

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OR TO ANY PERSON OR ADDRESS IN THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the prospectus attached to this electronic transmission (the “**Prospectus**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES OF THE ISSUER FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OR “BLUE SKY” LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)) EXCEPT PURSUANT TO AN EXEMPTION FROM OR A TRANSACTION NOT SUBJECT TO SUCH REGISTRATION REQUIREMENTS. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE NOTES OFFERED AND SOLD BY THE ISSUER AND THE BENEFICIAL INTERESTS THEREIN MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY “**U.S. PERSON**” AS DEFINED IN THE U.S. RISK RETENTION RULES (“**RISK RETENTION U.S. PERSONS**”). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF “**U.S. PERSON**” IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF “**U.S. PERSON**” IN REGULATION S. EACH PURCHASER OF THE NOTES, OR A BENEFICIAL INTEREST THEREIN, ACQUIRED IN THE INITIAL SYNDICATION OF THE NOTES BY ITS ACQUISITION OF THE NOTES, OR A BENEFICIAL INTEREST THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT IS NOT A RISK RETENTION U.S. PERSON, IS ACQUIRING SUCH NOTE OR CERTIFICATE, OR BENEFICIAL INTEREST THEREIN, FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE OR CERTIFICATE, AND (3) IS NOT ACQUIRING SUCH NOTE OR CERTIFICATE, OR BENEFICIAL INTEREST THEREIN, AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE OR CERTIFICATE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

YOU MAY NOT FORWARD OR DISTRIBUTE THE PROSPECTUS TO ANY OTHER PERSON OR REPRODUCE THE PROSPECTUS IN ANY MANNER WHATSOEVER, AND, IN PARTICULAR, YOU MAY NOT FORWARD THE PROSPECTUS TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY SUCH FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER U.S. OR STATE REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES APPROVED OR DISAPPROVED THIS PROSPECTUS OR CONFIRMED THE ACCURACY OR ADEQUACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE UNDER U.S. LAW.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET:** SOLELY FOR THE PURPOSES OF EACH OF THE MANUFACTURER’S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN DIRECTIVE 2014/65/EU (AS AMENDED, “**MIFID II**”); AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A “**DISTRIBUTOR**”) SHOULD TAKE INTO CONSIDERATION EACH OF THE MANUFACTURER’S TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING EACH OF THE MANUFACTURER’S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

**UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET:** SOLELY FOR THE PURPOSES OF THE MANUFACTURER’S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (1) THE TARGET MARKET FOR THE NOTES IS ONLY ELIGIBLE COUNTERPARTIES, AS DEFINED IN THE FCA CONDUCT OF BUSINESS SOURCEBOOK, AND PROFESSIONAL CLIENTS, AS DEFINED IN REGULATION (EU) NO. 600/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 AND (2) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A “**DISTRIBUTOR**”) SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER’S TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO THE FCA HANDBOOK PRODUCT INTERVENTION AND PRODUCT GOVERNANCE SOURCEBOOK IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE MANUFACTURER’S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

**PROHIBITION OF SALES TO EEA INVESTORS:** THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (“**EEA**”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF MIFID II; (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “**INSURANCE DISTRIBUTION DIRECTIVE**”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “**EU PROSPECTUS REGULATION**”). CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED THE “**PRIIPS REGULATION**”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

**PROHIBITION OF SALES TO UK INVESTORS:** THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO. 2017/565 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FSMA AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO. 600/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA.

CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “**UK PRIIPS REGULATION**”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR CERTIFICATES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THIS PROSPECTUS IS A PROSPECTUS FOR THE PURPOSES OF ARTICLE 6(3) OF EU REGULATION 2017/1129 OR ANY IMPLEMENTING LEGISLATION OR RULES RELATING THERETO (THE “**EU PROSPECTUS REGULATION**”). IT IS AN ADVERTISEMENT AND ACCORDINGLY INVESTORS SHOULD NOT SUBSCRIBE FOR NOTES EXCEPT ON THE BASIS OF INFORMATION IN THE FINAL PROSPECTUS. COPIES OF THE FINAL PROSPECTUS WILL, FOLLOWING PUBLICATION, BE AVAILABLE FROM THE REGISTERED OFFICE OF TYNE FUNDING NO. 1 PLC (THE “**ISSUER**”) SPECIFIED AT THE END OF THIS PROSPECTUS AND THE WEBSITE OF THE IRISH STOCK EXCHANGE PLC TRADING AS EURONEXT DUBLIN.

THIS PROSPECTUS DOES NOT COMPRISE A PROSPECTUS FOR THE PURPOSES OF THE EU PROSPECTUS REGULATION AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE “**EUWA**”) (THE “**UK PROSPECTUS REGULATION**”).

THE PROSPECTUS HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THE PROSPECTUS MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED. BY ACCESSING THE PROSPECTUS, YOU WILL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THE PROSPECTUS BY ELECTRONIC TRANSMISSION, (C) YOU ARE NOT A “U.S. PERSON” (WITHIN THE MEANING OF REGULATION S) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS E-MAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA, (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLES 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005 AND (E) YOU ARE NEITHER: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, MIFID II); NOR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2016/97/EU, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II.

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

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer nor the Arranger, the Lead Manager or any party who is a party to a transaction document (the “**Transaction Parties**”) or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer and BNP Paribas (the “**Lead Manager**”).

## TYNE FUNDING NO.1 PLC

(incorporated with limited liability in England and Wales under number 13653178 and legal entity identifier (LEI) number 213800WM3S62QI5SVU46)

Notes	Initial Principal Amount	Issue Price	Interest Rate	Margin/ Step-Up Margin	Step-Up Date	Pre-enforcement Redemption Profile	Final Maturity Date	Ratings (S&P/Moody's)
Class A	£250,000,000	100%	Compounded Daily SONIA plus a Margin or Step-Up Margin, as applicable	Up to and excluding the Step-Up Date, 0.58 % p.a. / From and including the Step-Up Date, 1.16 % p.a.	The Interest Payment Date falling in November 2026	Pass through amortisation	The Interest Payment Date falling in May 2052	AAA (sf) / Aaa (sf)
Class B	£32,700,000	100%	0.00% p.a.	N/A	The Interest Payment Date falling in November 2026	Pass through amortisation	The Interest Payment Date falling in May 2052	Unrated

**Issue Date** The Issuer will issue the Notes in the Classes set out above on the Closing Date.

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

**Underlying Assets** The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue on a portfolio comprising buy-to-let mortgage loans originated by Newcastle Building Society (“Newcastle”) and secured over residential properties located in England and Wales (the “Portfolio”) which will be purchased by the Issuer on the Closing Date.

Please refer to the section entitled “*The Portfolio*” for further information.

**Credit Enhancement**

- Subordination of junior ranking Notes;
- following the service of an Enforcement Notice, all amounts standing to the credit of the Liquidity Reserve Fund (if any) will be applied as Available Principal Receipts in accordance with the Post-Enforcement Priority of Payments; and
- excess Available Revenue Receipts.

Please refer to sections entitled “*Key Structural Features*” and “*Cashflows and Cash Management*” for further information.

**Liquidity Support** Liquidity support features for the Notes:

- in respect of the Class A Notes, Liquidity Reserve Fund to make up Revenue Deficiency; and
- Principal Receipts applied to make up any Remaining Revenue Deficiency;

Please refer to the section entitled “*Key Structural Features*” for further information.

**Redemption Provisions**

Information on any optional and mandatory redemption of the Notes is summarised on page 42 (“*Transaction Overview – Overview of the Terms and Conditions of the Notes*”) and is set out in full in Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).

**UK Benchmarks Regulation**

Interest payable under the Class A Notes shall be calculated by reference to the Sterling Overnight Index Average (“**SONIA**”). As at the date of this Prospectus, the administrator of SONIA is not included in the FCA’s register of administrators under Article 36 of Regulation (EU) No. 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”). The Bank of England, as administrator of SONIA, is exempt under Article 2 of the UK Benchmarks Regulation but has issued a statement of compliance with the principles for financial benchmarks issued in 2013 by the International Organisation of Securities Commissions.

**Rating Agencies**

The Class A Notes will be rated by Standard & Poor’s Ratings Services, a division of S&P Global Ratings UK Limited (“**S&P**”) and Moody’s Investors Service (“**Moody’s**”), (each a “**Rating Agency**” and together, the “**Rating Agencies**”).

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the United Kingdom (the UK) and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the “**UK CRA Regulation**”).

As of the date of this Prospectus, S&P and Moody’s are not established in the European Union and have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**EU CRA Regulation**”). The ratings that S&P is expected to assign to the Notes on or before the Closing Date will be endorsed by S&P Global Ratings Europe Limited, which is established in the European Union and registered under the EU CRA Regulation. The ratings that Moody’s is expected to assign to the Notes will be endorsed by Moody’s Deutschland GmbH, which is established in the European Union and registered under the EU CRA Regulation.

**Credit Ratings**

Ratings are expected to be assigned to the Class A Notes by the Rating Agencies as set out above on or before the Closing Date.

The ratings reflect the views of the Rating Agencies and are based on the Loans, the Related Security and the Properties and the structural features of the transaction, including, *inter alia*, the current ratings of the Swap Provider.

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

The ratings assigned by Moody’s address the expected loss to a Noteholder in proportion to the initial principal amount of the class of Notes held by the Noteholder by the Final Maturity Date. In Moody’s opinion, the structure allows for timely payment of interest and principal at par on or before the Final Maturity Date.

The assignment of ratings to the Class A Notes is not a recommendation to invest in the Class A Notes and ratings may be suspended, revised or withdrawn at any time by the assigned rating agency.

The Class B Notes will not be rated.

## Listings

This document comprises a prospectus (the “**Prospectus**”) for the purpose of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the “**EU Prospectus Regulation**”). This Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under the EU Prospectus Regulation. The Central Bank only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the Notes to be admitted to the official list of Euronext Dublin (the “**Official List**”) and to trading on its regulated market (the “**Regulated Market**”). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on Euronext Dublin’s Regulated Market. The Regulated Market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU (as amended “**MIFID II**”).

## Validity

This Prospectus is valid for 12 months after its approval. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply once the Notes are admitted to the Official List and trading on its regulated market.

## Obligations

The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of any Transaction Party other than the Issuer.

## Definitions

See “*Glossary*” for a list of defined terms and their meanings, and “*Index of Defined Terms*” for where the meanings of defined terms may be found in this Prospectus.

## UK and EU Risk Retention

Newcastle Building Society (the “**Retention Holder**”), as originator, will undertake to the Issuer, the Swap Provider and the Trustee, on behalf of the Noteholders, that it will on an on-going basis retain a material net economic interest of at least 5% of the nominal value of the securitised exposures in accordance with and as required by Article 6(1) of Regulation (EU) 2017/2402 (the “**EU Securitisation Regulation**”) as it forms part of UK domestic law by virtue of the EUWA (the “**UK Securitisation Regulation**”) (which does not take into account any corresponding relevant national measures and as interpreted and applied on the date hereof). As at the Closing Date, such interest will be comprised of the Retention Holder holding an interest in the Class B Notes in accordance with Article 6(3)(d) of the UK Securitisation Regulation (the “**Retained Interest**”).

Each potential affected investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 5 of the UK Securitisation Regulation and any corresponding national measures which may be relevant to such affected investors and none of the Issuer, the Seller, the

Trustee, the Lead Manager, the Arranger, the Retention Holder or any other Transaction Party makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

In addition, the Transaction is not being structured so as to ensure compliance by any person with any requirement of the EU Securitisation Regulation. Each potential investor that is subject to the EU Securitisation Regulation should consult with its own legal, accounting and other advisors and/or its national regulator to determine whether, and to what extent, any information set out in this Prospectus generally and, after the Closing Date, the information described in Servicing Reports, Quarterly Loan-by-Loan Reports and Quarterly Investor Reports are or is sufficient for the purpose of complying with the EU Securitisation Regulation and none of the Issuer, the Seller, the Trustee, the Lead Manager, the Arranger, the Retention Holder or any other Transaction Party makes any representation that any such information described above or elsewhere in this Prospectus is will be sufficient for such purposes.

Please refer to the sections entitled “*Certain Regulatory Requirements*” and “*Subscription and Sale*” for further information.

**U.S. Credit Risk Retention Requirements**

The Seller, as the sponsor under the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the “**U.S. Risk Retention Rules**”), does not intend to retain at least 5 per cent. of the credit risk of the Notes for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions.

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**”).

None of the Lead Manager, the Arranger, the Trustee, the Agents, the Account Bank or any other party provides any assurances regarding, or assumes any responsibility for, the Seller’s compliance with the U.S. Risk Retention Rules prior to, on or after the Closing Date.

