager, the Co-Manager and the Seller has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

To the extent that it would not contravene any undertakings made by the Seller in the Mortgage Sale Agreement, the Seller has undertaken that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase or sale by it of the Class Z1 Notes and the Class Z2 Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations, **provided that** the Seller shall not be liable for any loss arising from the sale of the Class Z1 Notes and the Class Z2 Notes to any person believed in good faith by the Seller, on reasonable grounds and after making reasonable investigations, to be a person to whom the Class Z1 Notes and the Class Z2 Notes could legally be sold or to whom any material could lawfully be given in compliance with the above restrictions and requirements.

The Arranger, the Lead Manager and the Co-Manager have acknowledged that the Notes may not be purchased or held by, any "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject thereto, any "plan" as defined in Section 4975 of the Code to which Section 4975 of the Code applies, any person any of the assets of which are, or are deemed for purposes of ERISA or Section 4975 of the Code to be, assets of such an "employee benefit plan" or "plan", or by any governmental, church or non-U.S. plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, and each purchaser of such Notes will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds such Notes will not be, such an "employee benefit plan", "plan" or person, or such governmental, church or non-U.S. plan.

## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

### Offers and Sales

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

### *Investor Representations and Restrictions on Resale*

Each purchaser of the Notes and any subsequent transferee of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred in the United States or to, or for the account or benefit of, a U.S. Person (as defined in Regulation S) unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act, and, in each case, only in accordance with any applicable securities laws of any state or other jurisdiction of the United States. If the purchaser is purchasing the Notes within the period beginning on the later of the commencement of the offering of the Notes and the closing of the offering of the Notes and ending 40 days thereafter, such purchaser is not a U.S. Person (as defined in Regulation S) and is not acquiring the Notes for the account or benefit of such a U.S. Person;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, and (iii) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;
- (c) on each day from the date on which the purchaser or transferee acquires such Notes through and including the date on which the purchaser or transferee disposes of such Notes, it is not and will not be a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, and that in purchasing and holding such Notes it is not, will not be acting on behalf of and will not be using the assets of a Benefit Plan Investor or any such governmental, church or non-U.S. plan.

In addition, each purchaser of Notes from the Issuer, including beneficial interests therein, will be deemed to have represented and agreed that it (1) is not a Risk Retention U.S. Person (unless it has obtained the prior written consent of Paratus AMC Limited), (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note, and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules. Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of "U.S. person" in Regulation S.

The Issuer, the Registrar, the Lead Manager, the Co-Manager and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

" THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE

COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

EACH PURCHASER OR HOLDER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED BY SUCH PURCHASE AND/OR HOLDING THAT (I) IT IS NOT AND IS NOT USING THE ASSETS OF A BENEFIT PLAN INVESTOR, AND SHALL NOT AT ANY TIME HOLD THIS NOTE FOR OR ON BEHALF OF A BENEFIT PLAN INVESTOR AND (II) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"). THE TERM "BENEFIT PLAN INVESTOR" SHALL MEAN (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), WHICH IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY UNDER U.S. DEPARTMENT OF LABOR REGULATIONS § 2510.3-101 (29 C.F.R. § 2510.3-101) AS MODIFIED BY SECTION 3(42) OF ERISA."

*Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 21 July 2017.
2. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware) since 11 May 2017 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2017. So long as the Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 11 May 2017 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the board of directors of the Issuer passed on 17 July 2017.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

Class of Notes/ Residual Certificates	ISIN	Common Code
Class A Notes	XS1622306972	162230697
Class B Notes	XS1622307947	162230794
Class C Notes	XS1622308242	162230824
Class D Notes	XS1622308671	162230867
Class X1 Notes	XS1622308838	162230883
Class X2 Notes	XS1629372357	162937235
Class Z1 Notes	XS1622310818	162231081
Class Z2 Notes	XS1622311386	162231138
Residual Certificates	XS1641704207	164170420

9. From the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on its Main Securities Market, physical copies of the following documents (other than in the case of the Trust Deed subject to the redaction of any sensitive personal information) may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):
  - (a) the memorandum and articles of association of each of the Issuer and Holdings;
  - (b) physical copies of the following documents:
    - (i) the Agency Agreement;
    - (ii) the Cash Management Agreement;



- (iii) the Deed Poll;
  - (iv) the Deed of Charge;
  - (v) the Global Collection Account Declaration of Trust;
  - (vi) the Deed of Accession to the Global Collection Account Declaration of Trust;
  - (vii) the Portfolio Transaction Accounts Declaration of Trust;
  - (viii) Issuer Account Bank Agreement;
  - (ix) the Incorporated Terms Memorandum;
  - (x) the Mortgage Sale Agreement;
  - (xi) the Corporate Services Agreement;
  - (xii) the Servicing Agreement;
  - (xiii) the Swap Agreements;
  - (xiv) the Share Trust Deed; and
  - (xv) the Trust Deed.
10. The Cash Manager on behalf of the Issuer will publish the Monthly Investor Report and Quarterly Investor Report detailing, *inter alia*, certain aggregated mortgage loan data in relation to the Mortgage Portfolio. Such Investor Reports will be published on the website at [www.usbank.com/abs](http://www.usbank.com/abs). Investor Reports will also be made available to the Issuer, the Seller, the Servicer, the Security Trustee, the Rating Agencies and Bloomberg. In addition, it is intended that such Investor Reports, Quarterly Data Tapes and information on the Mortgage Loans in the Mortgage Portfolio will be published on the website at [www.euroabs.com](http://www.euroabs.com) provided that neither the Issuer nor any other Relevant Party assumes any liability for any failure to publish any such information thereon. In addition, loan level information will be provided in the Quarterly Data Tape by the Servicer to the Cash Manager, who (subject to receipt thereof) shall (i) publish such Quarterly Data Tape at [www.usbank.com/abs](http://www.usbank.com/abs); and (ii) provide a copy of such Quarterly Data Tape to the Issuer, the Security Trustee, the Note Trustee and the Ratings Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Mortgage Loans.
11. The Issuer confirms that the Mortgage Loans and Related Security have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
12. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange.
13. Any website referred to in this document does not form part of the Prospectus.

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