**Simple, Transparent and Standardised Securitisation**

The Notes are not intended to be designated as a simple, transparent and standardised (“**STS**”) securitisation for the purposes of the UK Securitisation Regulation (or as an STS securitisation for the purposes of the EU Securitisation Regulation). See the section entitled “*Risk Factors – Certain Regulatory Risks in respect of the Notes – STS – Simple, Transparent and Standardised Securitisation*” for further information.

**Volcker Rule**

The Issuer has been structured not to be a “covered fund” for the purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (such statutory provisions, together with such implementing regulations, being commonly referred to as the Volcker Rule). In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act and under the Volcker Rule and its related regulations may be available, the Issuer has relied on an exemption from registration as an “investment company” under the Investment Company Act under Section (3)(c)(5)(C) thereof. Under the Volcker Rule, 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) thereof. Any prospective investor in the Notes should consult its own legal advisers regarding such matters and other effects of the Volcker Rule. See further “*Certain Regulatory Requirements – Other U.S. Requirements – The Volcker Rule*”.

**Significant  
Investor**

Newcastle Building Society:

- (i) will, in its capacity as Retention Holder, on the Closing Date, hold the Class B Notes;  
and
- (ii) may purchase some or all of the Class A Notes.

Please refer to the section entitled “*Subscription and Sale*” for further information.

**U.S. Selling  
Restrictions**

The Securities have not been and will not be registered under the Securities Act or the Blue Sky laws of any state of the United States or other jurisdiction. The Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from or a transaction not subject to such registration requirements.

A “RISK FACTORS” SECTION BEGINNING ON PAGE 6 OF THIS PROSPECTUS CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.

Arranger and Lead Manager

**BNP PARIBAS**

The date of this Prospectus is 16 December 2021.



## IMPORTANT NOTICES

The Issuer accepts responsibility for the information in this Prospectus. To the best of the knowledge of the Issuer, the information in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and the source of such information is identified 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.

Newcastle Building Society accepts responsibility for the information set out in the section headed “*Newcastle Building Society*” and “*The Servicer*”. To the best of the knowledge of Newcastle Building Society, the information contained in such section is in accordance with the facts and does not omit anything likely to affect its import. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Newcastle Building Society 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 Provider accepts responsibility for the information set out in the section headed “*The Swap Provider*”. To the best of the knowledge of the Swap Provider, the information contained in such section is in accordance with the facts and does not omit anything likely to affect its import. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Swap Provider 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 Trustee accepts responsibility for the information set out in the section headed “*Trustee*”. To the best of the knowledge of the Trustee, the information contained in such section is in accordance with the facts and does not omit anything likely to affect its import. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Trustee as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

The Cash Manager and the Account Bank accepts responsibility for the information set out in the section headed “*Cash Manager and Account Bank*”. To the best of the knowledge of the Cash Manager and the Account Bank, the information contained in such section is in accordance with the facts and does not omit anything likely to affect its import. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Cash Manager and the 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 “*Corporate Services Provider*”. To the best of the knowledge of the Corporate Services Provider, the information contained in such section is in accordance with the facts and does not omit anything likely to affect its import. 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 sections referred to above) or any other information supplied in connection with the Notes or their distribution.

### **No responsibility or liability**

None of the Lead Manager, the Arranger, the Trustee, the Agents, the Cash Manager or the Account Bank makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes. None of the Lead Manager, the Arranger, the Trustee, the Agents, the Cash Manager or the Account Bank accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. Each potential purchaser of Notes should determine the relevance of the information contained in this Prospectus or part hereof and the purchase of Notes should

be based upon such investigation as each purchaser deems necessary. None of the Lead Manager, the Arranger, the Trustee, the Agents, the Cash Manager or the Account Bank undertakes or shall undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Lead Manager, the Arranger, the Trustee, the Agents, the Cash Manager or the Account Bank.

None of the Lead Manager, the Arranger, the Trustee, the Agents, the Cash Manager or the Account Bank is responsible for any matter which is the subject of any statement, representation, warranty or covenant of the Issuer contained in the Notes or any Transaction Documents, or any other agreement or document relating to the Notes or any Transaction Document or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof. In particular, but without limitation, none of the Lead Manager, the Arranger, the Trustee, the Agents, the Cash Manager or the Account Bank makes any representation, warranty or guarantee that the Retention Holder, its affiliates or the transactions contemplated in this Prospectus will be in compliance with the Risk Retention Requirements, the U.S. Credit Risk Retention Requirements or the Volcker Rule.

None of the Lead Manager, the Arranger, the Trustee, the Agents, the Cash Manager or the Account Bank is responsible for the obligations of the Retention Holder or the Issuer for compliance with the requirements (including existing or ongoing reporting requirements) of Article 7 of the UK Securitisation Regulation or any corresponding national measures which may be relevant.

The only person authorised to use this Prospectus in connection with an offer of Notes is the Lead Manager.

No person is or has been authorised to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the directors of the Issuer, any Transaction Party, any of their respective affiliates or any other party to the Transaction Documents.

Neither the delivery of this Prospectus nor any offer, sale or allotment made in connection with the offering of any Notes will under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer, any Transaction Party or any of their respective affiliates or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof or that there has been no change in any other information supplied in connection with the Transaction as of any time subsequent to the date indicated in the document containing the same or that such information is correct at any time subsequent to the date thereof.

The Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

In connection with this new issue of the Notes as described in this Prospectus (the “**Transaction**”), the Arranger and the Lead Manager are acting exclusively for the Issuer and the Seller and no one else. Accordingly, in connection with the Transaction, the Arranger and the Lead Manager will not be responsible to anyone other than the Issuer or the Seller for providing the protections afforded to its clients or for the giving of advice in relation to the Transaction. The Arranger and the Lead Manager will be paid a fee by the Issuer in respect of the placement of the Notes.

The Notes are intended to be held in a manner which would allow the European System of Central Banks (as the term is used in the Governing Council of the European Central Bank (the “**ECB**”)) (“**Eurosystem**”) eligibility. The Notes will be represented by Global Notes which are expected to be deposited on the Closing Date with and registered in the name of a nominee of one of the Euroclear and/or Clearstream, Luxembourg (each an “**ICSD**” and together the “**ICSDs**” acting as common safekeeper (the “**New Safekeeping Structure**”). Notwithstanding that the Notes are intended to be held in accordance with the New Safekeeping Structure, this does not mean that any of the Notes or the Certificates will be recognised as eligible collateral for the Eurosystem monetary policy and intra-day operations by the Eurosystem, either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that all Eurosystem eligibility has been met.

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

## Forward-Looking Statements and Statistical Information

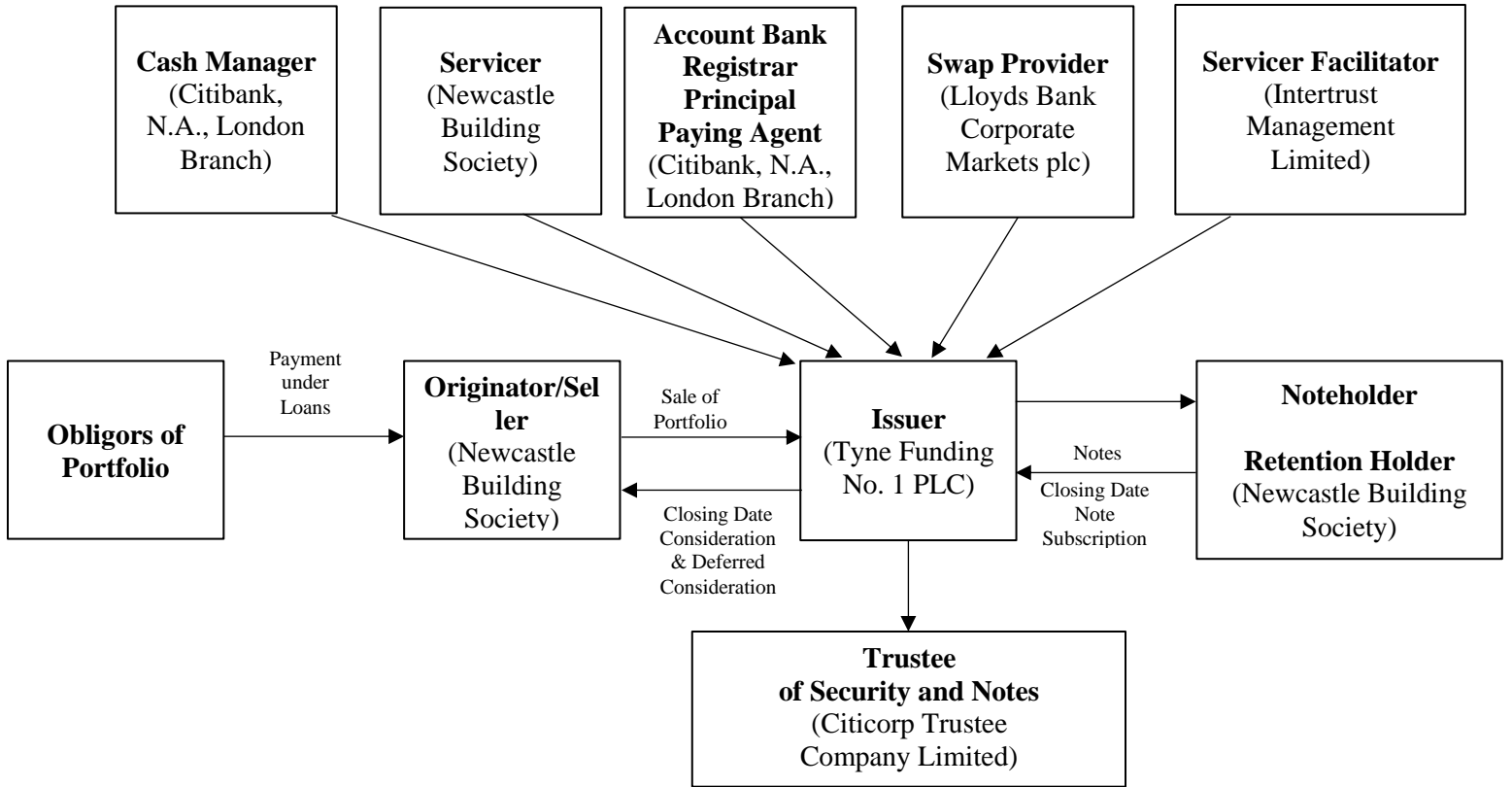
Certain matters contained in this Prospectus are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as “may”, “will”, “could”, “believes”, “expects”, “anticipates”, “continues”, “intends”, “plans” or similar terms. Consequently, future results may differ from the Issuer’s expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. This Prospectus also contains certain tables and other statistical analyses (the “**Statistical Information**”). 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 Lead Manager, the Arranger or the Seller has attempted to verify any forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements or Statistical Information. None of the Issuer, the Lead Manager, the Arranger or the Seller assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.

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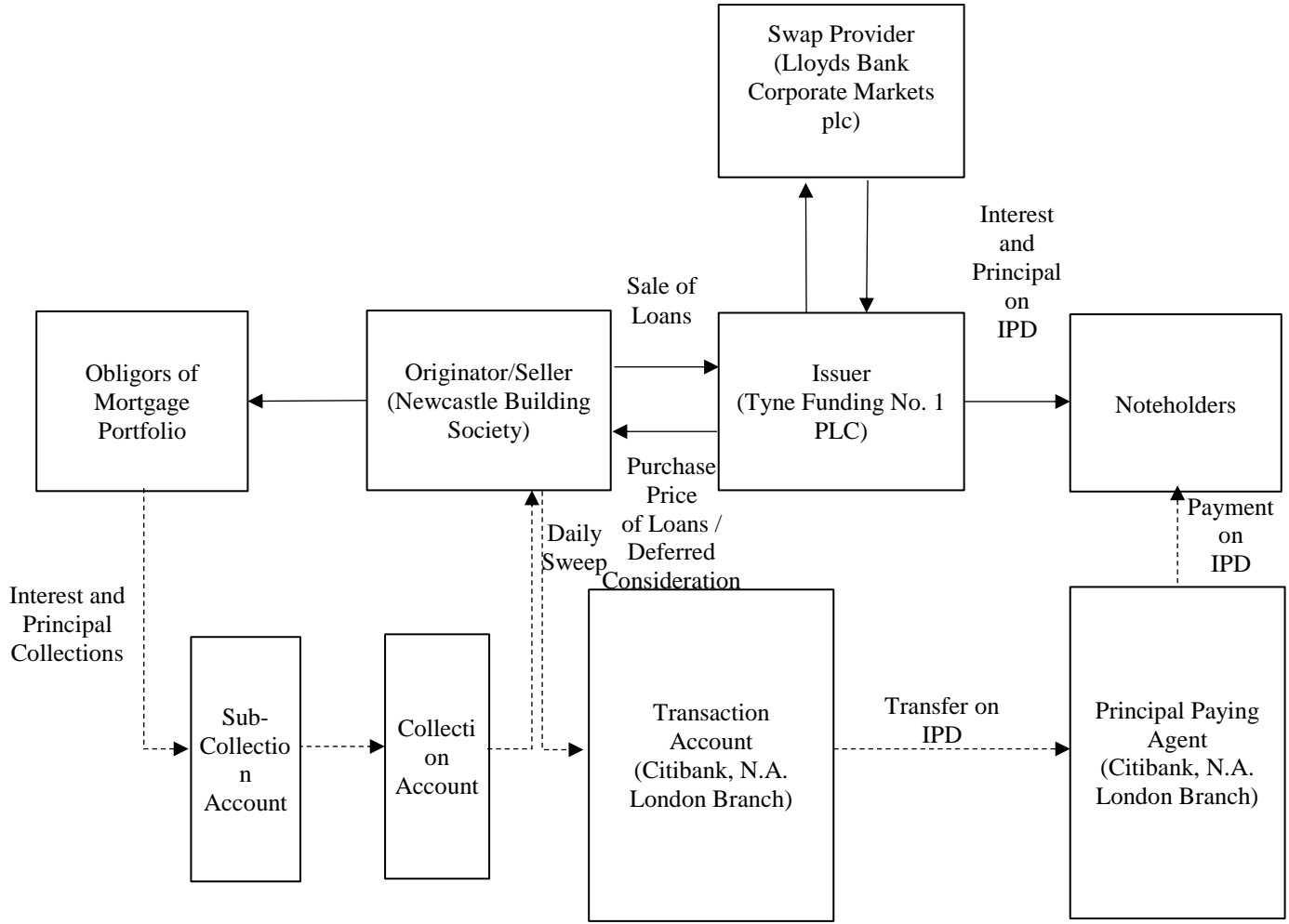
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**DIAGRAMMATIC OVERVIEW OF TRANSACTION**

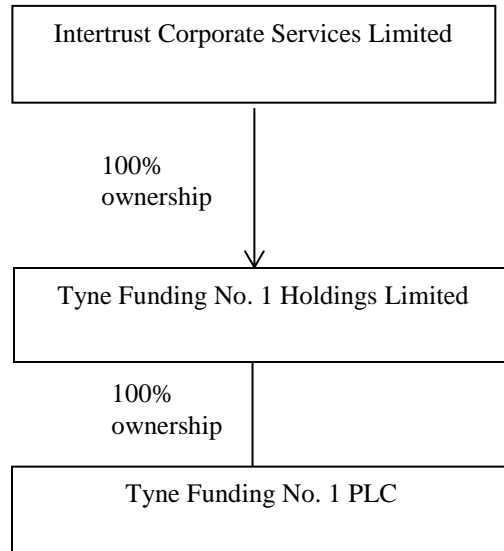


**DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOWS**



—————> Contractual Obligations  
 - - - - -> Cash flows

## OWNERSHIP STRUCTURE DIAGRAM



The above diagram 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

*The information set out below is an overview of various aspects of the transaction. 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.*

### TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed / Further Information
<b>Issuer</b>	Tyne Funding No. 1 PLC	1 Bartholomew Lane, London EC2N 2AX	N/A  (Please refer to the section entitled “ <i>Issuer</i> ” for further information on this.)
<b>Holdings</b>	Tyne Funding No. 1 Holdings Limited	1 Bartholomew Lane, London EC2N 2AX	N/A  (Please refer to the section entitled “ <i>Holdings</i> ” for further information on this.)
<b>Seller</b>	Newcastle Building Society	1 Cobalt Park Way, Wallsend, NE28 9EJ	N/A  (Please refer to the section entitled “ <i>Newcastle Building Society</i> ” for further information on this.)
<b>Servicer</b>	Newcastle Building Society	1 Cobalt Park Way, Wallsend, NE28 9EJ	Servicing Agreement  (Please refer to the section entitled “ <i>The Servicer</i> ” for further information on this.)
<b>Servicer Facilitator</b>	Intertrust Management Limited	1 Bartholomew Lane, London EC2N 2AX	Servicing Agreement  (Please refer to the section entitled “ <i>The Servicer</i> ” and “ <i>The Servicing Agreement</i> ” for further information on this.)
<b>Cash Manager:</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Cash Management Agreement (Please refer to the section entitled “ <i>Cashflows and Cash Management</i> ” for further information on this.)

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / Further Information</b>
<b>Retention Holder</b>	Newcastle Building Society	1 Cobalt Park Way, Wallsend, NE28 9EJ	Risk Retention Letter  (Please refer to the section entitled “ <i>Certain Regulatory Risks in respect of the Portfolio</i> ” and “ <i>Subscription and Sale</i> ” for further information on this.)
<b>Subordinated Loan Provider</b>	Newcastle Building Society	1 Cobalt Park Way, Wallsend, NE28 9EJ	Subordinated Loan Agreement
<b>Swap Provider</b>	Lloyds Bank Corporate Markets plc	25 Gresham Street, London EC2V 7HN	Swap Agreement  (Please refer to the section entitled “ <i>Swap Provider</i> ” for further information on this.)
<b>Trustee</b>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, London E14 5LB	Trust Deed (See the Conditions for further information on this.)
<b>Principal Paying Agent</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
<b>Agent Bank</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
<b>Registrar</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
<b>Account Bank</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Account Bank Agreement
<b>Collection Account Bank</b>	Barclays Bank PLC	49-51 Northumberland Street, Newcastle Upon Tyne, NE1 7AF	Please refer to the section entitled “ <i>The Servicer— Administration Procedures— Collections</i> ” for further information on this.
<b>Corporate Services Provider</b>	Intertrust Management Limited	1 Bartholomew Lane, London EC2N 2AX	Corporate Services Agreement
<b>Arranger and Lead Manager</b>	BNP Paribas	16 Boulevard des Italiens 75009 Paris	N/A

## **RISK FACTORS**

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

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

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

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

### **RISKS RELATED TO THE LIMITED RECOURSE NATURE OF THE ISSUER'S OBLIGATIONS**

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

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on Revenue Receipts and Principal Receipts in respect of the Loans in the Portfolio, interest earned on the Transaction Account, income from Authorised Investments, the receipts under the Swap Agreement (other than receipt of any sums to be credited to any Swap Collateral Account) and amounts standing to the credit of the Liquidity Reserve Fund. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The Issuer will have no recourse to the Seller, save as provided in the Mortgage Sale Agreement (see further the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*").

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

The Notes will be limited recourse obligations of the Issuer. Other than the source of funds referred to in the foregoing paragraph, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or

- (ii) the service of an Enforcement Notice; and
- (b) realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments,

the proceeds of such realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any Class of Notes, then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

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

Apart from the Trustee, none of the Secured Creditors, including the Noteholders, will be entitled to institute against the Issuer any bankruptcy, reorganisation, arrangement, examinership, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligation relating to the Notes or the other Transaction Documents unless (i) the Trustee has become bound to institute proceedings and has failed to do so within a reasonable period of becoming so bound and (ii) such failure is continuing, and then only if and to the extent that such Secured Creditor is able to do so under applicable law.

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

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any of the Transaction Parties (other than the Issuer) and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes. See also "*Risk Factors - Liquidity of the Issuer*".

#### **RISKS RELATING TO YIELD TO MATURITY ON THE NOTES**

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal and interest (including prepayments, sale proceeds arising on enforcement of a Loan and repurchases of Loans required to be made under the Mortgage Sale Agreement) on the Loans and the price paid by the holders of the Notes of each Class. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Subject to the terms and conditions of the 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 on any day in specified circumstances. No assurance can be given as to the level of prepayments that the Portfolio will experience. See also the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*".

Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken).

Variation in the rate and timing of prepayments of principal on the Loans may affect each Class of Notes. As a general matter, if prepayments on the Loans occur less frequently than anticipated, then the amortisation of the Notes may take much longer than is presently anticipated and the actual yields on the Notes may be lower than anticipated. If the aggregate rates of prepayments and scheduled repayments fell to levels much lower than the historical constant

prepayment rate (“CPR”) levels in respect of the Portfolio this may affect the repayment rates on any Notes. Alternatively, it is unlikely that the average lives of the Notes would be reduced unless CPRs rose to levels much higher than the historical CPR levels in respect of the Portfolio (or the United Kingdom mortgage market in general). If prepayment rates decline, then the Issuer may have insufficient proceeds to repay Notes on the relevant scheduled maturity dates.

Certain features of the Loans may also affect the yield to maturity of the Notes. For example, the grant by the Seller of a Product Switch may cause the rates of prepayments and scheduled repayments on the Loans to be lower than expected. See also “*Risk Factors – Product Switches and Further Advances*”.

In addition, if the Seller is required, per the terms of the Mortgage Sale Agreement, to repurchase a Loan or Loans under a Mortgage Account and their Related Security from the Issuer because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account.

Payments and prepayments of principal on the Loans will be applied on each Interest Payment Date on a pass-through basis to reduce the Principal Amount Outstanding of the Notes in each case in accordance with the Pre-Enforcement Principal Priority of Payments (see “*Cashflows and Cash Management*” below) or used to fund a Remaining Revenue Deficiency.

On any Interest Payment Date from and including the Step-Up Date or Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of all such Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes upon the occurrence of (i) a Tax Event; or (ii) an Illegality Event. See Condition 9.4 (*Optional Redemption in whole for taxation reasons*) and Condition 9.5 (*Optional Redemption in whole upon the occurrence of an Illegality Event*) for further information.

Following enforcement of the Security, there is no guarantee that the Issuer will have sufficient funds to redeem the Notes in full.

Early redemption of the Notes may adversely affect the yield on the Notes.

## **RISKS RELATED TO THE MORTGAGES**

### ***Seller to initially retain legal title to the Loans and risks relating to set-off***

The sale by the Seller to the Issuer of certain Loans secured by Mortgages (the “**Loans**”) and their Related Security (until legal title is conveyed) takes effect in equity only. This means that the Issuer will not acquire legal title and, in the case of registered land in England or Wales and will not be registered as proprietor and legal owner of the Mortgage at the Land Registry until certain trigger events occur under the terms of the Mortgage Sale Agreement (see “*The Portfolio — Sale of the Mortgages and their Related Security*”, below).

The Issuer has not and will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the Mortgages and their Related Security.

There are certain consequences under English law of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby:

- (a) a *bona fide* purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents;
- (b) although as between the Seller and the Issuer, under the Servicing Agreement, the Seller has agreed that it will not vary any of the terms of the Loans or their Related Security except that it may in its capacity as

Servicer vary certain terms in certain circumstances as set out in the Servicing Agreement, as between any Borrower and the Issuer, if the Seller was to modify the terms of the Loans and their Related Security the revised terms would apply and the Issuer would only have recourse against the Seller for breach of contract or breach of trust;

- (c) prior to the insolvency of the Seller, unless notice of the assignment was given to a Borrower who is a creditor of the Seller in respect of the Loans and their Related Security, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller under the Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower, however, some rights of set-off may not arise after the date notice is given;
- (d) once notice has been given to the Borrowers of the assignment of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller (such as, for example, set-off rights associated with Borrowers holding deposits with the Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under “transaction set-off” (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist (see “*Risk Factors -Set-off risk may adversely affect the value of the Portfolio or any part thereof*” below); and
- (e) until notice of the assignment is given to the Borrowers, the Issuer would not be able to enforce any Borrower’s obligations under a Loan or Related Security itself but would have to join the Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of Loans to the order of the Issuer. However, for so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the Loans and their Related Security.

If any of the risks described above were to occur then the realisable value of the Portfolio or any part thereof may be affected. Under the Mortgage Sale Agreement, the Seller will grant to the Issuer and the Trustee a power of attorney to give them the power to do all further things and take all necessary action to perfect the transfer of legal title to the Loans and their Related Security on the occurrence of a Perfection Trigger Event (see “*Perfection Trigger Events*” in the section entitled “*Transaction Overview – Triggers Table – Non-Rating Triggers Table*”).

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

As described above, the sale by the Seller to the Issuer of the Loans will be given effect by an assignment. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to “transaction set-off”, being the direct rights of the Borrowers against the Seller, including rights of set-off which occur in relation to transactions or deposits made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment of the Loans.

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

The amount of any such claim against the Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds. The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the Seller’s breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

If the Borrower is unable to obtain an alternative mortgage loan, the Borrower may have a claim in respect of other indirect losses arising from the Seller’s breach of contract where there are special circumstances communicated by

the Borrower to the Seller at the time the Borrower entered into the Mortgage or which otherwise were reasonably foreseeable. A Borrower may also attempt to set off an amount greater than the amount of his or her damages claim against his or her mortgage payments. In that case, the Servicer will be entitled to take enforcement proceedings against the Borrower, although the period of non-payment by the Borrower is likely to continue until a judgment or decree is obtained.

Further, there may be circumstances in which:

- a Borrower may seek to argue that certain Further Advances are unenforceable by virtue of non compliance with the Consumer Credit Act 1974 (as amended) (the “CCA”);
- a Borrower may seek to argue that a mortgage loan is unenforceable under the FSMA or that there has been a breach of an FCA or PRA rule, and claim damages in respect thereof (see “*Certain Regulatory Considerations in respect of the Portfolio*”); or
- certain Further Advances may rank behind security created by a Borrower after the date upon which the Borrower entered into its mortgage loan with the Seller.

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

#### ***Delinquencies or default by Borrowers in paying amounts due on their loans***

Borrowers may default on their obligations under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies, natural or other disasters including terrorist attacks and epidemic outbreaks (as to which, see, in particular, section “*The ongoing COVID-19 pandemic*” below).

It should in particular be noted that despite periods of inflationary pressure, the United Kingdom has generally benefited from a historically low interest rate climate as the Bank of England has attempted to limit the slowdown in economic activity in the UK since the global financial crisis. This interest rate climate has potentially allowed Borrowers to mitigate against reductions in salaries, loss of employment and other adverse economic conditions which may have been affecting them. No assurance can be given that if interest rates were to rise, with the resulting effect that interest rates on the Loans were to rise, Borrowers would still be able to meet their payment obligations under their Loans and thus arrears and default levels on the Loan may increase.

Increases in the Bank of England base rate may result in Borrowers with a Loan subject to a tracker rate of interest, or for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, being exposed to increased monthly payments as and when the related mortgage interest rate increases (or, in the case of the latter, at the end of the relevant fixed or introductory period). This increase in Borrowers’ monthly payments, which (in the case of the latter) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, ultimately may result in higher delinquency rates and losses in the future.

Other factors in Borrowers’ personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a Property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time.

If a Borrower fails to repay its Loan and the related Property is repossessed, the likelihood of there being a net loss on disposal of the Property is increased by a higher “loan to value” ratio.

In order to enforce a power of sale in respect of a Property, the relevant mortgagee (which may be the Seller or the Issuer) must first obtain possession of the relevant Property. Possession is usually obtained by way of a court order or decree although this can be a lengthy and costly process and will involve the mortgagee assuming certain risks. If obtaining possession of Properties in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Notes may be reduced. The Issuer's ability to make such payment may be reduced further if the mortgagee's method for obtaining possession of Properties permitted by law is restricted in the future.

### ***Decline in property values***

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

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

Borrowers may have insufficient equity to refinance their Loans with lenders other than the Seller and may have insufficient resources to pay amounts in respect of their Loans as and when they fall due. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on the Notes.

### ***Risk of losses associated with buy-to-let Loans***

A Borrower's ability to make payments in respect of a buy-to-let Loan is likely to depend on the Borrower's ability to let the relevant Property on appropriate terms. It is expected that Properties which secure buy-to-let Loans will be let by the relevant Borrower to tenants but there can be no guarantee that each such Property will be the subject of an existing tenancy at the point any such Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the buy-to-let Loan and/or that the rental income achievable from tenancies of the relevant Property over time will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the buy-to-let Loan.

Consequently, the Security for the Notes may be affected by the condition of the private residential rental market in the United Kingdom. The condition of the market will influence both the ability of the Borrowers to find tenants and the level of rental income which may be achieved in letting. The obligations of a Borrower to make payment under the buy-to-let Loan are unconditional without regard to whether the Property is let or the amount of rent received by the Borrower from the relevant tenant.

Upon enforcement of a buy-to-let Loan in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces whilst the tenancy is continuing and sells the Property as an investment property with one or more tenants in situ, this may affect the amount which may be realised in the sale, although the existence of any such tenant paying rent in full on a timely basis may not have an adverse effect on the amount of such realisation. However, in the UK it is common for tenancies to be only for six or 12 months, so a tenanted property will often be vacated sooner than an owner-occupied property.

From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate (EPC) for the property) and, from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid EPC for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the Energy Efficiency Regulations 2015) as the prohibition on letting sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, they will need to



ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. They may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to them that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties.

The introduction of these measures may adversely affect the private residential rental market in England and Wales in general and the ability of individual Borrowers of buy-to-let Loans to meet their obligations under those Loans.

#### ***Non-disclosure of broker commissions***

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

The Seller has warranted to the Issuer that in respect of each Loan both the existence and amount of commission was disclosed to the Borrowers in the Portfolio before origination of that Loan (the “**Broker Commission Warranty**”). If that warranty is untrue because either the existence or amount of the relevant commission was not disclosed to the Borrower before origination of a Loan, the Seller would be required to repurchase the relevant Loan and its Related Security. In the event that the Seller does not have sufficient funds available to pay such repurchase price then this may adversely affect the ability of the Issuer to make payments on the Notes.

#### ***Unauthorised capitalisations***

A case in the Northern Ireland High Court in 2014 (*Bank of Scotland PLC v Rea*) brought to the attention of mortgage lenders generally, and the FCA, concerns over how mortgage lenders were capitalising arrears.

The issue relates to lenders who add arrears to an account balance and then use that balance to calculate the monthly payment without the borrower’s consent. This practice is referred to as “automatic capitalisation” by the FCA. The principal concern with the practice highlighted by the Northern Ireland High Court is that it is often coupled with a practice under which, at the same time as capitalising the arrears, a separate record of the borrower’s arrears is kept by the lender and then the lender seeks separate (and additional) payment of those arrears even though their payment has already been provided for in the calculation of the monthly payment. This may result in borrowers being incorrectly charged arrears charges and fees (on “arrears” that, because they have been capitalised, no longer subsist) and (where the borrower makes payment towards its separate “arrears balance” in addition to the monthly payment) overpayment (thereby reducing the balance of the loan more quickly than otherwise is required). This practice is in breach of the FCA rules applicable to Regulated Mortgage Contracts but may also be a breach of the contractual terms of a mortgage loan, whether or not it is a Regulated Mortgage Contract.

On 24 April 2017, the FCA issued finalised guidance relating to issues arising from automatic capitalisation, in particular cases where lenders both add arrears to an account balance (and as a result readjust the amount of regular payments due under the loan) and keep a separate record of the borrower’s arrears and seek separate (and additional) payment of those. In the finalised guidance, the FCA state that they expect FCA authorised firms to ensure this practice ceases and to carry out remediation. The review period for remediation began from 25 June 2010 and the FCA expected all remediation programmes to be concluded by 30 June 2018. Borrowers which are in scope of the FCA guidance are those with current or past payment shortfalls on a Regulated Mortgage Contract or home purchase plan to which MCOB 13 applies.

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

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

The Seller has given a warranty in the Mortgage Sale Agreement that, so far as it is aware, no automatic capitalisation of any amount of interest and/or principal and/or other sums due but unpaid in respect of the Loans has taken place where (i) the relevant Borrower has not consented to such capitalisation and (ii) notwithstanding such capitalisation, the capitalised amount continues to be treated as immediately due and payable, which results in detriment to the relevant Borrower. If a Loan or its Related Security originated by the Seller does not comply with this warranty, and if the default cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller would be required to repurchase the relevant Loan and its Related Security.

### ***Levels of arrears***

There can be no assurance that the arrears experience with respect to the Loans in the Portfolio will correspond to the experience of the Seller’s overall mortgage account portfolio or that of the residential mortgage market in general. Noteholders should note that the UK has previously experienced a “boom and bust” economic effect in the residential property market. This trend is often exacerbated at times of change to monetary policy; for example, increases in interest rates. This boom and bust economic effect has led historically to higher levels of arrears and repossessions. There can be no assurance that the current economic environment will not lead to high levels of arrears and repossessions. Any increase in the level of forbearance, defaults and/or repossessions could have an adverse effect on the ability of the Issuer to make payments under the Notes.

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

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

### ***The ongoing COVID-19 pandemic***

The world is currently experiencing an outbreak of a novel coronavirus (known as “**COVID-19**”) which is causing severe health and unpredictable economic effects across the world. On 11 March 2020, the World Health Organization declared the current outbreak of COVID-19 to be a global pandemic. In an attempt to contain the outbreak, governments in many countries (including the UK government) have sought to contain the virus through imposing stringent travel and other restrictions (including imposing restrictions on leaving home without reasonable cause and on public gatherings and requiring closures of certain businesses, such as non-essential shops and restaurants) with a resultant significant impact on economic activity. It remains unclear how the COVID-19 pandemic will evolve, including whether there will be further waves of the COVID-19 pandemic, whether COVID-19 vaccines approved for

use by regulatory authorities will be deployed successfully with desired results, whether further new strains of COVID-19 will emerge and whether, and in what manner, additional restrictions will be re-imposed and/or existing restrictions extended.

### ***Characteristics of the Portfolio***

The information in the section headed “*Statistical Information on the Provisional Portfolio*” has been extracted from the systems of the Seller as at the Cut-off Date. The pool of Loans from which the Portfolio will be selected (the “**Provisional Portfolio**”) is comprised of 1,346 Loans (including Further Advances) with a Current Balance of £282,701,570.97 as at the Cut-Off Date. The Portfolio was randomly selected from the Provisional Portfolio.

The characteristics of the Portfolio as at the Closing Date will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of Loans prior to the Closing Date and the operation of a random selection process. The Seller has not provided any assurance that there will be no material change in the characteristics of the Portfolio between the Cut-Off Date and the Closing Date.

There is therefore a risk that there could be a material difference between the characteristics of the Provisional Portfolio and those of the Portfolio, or a material change in the characteristics of the Provisional Portfolio between the Cut-off Date and the Closing Date. Any material changes in the characteristics of the Portfolio between the Cut-off Date and the Closing Date, may adversely affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes. See section “*Characteristics of the Portfolio*” for more detail.

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

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis or a combination capital repayment/interest payment basis (see the section entitled “*The Portfolio – The Loans—Characteristics of the Loans – Repayment Terms*”). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is required to ensure that a repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. In relation to interest only loans, the Seller verifies that the Borrower has a suitable repayment mechanism in place and will only accept a limited range of such vehicles. Repayment vehicles must cover the full outstanding capital owed and the Seller will decline the application if this repayment mechanism is deemed to be unacceptable. Affordability for interest only loans is calculated, using the rental income divided by a stressed monthly payment, which is based on a stressed interest rate. Where the Borrower takes out term life assurance cover in relation to the Loan, the Seller does not verify or take security over such policies.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest Only Loan at maturity without resorting to the sale of the underlying Property depends on such Borrower’s responsibility in ensuring that sufficient funds are available from a given source such as pension policies, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest Only Loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

## **RISKS RELATING TO THE CREDIT STRUCTURE**

### ***Subordination***

The Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes as set out in “*Key Structural Features*”. Further, Available Revenue Receipts will be applied to credit the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount prior to payment of interest on the Class B Notes. Also, Available Principal Receipts will be used (i) on any Interest Payment Date on a pass-through basis to reduce the Principal Amount Outstanding of the Notes in each case in accordance with the Pre-Enforcement Principal Priority of Payments (see “*Cashflows and Cash Management*” below) or used to fund a Remaining Revenue Deficiency. To the extent that

the Issuer does not have sufficient funds to satisfy its obligations to all its creditors, the holders of the Class B Notes will be the first noteholders to see their claims against the Issuer unfulfilled. There is no assurance that these subordination provisions will protect the holders of the Class A Notes from all risk of loss.

***Deferral of interest payments on certain classes of Notes***

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of any Class of Notes, (other than the Class A Notes), after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then that amount shall not be due and payable and the Issuer will be entitled under Condition 8.10 (*Interest Accrual*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of such Class of Notes becomes immediately due and repayable in accordance with the Conditions and it shall not constitute an Event of Default. To the extent that there are insufficient funds on the following Interest Payment Date or such earlier date as interest in respect of such Class of Notes is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Final Maturity Date or the date on which the Notes are redeemed pursuant to Condition 9.3 (*Optional Redemption in whole*), Condition 9.4 (*Optional redemption in whole for taxation reasons*) or Condition 9.5 (*Optional redemption in whole upon the occurrence of an Illegality Event*).

***Revenue and Principal Deficiency Ledger***

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the Class A Notes, amounts ranking in priority to the payment of interest on the Class A Notes, there is a Revenue Deficiency, then subject to certain conditions set out in “*Key Structural Features*”, the Issuer may apply the Liquidity Reserve Fund. If following application of the Liquidity Reserve Fund, there is a Remaining Revenue Deficiency, then (again subject to certain conditions) the Issuer may apply Principal Receipts (if any). In this event, the consequences set out in the following paragraph may result.

Application, as described above, of any Principal Receipts to meet any Remaining Revenue Deficiency (in addition to any Losses) will be recorded first on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts and, other than in respect of the Class B Notes, amounts standing to the credit of the Liquidity Reserve Fund. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger and second the Class B Principal Deficiency Sub-Ledger.

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

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

***The Liquidity Reserve Fund may not be available to cover all losses and at all times***

The Liquidity Reserve Fund will be established on the Closing Date from the proceeds of the Subordinated Loan and the amount required, from time to time, to be standing to the credit of the Liquidity Reserve Ledger shall be an amount equal to the Liquidity Reserve Required Amount. Available Revenue Receipts will be available (in accordance with the Pre-Enforcement Revenue Priority of Payments) to fund and replenish the Liquidity Reserve Fund in accordance with the requirements described herein. The Liquidity Reserve Fund will be available to be applied as Available

Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments to pay any Revenue Deficiency or in accordance with the Post-Enforcement Priority of Payments (as applicable). Any Liquidity Reserve Fund Excess on a Payment Date will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. See further “*Cashflows and Cash Management*”. The Liquidity Reserve Fund will be available to make up any shortfalls in amounts due to pay interest on the Class A Notes. No assurance can be made as to the effectiveness of such liquidity support features set out above, or that such features will support the Noteholders from all risk of delayed payment and/or loss and the use thereof may lead to a reduction in the amounts available to the Issuer and ultimately affect its ability to make payments under the Notes.

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

A Loan and its Related Security may be repurchased where a Product Switch or Further Advance or substitution is made in the circumstances and for the consideration set out in “*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement*”. There can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes. The yield to maturity of the Notes may be affected by the repurchase of Loans subject to Product Switches or Further Advances.

The number of Further Advance and Product Switch requests received by the Seller and/or the Servicer will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes.

### ***Basis risk***

The Issuer is subject to:

- the risk of a mismatch between the interest rate payable in respect of the Loans and the interest rate payable in respect of the Notes; and
- the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes, which risk is mitigated by (i) the Transaction Account, which pays a rate of interest which may be agreed from time to time on funds standing to the credit thereof and from which the Issuer (or the Cash Manager on its behalf) may invest sums in Authorised Investments, and (ii) (for so long as the Loans are fully performing) the availability of excess Available Revenue Receipts, each of which are available to meet payments of interest due under the Notes and the other expenses of the Issuer.

To hedge against the possible variance between various fixed rates of interest payable on the Fixed Rate Loans in the Portfolio and the floating rate of interest payable on the Class A Notes, the Issuer has entered into a fixed rate swap transaction (the “**Fixed Rate Swap Transaction**”) with the Swap Provider under the Swap Agreement in order to mitigate the risk of such possible variance.

For each calculation period under the Fixed Rate Swap Transaction, a net amount shall be calculated based on the difference between: (i) an amount calculated by reference to a floating rate and the notional amount of the Fixed Rate Swap Transaction; and (ii) an amount calculated by reference to a fixed rate and the notional amount of the Fixed Rate Swap Transaction. On each Interest Payment Date for the relevant calculation period under the Fixed Rate Swap Transaction: (x) if (i) is greater than (ii), then the Swap Provider will pay an amount equal to the difference between (i) and (ii) to the Issuer; and (y) if (ii) is greater than (i), then the Issuer will pay an amount equal to the difference between (ii) and (i) to the Swap Provider (see “*Key Structural Features – Swap Agreement*” below).

The Fixed Rate Swap Transaction is not designed to provide a perfect hedge for the Loans included in the Portfolio or eliminate all risks associated with the rates payable in respect of such Loans. In particular, the notional amount of the Fixed Rate Swap Transaction will only reflect, in respect of each calculation period thereunder, the aggregate of the Current Balances (calculated, for each calculation period, at the end of the calendar month immediately preceding such calculation period) of the Fixed Rate Loans in the Portfolio that do not have three or more monthly payments due and unpaid by a Borrower).

There is no guarantee that such Fixed Rate Swap Transaction will successfully hedge the Loans included in the Portfolio and therefore there may be insufficient funds to repay interest due on the Notes.

## **RISKS RELATING TO MEETINGS OF, AND CONFLICTS BETWEEN NOTEHOLDERS**

### ***Meetings of Noteholders, modification and waiver***

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

The Conditions also contain provisions which permit or require the Trustee to consent to modifications to the Conditions, the Trust Documents, the Notes and the Transaction Documents without the consent or sanctions of the Noteholders. In particular, the Trust Deed provides that the Trustee may (and, in the case of paragraph (c) and (d) of Condition 17 (*Modification and Waiver*)) shall at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making the amendments and modifications as more fully set out in the Conditions.

Notwithstanding the Conditions, the Trustee shall be obliged, without any consent or sanction of the Noteholders or, subject to Condition 17 (*Modification and Waiver*), any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions, the Trust Documents, the Notes or any other Transaction Document to which it is a party or in relation to which it holds security that the Issuer considers necessary in accordance with the Conditions.

There is no guarantee that any changes made to the Conditions, the Trust Documents, the Notes or any other Transaction Document pursuant to the obligations imposed on the Trustee as described above, would not be prejudicial to the Noteholders.

### ***Swap Provider entrenched rights***

The prior written consent of the Swap Provider is required prior to certain amendments, modifications or supplements being made to the Transaction Documents. There can be no assurance that the Swap Provider will provide consent to any such modification in a timely manner. The Swap Provider may act solely in its own interests and it does not have any duties to any Noteholders.

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

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

If, in the opinion of the Trustee, there is a conflict between the interests of holders of different classes of Notes, the Trustee will have regard only to the interests of the holders of the Most Senior Class. As a result, holders of Notes other than the Most Senior Class may not have their interest taken into account by the Trustee when the Trustee exercises discretion where there is a conflict of interest.

### ***Conflict Between Noteholders and other Secured Creditors***

The Trust Deed provides that the Trustee shall, except where expressly provided otherwise and prior to the redemption in full of the Notes, have regard solely to the interests of the Noteholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to it and to act in accordance with the Post-Enforcement Priority of Payments.

### ***Certain material interests***

BNP Paribas is acting as Arranger and as Lead Manager. Lloyds Bank Corporate Markets plc is acting as Swap Provider. Intertrust Management Limited is acting as Servicer Facilitator and Corporate Services Provider. Citicorp Trustee Company Limited is acting as Trustee. Citibank, N.A., London Branch is acting as Principal Paying Agent,

Agent Bank, Registrar, Account Bank and Cash Manager. Other parties to the transaction may also perform multiple roles, including Newcastle Building Society, who will act as Servicer and Retention Holder.

Nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction:

- (a) having previously engaged or in the future engaging in transactions with other parties to the transaction;
- (b) having multiple roles in this transaction; and/or
- (c) carrying out other roles or transactions for third parties.

In addition to the interests described in this Prospectus, prospective investors should be aware that each of the Arranger, the Lead Manager and their respective related entities, associates, officers or employees (each a “**Relevant Entity**”) (a) may from time to time be a Noteholder or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note; (b) may receive (and will not have to account to any person for) fees, brokerage and commission or other benefits and act as principal with respect to any dealing with respect to any Notes; (c) may purchase all or some of the Notes and resell them in individually negotiated transactions with varying terms; and (d) may be or have been involved in a broad range of transactions, including, without limitation, banking, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Issuer or any Transaction Party, both on its own account and for the account of other persons.

As such, each Relevant Entity may have various potential and actual conflicts of interest arising in the ordinary course of its business. For example, a Relevant Entity’s dealings with respect to the Notes, the Issuer or a Transaction Party may affect the value of the Notes as the interests of this Relevant Entity may conflict with the interests of a Noteholder, and that Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, no Relevant Entity is restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents or the interests described above and may continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders. The Relevant Entities may in so doing act in its own commercial interests without notice to, and without regard to, the interests of the Noteholders or any other person. To the maximum extent permitted by applicable law, the duties of each Relevant Entity in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and no advisory or fiduciary duty is owed to any person. No Relevant Entity shall have any obligation to account to the Issuer, any other Transaction Party or any Noteholder for any profit as a result of any other business that it may conduct with either the Issuer or any other Transaction Party.

## **RISKS RELATING TO THIRD PARTIES**

### ***Credit risk***

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

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

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date for various reasons including (i) payments being made late by Borrowers after the end of the relevant Collection Period (ii) contractual interest rates

of the Loans being lower than required by the Issuer in order to meet its commitment to pay interest on the Notes, and (iii) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes. This risk is addressed in respect of the Notes by the provision of liquidity from alternative sources as described in the section entitled “*Key Structural Features*”. However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

### ***Issuer’s Reliance on Third Parties***

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Swap Provider has agreed to provide hedging to the Issuer, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, the Account Bank has agreed to provide the Transaction Account to the Issuer, the Servicer has agreed to service the Portfolio, the Cash Manager has agreed to provide cash management services to the Issuer, the Principal Paying Agent has agreed to providing paying agency services in respect of the Notes, the Servicer Facilitator has agreed to assist in appointing a replacement servicer at such time as one needs to be appointed, and the Agent Bank and the Registrar have agreed to provide certain agency services to the Issuer in respect of the Notes.

In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, payments on the Notes may be adversely affected.

In particular, the COVID-19 pandemic has caused disruption to the Servicer’s customers, suppliers and staff. The Servicer’s ability to administer the mortgages in accordance with the Servicing Agreement may be adversely affected by disruptions to its infrastructure, business processes and technology services, resulting from the unavailability of staff due to illness or the failure of third parties to supply services. In addition, to the extent that courts and other government agencies are closed or operate on a limited basis, registration, enforcement and similar activities may not be processed in a timely manner, and may be further delayed as such offices and courts address any backlogs of such actions that accumulated during the period of closure, and the duration of such backlogs is impossible to predict at this time.

The Issuer may from time to time become subject to regulatory, rating or other requirements that may require the affected entity to appoint additional third parties (or increase the level of responsibility of an existing third party) to provide relevant services and/or incur additional costs and expenses to enable it to comply with the regulatory requirements. The Issuer may be in breach of the regulatory requirements and adversely affected if it were to be unable to find a third party to provide the relevant services or perform them itself. Moreover, any such regulatory requirements may give rise to additional costs and expenses for the affected entity, which would be payable prior to making payments with respect to the Notes and thereby reduce amounts available to make such payments.

### ***The Servicer***

The Servicer will be appointed by the Issuer to administer the Loans pursuant to the terms of a Servicing Agreement (the “**Servicing Agreement**”).

If the appointment of the Servicer is terminated and the performance of the Administration Services is assumed by a replacement servicer in accordance with the terms of the replacement servicing agreement, the collection of payments on the Loans and the provision of the Administration Services could be disrupted during the transitional period in which the performance of the Administration Services is transferred to the replacement Servicer. Any failure or delay in collection of payments on the relevant Loans resulting from a disruption in the administration of the Loans could ultimately adversely affect payments of interest and principal on the Notes. A failure or delay in the performance of the Administration Services, in particular reporting obligations, could affect the payments of interest and principal on the Notes (as to which see “*Estimations and Reconciliations*” in the section entitled “*Key Structural Features*”).

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



### ***The Replacement Servicer***

Following a Servicer Termination Event, there can be no assurance that a replacement Servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans. In addition, as described below any such replacement Servicer will be required to be authorised under the Financial Services and Markets Act 2000 (the “**FSMA**”) in order to administer Loans that constitute Regulated Mortgage Contracts. The ability of any entity acting as a replacement Servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement Servicer may affect payments on the Loans and hence the Issuer’s ability to make payments when due on the Notes.

The failure of the replacement Servicer to assume the performance of the Administration Services following the termination of the appointment of the Servicer as servicer in accordance with the Servicing Agreement could result in the failure or delay in collection of payments on the relevant Loans and ultimately could adversely affect payment of interest and principal on the Notes. Similarly, if the replacement servicer assumes performance of the Administration Services as replacement Servicer there can be no assurance that if required, a replacement Servicer could be found. A replacement Servicer would have no obligation itself to advance payments that Borrowers fail to make in timely fashion.

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

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

These criteria may include requirements imposed by the Financial Conduct Authority (the “**FCA**”) under the Financial Services and Markets Act 2000 (“**FSMA**”) and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings, counterparty ratings or deposit ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may (but shall not be obliged to) agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Noteholders may not be required in relation to such amendments and/or waivers (as to which see risk factor “*Meetings of Noteholders, Modification and Waiver*”).

### ***Exposure to Counterparties***

The Issuer will be exposed to a number of counterparties throughout the life of the Notes. Investors should note that following the UK’s withdrawal from the EU and depending on the terms of any future trading relationship between the UK and the EU, such counterparties may be unable to perform their obligations due to changes in regulation, including the loss of, or changes to, existing regulatory rights to do cross-border business in the EU or the costs of such transactions with such counterparties may increase. In addition, counterparties may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the result of the withdrawal of the UK from the EU, therefore increasing the risk that such counterparties may become

unable to fulfil their obligations. Such inability could adversely impact the Issuer and could be materially detrimental to Noteholders.

### ***Swap Provider Risk and Swap Termination Payment***

In the event that the Swap Provider does not pay any amount payable under the Swap Agreement when due, available funds of the Issuer may be less than would otherwise be the case and this could result in reduced payments to Noteholders.

If the Swap Agreement is terminated for any reason, a termination payment by either the Issuer or the Swap Provider may be payable to the other party. To the extent a termination payment (along with any additional amounts required to be paid by the Issuer following termination of the Swap Transaction, including any extra costs incurred in entering into a replacement swap or swaps) is due by the Issuer to the Swap Provider, the Cash Manager (on behalf of the Issuer) may be obliged to use available funds of the Issuer to pay any such termination payment (in excess of the amount standing to the credit of the Swap Collateral Account (if any) in respect of the Swap Agreement that shall be applied in accordance with the Swap Collateral Account Priority of Payments) due by the Issuer to the Swap Provider under the Swap Agreement, which will be paid using available funds in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments. Any such termination payment due by the Issuer to the Swap Provider (except for any Swap Subordinated Amounts) will rank in priority to amounts due on the Notes both in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

If the Issuer is obliged to make a termination payment to the Swap Provider, this may reduce or adversely affect the amount of funds which the Issuer has available to make payments on the Notes. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment under the Swap Agreement or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders in respect of the Notes.

Furthermore, if the Swap Provider were to default in respect of its obligations under the Swap Agreement so as to result in a termination of the Swap Agreement, the Issuer will use commercially reasonable efforts to enter into a replacement arrangement with another appropriately rated entity, which may require the Issuer to make a payment to the replacement swap provider. A failure to enter into such a replacement arrangement may result in a downgrading on the rating of the Class A Notes, and may reduce the amount of funds available to make payments on the Notes. In addition, if the Issuer fails to enter into such replacement arrangement, the Portfolio will remain unhedged.

In the event of the insolvency of the Swap Provider the Issuer will be treated as a general creditor of such Swap Provider. Consequently, the Issuer will be subject to the credit risk of the Swap Provider, as well as that of the Loans.

Under the terms of the Swap Agreement, in the event that the relevant ratings of the Swap Provider fail to meet the required ratings, the Swap Provider will, in accordance with the terms of the Swap Agreement, be required to elect to take certain remedial measures within the time frame stipulated in the Swap Agreement and at its own cost, which may include one or more of the following: providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the required ratings, 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 such other action that would result in the Rating Agencies continuing the then current rating of the Class A Notes or restoring such rating to the level prior to the downgrade event. However, no assurance can be given that, at the time that such actions are required, sufficient collateral will be provided by the Swap Provider or that another entity with the required ratings will be available or willing to become a replacement swap provider, co-obligor or guarantor. Other than any Swap Collateral Account Surplus, collateral provided under the Swap Agreement will not be available to meet the Issuer's obligations under the Notes or the Transaction Documents.

### ***Ratings of the Class A Notes***

For the avoidance of doubt and unless the context otherwise requires, any reference to “**ratings**” or “**rating**” in this Prospectus is to the ratings assigned by the specified Rating Agencies only.

A rating is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any one

or more of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. At any time, a Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Class A Notes may be lowered or withdrawn. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Notes. The Class B Notes will not be rated by the Rating Agencies.

Agencies other than the Rating Agencies could seek to rate the Notes and if such “unsolicited ratings” are lower than the comparable ratings assigned to the Class A Notes by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value of the Notes.

As highlighted above, the ratings assigned to the Class A 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 Swap Provider, the Cash Manager, the Custodian and the Account Bank. In the event one or more of these transaction parties are downgraded, there can be no assurance that a replacement to that counterparty will be found which has the ratings required to maintain the then current ratings of the Class A Notes. If a replacement counterparty with the requisite ratings cannot be found, this is likely to have an adverse impact on the rating of the Class A Notes and, as a consequence, the resale price of such Notes in the market and the prima facie eligibility of such Notes for use in certain liquidity schemes established by the Bank of England.

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

The terms of certain Transaction Documents require the Rating Agencies to confirm that certain actions proposed to be taken by the Issuer and the Trustee will not have an adverse effect on the then current rating of the Class A Notes (a “**Ratings Confirmation**”).

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Trustee will not have an adverse effect on the then current rating of the Class A 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 prejudicial to, Noteholders. While entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the Class A 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), the Issuer, the Trustee or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Noteholders), the Issuer, the Trustee or any other person whether by way of contract or otherwise.

Any such Ratings Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency should not be responsible for the consequences thereof. A Ratings 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 Ratings Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Certain Rating Agencies have indicated that they will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings 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.

The Conditions provide that if a Ratings 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 Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and (i) (A) one Rating Agency (such Rating Agency, a “**Non-Responsive Rating Agency**”) indicates that it does not consider such Ratings Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Ratings Confirmation or response or (B) within 30 days of delivery of such request, no Ratings Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and (ii) one Rating Agency gives such Ratings Confirmation or response based on the same facts, then such condition to receive a Ratings Confirmation or response from each Rating Agency shall be

modified so that there shall be no requirement for the Ratings Confirmation or response from the Non-Responsive Rating Agency if the Issuer (or the Servicer on its behalf) provides to the Trustee a certificate (upon which the Trustee can rely without further investigation and without liability to any person) certifying and confirming that the events in one of (i) (A) or (B) above and the event in (ii) above has occurred following the delivery by or on behalf of the Issuer of a written request to each Rating Agency.

Where a Ratings 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 (or the Servicer on its behalf) 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 Notes as a result of the action or step.

Such a downgrade, qualification or withdrawal to the then current ratings of the Notes may have an adverse effect on the value of the Class A Notes.

### **Ratings actions**

Following the result of the 2016 referendum on the UK's withdrawal from the European Union, Moody's, S&P and Fitch have each downgraded the UK's sovereign credit rating and each of S&P and Fitch has placed such rating on negative outlook, suggesting possible further negative rating action.

The credit rating of a country affects the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Accordingly, the downgrades of the UK's sovereign credit rating and any further downgrade action may trigger downgrades in respect of parties to the Transaction Documents. If a counterparty no longer satisfies the relevant rating requirement, the Transaction Documents may require that such counterparty be replaced with an entity that satisfies the relevant rating requirement. If rating downgrades are widespread, it may become difficult or impossible to replace counterparties with entities that satisfy the relevant rating requirement.

While the extent and impact of these issues are unknown, investors should be aware that they could have an adverse impact on the Issuer, its service providers, the payment of interest and repayment of principal on the Notes and therefore, the Noteholders, as applicable.

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

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

None of the Trustee, the Arranger, the Agents, the Cash Manager, the Account Bank, the Lead Manager, nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the Loan Warranties given in the Mortgage Sale Agreement by the Seller. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date or, as the case may be, the last calendar day in each month during which an Advance Date or a Switch Date has occurred in respect of the relevant Further Advances and Product Switches, and is not remedied within 30 Business Days of receipt by the Seller of a notice from the Issuer, shall be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

### ***Buildings insurance***

The practice of the Seller in relation to buildings insurance are described under the section entitled "*The Portfolio – The Loans – Insurance Policies*" below. No assurance can be given that the Issuer will always receive the benefit of

any claims made under any applicable buildings insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Notes.

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

Under the Pensions Act 2004 a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer may be treated as "connected with" an employer under an occupational pension scheme which is within Newcastle Building Society.

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

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

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

## **CERTAIN INSOLVENCY RISKS**

### ***Insolvency proceedings and subordination provisions***

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. Recent cases have focused on provisions involving the subordination of a swap provider's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms which will be included in the Transaction Documents, including those relating to the Swap Subordinated Amounts.

The UK Supreme Court has affirmed that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, the US Bankruptcy Court recently held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. A different U.S. Bankruptcy Court and a U.S. District Court recently reached contrary conclusions in relation to a different transaction structure. Those decisions remain subject to appeal, and the implications of these conflicting judgments remain unresolved.

Based on the findings of the US Bankruptcy Court, there is a risk that a Secured Creditor in US debtor-in-possession bankruptcy proceeding could successfully challenge the subordination provisions contemplated by the Deed of Charge to the extent that such provisions provide for certain payment rights of a creditor to be conditional upon whether or not an Event of Default related to the commencement of insolvency or bankruptcy proceedings or a deterioration of financial condition has occurred with respect to that creditor.

If a creditor of the Issuer (such as the Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US) and it is owed payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents. Laws may be relevant in certain circumstances with respect to a range of entities, including US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed

branch in a US state). In general, if a subordination provision included in the Transaction Documents (such as the subordination of the Swap Subordinated Amounts) was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English Courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes, and/ or the ability of the Issuer to satisfy its obligations under the Notes.

Lastly, given the general relevance of the issues under discussion in the judgements referred to above and that the Transaction Documents will include terms providing for the subordination of payments due to certain parties in certain circumstances post-enforcement, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by English courts) may result in negative rating pressure in respect of the Notes. If any rating assigned to the Notes is lowered, the market value of the Notes may be adversely affected.

### ***Security and Insolvency considerations***

Under the Deed of Charge, the Issuer has created the Security in respect of certain of its obligations, including its obligations under the Notes. In certain circumstances, including the occurrence of certain Insolvency Events in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the relevant security impaired. In particular, it should be noted that significant changes to the UK insolvency regime have been enacted under the Corporate Insolvency and Governance Act 2020 which received Royal Assent on 25 June 2020 and came into effect on 26 June 2020. The changes include, among other things: (i) the introduction of a new moratorium regime that certain eligible companies can obtain which will prevent creditors taking certain action against the company for a specified period; (ii) a ban on operation of or exercise of ipso facto clauses preventing (subject to exemptions) termination, variation or exercise of other rights under a contract due to a counterparty entering into certain insolvency or restructuring procedures; and (iii) a new compromise or arrangement under Part 26A of the Companies Act 2006 (the “**Restructuring Plan**”) that provides for ways of imposing a restructuring on creditors and/or shareholders without their consent (so-called cross-class cram-down procedure), subject to certain conditions being met and with a court adjudicating on the fairness of the restructuring proposal as a whole in determining whether or not to exercise its discretionary power to sanction the Restructuring Plan. While the Issuer is expected to be exempt from the application of the new moratorium regime and the ban on ipso facto clauses, there is no guidance on how the new legislation will be interpreted and the Secretary of State may by regulations modify the exceptions. For the purposes of the Restructuring Plan, it should also be noted that there are currently no exemptions, but the Secretary of State may by regulations provide for exclusion of certain companies providing financial services and the UK government has expressly provided for changes to the Restructuring Plan to be effected through secondary legislation, particularly in relation to the cross-class cram-down procedure. It is therefore possible that aspects of the legislation may change. While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent and/or subject to pre-insolvency restructuring proceedings, no assurance can be given that any modification of the exceptions from the application of the new insolvency reforms referred to above will not be detrimental to the interests of the Noteholders and there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency or pre-insolvency restructuring proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws or the laws affecting the creditors’ rights generally).

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of Sections 174A, 176ZA and 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of the Secured Creditors under the Deed of Charge may be used to satisfy any expenses of the insolvency proceeding, claims of unsecured creditors or creditors who otherwise take priority over floating charge recoveries. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the Secured Creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

Pursuant to the Deed of Charge, the Issuer will grant fixed charges over, amongst other things, the Loans and Related Security purchased from time to time. The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security)

may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the Charged Property. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets.

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

If any claims have priority over the claims of the Trustee in respect of the floating charge assets, this could adversely affect Noteholders.

### ***Liquidation expenses***

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords’ decision in the case of *Leyland Daf* in 2004. Accordingly, 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 (England and Wales) Rules 2016 (as amended).

As a result of the changes described above, upon the enforcement of the floating charge security to be granted by 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 Noteholders will not be adversely affected by such a reduction in floating charge realisations.

## **CERTAIN MARKET RISKS**

### ***Absence of secondary market and how it may affect the market value of the Notes***

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is *provided that* a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Newcastle Building Society will purchase the Class B Notes and may purchase some or all of the Class A Notes on 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 the resale and other transfer thereof as set out under “*Subscription and Sale*” and “*Transfers and Transfer Restrictions*”. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

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.

Potential investors should be aware that these prevailing market conditions affecting securities similar to the Notes 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 Loans.

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.

None of the Issuer, the Arranger or Lead Manager is or will be obliged to make a market for Notes issued by the Issuer.

***Eligibility of the Notes for central bank schemes is subject to the applicable collateral framework criteria and could have an impact on the liquidity of the Notes in general***

Whilst central bank schemes (such as the Bank of England's Discount Window Facility, the Indexed Long-Term Repo Facility and other schemes under its Sterling Monetary Framework, and the Eurosystem monetary policy framework for the European Central Bank), including emergency liquidity operations introduced by central banks in response to a financial crisis or a widespread health crisis (such as the COVID 19 pandemic), provide an important source of liquidity in respect of eligible securities, relevant eligibility criteria for eligible collateral apply (and will apply in the future) under such schemes and liquidity operations. Investors should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for the purposes of any of the central bank liquidity schemes, including whether and how such eligibility may be impacted by the UK withdrawal from the EU and the UK no longer being part of the EEA. No assurance is given that any Notes will be eligible for any specific central bank liquidity schemes and as at the Closing Date the Notes are not expected to be eligible securities for the purpose of the Eurosystem facilities.

If the Notes cannot meet the central bank eligibility, it may impact on the liquidity of the Notes and could have an adverse effect on their value.

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

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave Borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, where the reversionary rate is the current Seller Standard Variable Rate in the Seller's mortgage terms, the reversionary rate for Borrowers reaching the end of their fixed or tracker periods may be lower than prevailing market rates. This would mean that it is less likely that they will refinance.

These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

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

The rate of interest for the Class A Notes will be determined on the basis of Compounded Daily SONIA. Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). As a result, the market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Notes that reference a SONIA rate issued under this Prospectus. Interest on Notes which



reference a compounded daily SONIA rate is only capable of being determined at the end of the relevant Observation Period and shortly prior to the relevant Interest Payment Date.

It may be difficult for investors in the Notes which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Notes suitably in advance of the relevant Interest Payment Date, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes.

In addition, the manner of adoption or application of SONIA reference rates in the bond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of the Notes referencing SONIA.

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

Interest rates and indices which are deemed to be “benchmarks” (including SONIA) are the subject of recent national and international regulatory guidance and reform, including the UK Benchmarks Regulation. These reforms may cause such benchmarks to perform differently from the way they did in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Benchmarks Regulation**”) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The UK Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. These reforms and other pressures may cause one or more interest rate benchmarks (including SONIA) to disappear entirely or to perform differently from the way they did in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks, or have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes, or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

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

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including SONIA) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be, potentially reducing the amount of interest which would be paid to investors;
- (b) in circumstances where an amendment as described in paragraph (c) below has not been made at the relevant time, the rate of interest on the Notes will be determined for a period by the fall-back provisions provided for under Condition 8 (*Interest*) of the Terms and Conditions of the Notes;

- (c) while (i) an amendment may be made under Condition 17.2 (*Additional Right of Modification*) of the Terms and Conditions of the Notes to change the reference rate on the Notes from SONIA to an alternative reference rate under certain circumstances broadly related to SONIA dysfunction or discontinuation and subject to certain conditions: and (ii) an amendment may be made under Condition 17.2 (*Additional Right of Modification*) to change the base rate that then applies in respect of the Swap Agreement for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Notes following a Reference Rate Modification, there can be no assurance that any such amendments will be made or, if made, that they will (x) fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes or (y) be made prior to any date on which any of the risks described in this risk factor may become relevant; and
- (d) if SONIA is discontinued, and whether or not an amendment is made under Condition 17.2 (*Additional Right of Modification*) to change the reference rate with respect to the Notes and if a proposal for an equivalent change to the reference rate on the Swap Agreement is not approved in accordance with Condition 17.2, in each case as described in paragraph (c) above, there can be no assurance that the applicable fall-back provisions under the Swap Agreement would operate to allow the transactions under the Swap Agreement to effectively mitigate interest rate risk in respect of the Notes. This, in turn, could cause a risk of mismatch of interest and reduced payments on the Notes.

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

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

#### ***General market volatility and uncertainty post the UK's EU exit***

The United Kingdom (“UK”) left the European Union (EU) on 31 January 2020 at 11 pm UK time, and the transition period ended on 31 December 2020 at 11pm UK time. As a result, the Treaty on the European Union and the Treaty on the Functioning of the European Union have ceased to apply to the UK. The UK is also no longer part of the EEA.

The EU-UK Trade and Cooperation Agreement (the “**Trade and Cooperation Agreement**”) which governs the relations between the EU and the UK following the end of the transition period and which had provisional application pending completion of ratification procedures, entered into force on 1 May 2021. The Trade and Cooperation Agreement does not create a detailed framework to govern the cross-border provision or regulated financial services from the UK into the EU and from the EU into the UK and there is no agreement on passporting, equivalence or regulatory cooperation.

The European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) and secondary legislation made under powers provided in this Act ensure that there is a functioning statute book in the UK. While the UK introduced a temporary permission regime to allow EEA firms to continue to do business in the UK for a limited period of time, once the passporting regime fell away, the majority of EEA states have not introduced similar transitional regimes. The Trade and Cooperation Agreement is only part of the overall package of agreements reached on 24 December 2020. Other supplementing agreements included a series of joint declarations on a range of important issues where further cooperation is foreseen, including financial services. The declarations state that the EU and the UK will discuss how to move forward with equivalence determinations in relation to financial services. It should be noted that even if equivalence arrangements for certain sectors of the financial services industry are agreed, market access is unlikely to be as comprehensive as the market access that the UK enjoyed through its EU membership.

Prospective investors should also note that the regulatory treatment, including the availability of any preferential regulatory treatment, of the Notes may be affected.

It is difficult to determine what the precise impact of the new relationship between the UK and the EU will be on general economic conditions in the UK. Unstable economic conditions could result in (amongst others things) a recession in the UK, with lower growth, higher unemployment and falling property prices which could affect the ability of Borrowers to make payments under their Loans and lead to increased impairments in relation to Newcastle's UK mortgage portfolio, and/or increased markets and interest rate volatility or a credit rating downgrade for any of the relevant transaction parties (either directly or indirectly as a result of a downgrade in the UK sovereign credit ratings).

Further, UK law may change and differ from EU law and it is impossible at this time to predict the consequences on the Portfolio, the underlying agreements, the Servicer, the Seller, the Seller or the Issuer's business, financial condition, results of operations or prospects or any potential investors. Such changes could be materially detrimental to Noteholders.

In addition, following the UK's withdrawal from the EU, future UK political developments and/or any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape. No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

## **CERTAIN REGULATORY RISKS IN RESPECT OF THE NOTES**

### ***Change of law***

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

### ***Risks relating to the Banking Act 2009 and its impact on Newcastle Building Society***

The Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including building societies, authorised deposit-taking institutions and investment firms, and powers to take certain resolution actions in respect of third country institutions. The Banking Act Special Resolution Regime would apply to Newcastle Building Society as a UK incorporated building society. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution. Relevant transaction parties for these purposes include the Seller, the Retention Holder, the Servicer, the Account Bank, the Custodian and the Collection Account Bank.

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

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

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

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

## **CERTAIN REGULATORY CONSIDERATIONS IN RESPECT OF THE PORTFOLIO**

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

In the United Kingdom, regulation of residential mortgage business by the Financial Conduct Authority (the “FCA”) (previously the Financial Services Authority (the “FSA”) under FSMA came into force on 31 October 2004 (the “**Mortgage Regulation Date**”). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under FSMA requiring authorisation or exemption under FSMA when carried out in the United Kingdom.

Under the definitions currently in force, a credit agreement entered into on or after 21 March 2016 is a “**Regulated Mortgage Contract**” under FSMA if, (a) the Borrower is an individual or trustee, (b) the obligation of the borrower to repay is secured by a mortgage on land, at least 40 per cent. of which is used, or is intended to be used, in the case of credit provided to an individual, as or in connection with a dwelling; or in the case of credit provided to a trustee who is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person (and a related person is broadly the person’s spouse, civil partner, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse), and (c) “land” for this purpose means: (i) for contracts entered into before the UK leaving the European Union (i.e., 11.00pm GMT on 31 December 2020), land in the UK or EEA; or (ii) for contracts entered into on or after the UK left the European Union, land in the UK. Credit agreements that were entered into before the Mortgage Regulation Date, but were or are subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date, are regulated under FSMA where they fall within the definition of “Regulated Mortgage Contract”. Where, however, a credit agreement entered into before the Mortgage Regulation Date is varied by the provision of a further advance on or after the Mortgage Regulation Date (such that the original contract remains in existence, in its varied form, rather than rescinded and replaced by a new agreement) only the Further Advance will be regulated under FSMA (provided it meets the definition of “Regulated Mortgage Contract”).

Loans entered into before 21 March 2016, secured by a first or second charge over property and regulated under the Consumer Credit Act 1974, as amended, (the “CCA”) at the time they were entered into, and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 with certain limited exemptions, are now classed as Regulated Mortgage Contracts (“**Consumer Credit Back Book Mortgages**”). See “*Potential application of consumer credit regulation*” below for further information on the continued application of some provisions of the CCA to these loans.

The Seller holds authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a Servicing Agreement by an entity having the required FCA authorisation and permission. If such a Servicing Agreement terminates, however, the Issuer will use reasonable endeavours to arrange for mortgage administration to be carried out by a replacement Servicer having the required FCA authorisation and permission.

The Issuer will not itself be an authorised person under FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. Accordingly, it is the policy of the Issuer that no variation will be made to the Loans and no Further Advance or Product Switch will be made in relation to a Loan, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, so as to require the Issuer be authorised under FSMA.

The FCA are aware that there are some consumers who cannot switch to a more affordable mortgage despite being up to date with their mortgage payments. This includes those who can’t switch because of changes to lending practices during and after the 2008 financial crisis and subsequent regulation that tightened lending standards – often called ‘mortgage prisoners’.

Under Policy Statement PS19/27 which came into effect on 28 October 2019, the FCA amended their responsible lending rules and guidance to help remove potential barriers to consumers switching to a more affordable mortgage and to reduce the time and costs of switching for all relevant consumers. The changes mean that mortgage lenders can choose to carry out a modified affordability assessment where a consumer has a current mortgage, is up-to-date with their mortgage payments (and has been for the last 12 months), does not want to borrow more, other than to finance any relevant product, arrangement or intermediary fee for that mortgage and is looking to switch to a new mortgage deal on their current property. Further, on 23 October 2020 the FCA published Policy Statement PS 20/11 which introduced a new rule to make it easier for lenders to offer switching options to consumers who are in a closed book within the same financial group as the lender, and provided guidance that firms should allow borrowers to delay repayment of the capital at maturity on interest-only and part-and-part mortgages up to 31 October 2021.

The modification of the responsible lending rules make it easier for a borrower who is a mortgage prisoner to switch to a new lender and this, together with the proposed notification obligations, could increase redemption rates where there are a significant number of mortgage prisoners held by a lender.

On 20 July 2021, the FCA published terms of reference setting out the next steps it will take in its mortgage prisoners review. The review is intended to evaluate the effects of the FCA’s previous interventions that were designed to remove regulatory barriers to switching for mortgage prisoners, and provide further data and insights to the Treasury so that it may explore potential solutions to the mortgage prisoner issues. The FCA intends to report to the Treasury by the end of November 2021. The Treasury published a statement on 22 July 2021 noting its commitment to seeking additional options for borrowers with inactive firms who are unable to get a deal with new lenders, and therefore there may be changes to the rules and law in this area in future.

The regime under FSMA regulating financial promotions restricts the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Seller) who carries on the

regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court. Failure by the Seller to comply with the financial promotion regime may render the Loans unenforceable and may adversely affect the Issuer's ability to make payments on the Notes. The FCA's Mortgages and Home Finance: Conduct of Business Sourcebook ("MCOB"), sets out the FCA's rules for regulated mortgage activities. The original version of these rules came into force on 31 October 2004, under the handbook of the previous regulator, the FSA. Since 1 April 2013, these rules are located in the FCA's handbook. These rules cover, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract will be unenforceable against the Borrower except with the approval of a court. In addition, a Borrower who is a private person may, under section 138D of FSMA, be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA rule (including the rules in MCOB), and may set off the amount of the claim against the amount owing by the Borrower under the loan or any other loan that the Borrower has taken. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after the Mortgage Regulation Date may commit a criminal offence, but this will not render the contract unenforceable against the Borrower.

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

The FCA has the power to render unenforceable any contracts made in contravention of its product intervention rules. The Financial Services Act 2012 ("FS 2012") 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. 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 rule may provide: (i) for the relevant agreement or obligation to be unenforceable; (ii) for the recovery of any money or other property paid or transferred under the agreement; or (iii) for the payment of compensation for any loss sustained under the relevant agreement or obligation. In March 2013 the FSA published a policy statement "*The FCA's use of temporary product intervention rules*" following a consultation addressing when and how the FCA will consider making TPIRs. The FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make these 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 and whether the use of TPIRs will have any unintended consequences.

The Seller will give certain warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each relevant Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 30 Business Days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase the Loans under the relevant mortgage account and their Related Security from the Issuer.

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

The FCA's mortgage market review in October 2012 gave rise to new rules which came into effect on 26 April 2014 through amendments to MCOB. Key changes include a requirement for lenders to undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process. Mortgages entered into on or after 26 April 2014 must comply with these rules. These rules only apply to a Loan entered into before that date if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Loan generally as a regulated mortgage contract. To the extent that a loan is varied and in so doing a new loan is created under the new terms and such loan is a regulated mortgage contract, then these new rules apply.

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013 and: (a) published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and (b) began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. This is in addition to regulatory changes made as a result of the implementation of directive 2014/17/EU of the European Parliament and the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property (the "**Mortgage Credit Directive**") from 21 March 2016 (see "*Mortgage Credit Directive*" below). It is possible that further changes may be made to the FCA's MCOB rules if scrutiny of the mortgage sector continues, in particular in relation to forbearance and affordability.

To the extent that the new rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes.

Under the Financial Services Act 2012: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) the FCA has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules.

Any further changes to MCOB arising from the FCA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or changes in the regulatory structure or the Financial Services Act 2012, may adversely affect the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations.

***Mortgage Credit Directive***

The Mortgage Credit Directive (2014/17/EU) (the "**Mortgage Credit Directive**") came into force on 21 March 2014. Member States, including the United Kingdom prior to leaving the European Union, were required to implement the Mortgage Credit Directive into national law by 21 March 2016. The Mortgage Credit Directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State or the UK on residential immovable property, or secured by a right relating to residential immovable property; and (b) credit agreements the purpose of which is to provide finance to purchase or retain rights in land or in an existing or proposed residential building. The Consumer Credit Directive also extends to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of €75,000. The Mortgage Credit Directive does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees but does apply to buy to let mortgages.

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

Mortgage Credit Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The Mortgage Credit Directive was implemented in the UK through the Mortgage Credit Directive Order 2015 and the Mortgage Credit Directive Instrument 2015, which amended the FCA Handbook (including MCOB). Whilst certain provisions of the Mortgage Credit Directive Order came into force before 21 March 2016, the Mortgage Credit Directive Order took effect for most purposes on 21 March 2016.

The FCA published its Policy Statement PS15/9 on implementing the directive and on the new regime for second charge firms on 27 March 2015, together with final rules on the second charge mortgage regime (the majority of which came into effect on 21 March 2016) The changes required to implement the Mortgage Credit Directive are still relatively recent and it therefore remains to be seen whether these will have a material impact in relation to the loans.

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

The UK's approach to implementation has been to minimise the impact of the Mortgage Credit Directive on the UK mortgage market by building on the existing UK regulatory regime (rather than copy out the directive into UK legislation).

### ***Current regulation of consumer credit***

In the United Kingdom, the OFT was historically responsible for the issue of licences under and the enforcement of the CCA, related consumer credit regulations and other consumer protection legislation. However, in April 2014, the regulation of the consumer credit market transferred from the OFT to the FCA. In connection with the transfer of responsibility for the regulation of consumer credit activities from the OFT to the FCA on 1 April 2014, the Regulated Activities Order has been amended to bring a number of consumer credit related activities (which were previously licensable under the CCA) within the scope of the FSMA framework. From this date: (a) carrying on certain credit-related regulated activities (such as entering into a regulated credit agreement as lender or exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement (e.g. servicing)) otherwise than in accordance with permission from the FCA will render the credit agreement unenforceable without FCA approval; and (b) the FCA has power to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of any TPIRs. Additionally, the Financial Services Act 2012 provides for formalised cooperation to exist between the FCA and the Ombudsman, particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

A credit agreement is regulated by the CCA where (a) the borrower is or includes an "individual" as defined in the CCA, (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date and (c) the credit agreement is not an exempt agreement under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA is an exempt agreement under the CCA).

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

A court order under section 126 of the CCA is necessary to enforce a land mortgage, securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the



court has the power, if it appears just to do so, to amend the 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).

The Consumer Credit Act 2006 (the “**CCA 2006**”) amended and updated the CCA, and introduced an “unfair relationship” test applicable to all new credit agreements made on or after 6 April 2007, and to all existing credit agreements from 6 April 2008, except Regulated Mortgage Contracts under the FSMA (save for Consumer Credit Back Book Mortgages). The test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee such as the Issuer. In applying the “unfair relationship” test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor’s conduct before and after making the agreement. There is no statutory definition of the word “unfair” as the intention is for the test to be flexible and subject to judicial discretion. However, the word “unfair” is not an unfamiliar term in UK legislation due to the UTCCR (as defined below).

The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FCA “Principles for Businesses” may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an “unfair relationship” exists, the burden of proof is on the creditor to prove the contrary. A recent Supreme Court judgment has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditors) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

An alternative dispute resolution scheme for consumer credit matters was established on 6 April 2007 and is run by the Financial Ombudsman Service (as described below). The scheme is mandatory for all businesses licensed under the CCA. The responsibility for regulating consumer credit matters was transferred from the OFT to the FCA from 1 April 2014. The FCA set a deadline of 29 August 2019 by which consumers needed to make any PPI complaints or lose their right to have them assessed by firms or the FOS (although consumers continue to be able to bring claims in court). A consumer may be able to still submit a complaint if they were sold the policy after 29 August 2017, the complaint is about a claim being turned down by an insurer or the consumer can clearly show that there were exceptional circumstances that prevented them from making a complaint by the deadline.

The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements.

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to periodic matters such as statements and arrears notices, (b) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees will be restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Charges payable for early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies from 11 June 2010. These changes to the CCA may result in adverse effects on the Issuer’s ability to make payment in full on the Notes when due.

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 has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 30 Business Days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one “**Mortgage Account**”) and their Related Security from the Issuer.

#### ***Potential application of consumer credit regulation***

The definition of a Regulated Mortgage Contract now includes Consumer Credit Back Book Mortgages. Certain provisions of the CCA are retained with regards to Consumer Credit Back Book Mortgages. In particular, if the

contract would be enforceable against the borrower only on an order of the court as a result of the application of any relevant provision of the CCA, the contract remains enforceable only on an order of the court. Similarly, if the contract would be void, or part of the contract would be void, as a result of the application of the relevant provision of the CCA the contract, or that part of the contract, is void. If a creditor would not be entitled to enforce a contract as a result of a failure to comply with any relevant provision of the CCA, then for the purposes only of correcting the failure to comply with that provision of the CCA, the contract is treated as if it were a regulated agreement and the creditor may enforce the contract only if the creditor has corrected the failure to comply. If a creditor would not be entitled to enforce a contract because a period of non-compliance applies to the contract under the CCA, then for the purposes only of bringing the period of non-compliance to an end, the contract is treated as if it were a regulated agreement and the creditor may enforce the contract only if the period of non-compliance has ended. If a creditor would not be entitled to enforce a contract because of a provision of the CCA, then the creditor may enforce the contract only if the creditor has given the notice required by the CCA to the borrower. If a creditor would not be entitled to enforce the security provided in relation to a contract as a result of a failure to comply with any relevant provision of the CCA, then for the purposes only of correcting the failure to comply with the relevant provision of the CCA, the contract is treated as if it were a regulated agreement and the creditor may enforce the security only if the creditor has corrected the failure to comply.

## **CERTAIN TAX CONSIDERATIONS**

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

For UK tax purposes, as at the date of this Prospectus, so long as the Notes are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007, payment of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax. However there can be no assurance that the law in this area will not change during the life of the Notes.

Euronext Dublin is currently a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007. In the event that any withholding or deduction for or on account of UK income tax is imposed in respect of payments made to the Noteholders under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate the Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, where any withholding or deduction for or on account of any United Kingdom taxes, duties, assessments or governmental charges is imposed on payments in respect of the Notes by reason of a change in tax law which becomes effective on or after the Closing Date, the Issuer will, in accordance with Condition 9.4 (*Optional Redemption in whole for taxation reasons*) of the Notes, be required to mitigate such an imposition through the appointment of a Paying Agent in another jurisdiction or using reasonable endeavours to arrange for the substitution of a company incorporated and/or tax resident in another jurisdiction if such action would avoid the imposition of the withholding or deduction.

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

The Taxation of Securitisation Companies Regulations 2006 (the “**TSC Regulations**”) deal with the corporation tax position of securitisation companies such as the Issuer for accounting periods beginning on or after 1 January 2007.

If the TSC 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. The Issuer has been advised that it should fall within the TSC Regulations in relation to the transactions described in this Prospectus and, as such, should be taxed only on the amount of its “retained profit” (as that term is defined in the TSC Regulations) for so long as it satisfies the conditions of the TSC Regulations.

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position and the Issuer may be subject to Tax liabilities not contemplated in the cashflows for the transaction described in this Prospectus. In particular, the deduction of interest payments made by the Issuer on the Class A Notes may be partially or fully disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits of the Issuer. In these circumstances, such Tax liabilities may reduce amounts available

to the Issuer to meet its obligations under the Notes and may result in the Noteholders receiving less interest and/or principal than expected.

### ***UK Taxation risks associated with buy-to-let Loans***

There have been various tax related changes to United Kingdom legislation in recent years which may affect the ability of the Borrowers to repay their buy-to-let Loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact the Borrowers' ability to meet their obligations under such Loans. For example, since 6 April 2020 no deduction has been available for finance costs against rental income for individual landlords and instead all rental income is only eligible for a tax credit at the basic rate of income tax (20%) which may result in higher taxes for the individual landlords depending on their personal circumstances.

Further, a higher rate of stamp duty land tax (“**SDLT**”) and Welsh land transactions tax (“**WLTT**”) applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Wales respectively. The current additional tax rates are as follows: (i) in England the higher rate is 3 per cent. above the current SDLT rates; and (ii) in Wales the higher rate is 4 per cent. above the current WLTT rates.

In addition, from 1 April 2021, a 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England. This applies in addition to the 3 per cent. additional rate that applies to the purchase of additional residential properties in England described above.

## **RISKS RELATING TO BOOK-ENTRY INTERESTS**

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

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

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

Except as noted in the previous paragraph, 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, the Agents, the Cash Manager or the Account Bank 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 Certificates 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, the Agents, the Cash Manager, the Account Bank or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

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

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

## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

Please refer to section entitled “*Terms and Condition of the Notes*” for further detail in respect of the terms of the Notes.

### FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes
<i>Currency:</i>	GBP	
<i>Initial Principal Amount:</i>	£ 250,000,000	£32,700,000
<i>Note Credit Enhancement:</i>	Subordination of Class B Notes, excess Available Revenue Receipts	Excess Available Revenue Receipts
<i>Liquidity Support:</i>	Liquidity Reserve Fund applied to make up Revenue Deficiency. (subject to conditions as set out in “ <i>Overview of Credit Structure and Cashflows – Income Deficiency</i> ”)	N/A
<i>Issue Price:</i>	100%	
<i>Interest Rate:</i>	Compounded Daily SONIA + Margin or Step-Up Margin, as applicable	0.00% p. a.
<i>Margin:</i>	Up to and excluding the Step-Up Date, 0.58% p. a.	N/A
<i>Step-Up Margin:</i>	From and including the Step-Up Date, 1.16% p. a.	N/A
<i>Interest Accrual Method:</i>	Actual/365	
<i>Interest Determination Date:</i>	The fifth Business Day prior to each Interest Payment Date.	
<i>Payment Dates:</i>	Interest and Principal will be payable quarterly in arrear on the Interest Payment Dates falling in February, May, August and November in each year.	
<i>Business Day Convention:</i>	Modified Following	
<i>First Interest Payment Date:</i>	The Interest Payment Date falling in February 2022	
<i>First Interest Period:</i>	The period from the Closing Date to but excluding the Interest Payment Date falling in February 2022	

	<b>Class A Notes</b>	<b>Class B Notes</b>
<i>Step-Up Date:</i>		The Interest Payment Date falling in November 2026
<i>Redemption profile:</i>	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 ( <i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i> ).	
<i>Other Early Redemption in Full Events:</i>	Upon the occurrence of a Tax Event or Illegality Event and following the exercise of the Clean-Up Call Option. Please refer to Condition 9 ( <i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i> ).	
<i>Final Maturity Date:</i>		The Interest Payment Date falling in May 2052
<i>Form of the Notes:</i>		Registered
<i>Application for Listing:</i>		Ireland
<i>ISIN:</i>	XS2415445324	XS2415446132
<i>Common Code:</i>	241544532	241544613
<i>Minimum Denomination:</i>		£100,000 and £1,000 thereafter
<i>Ratings:</i>	AAA(sf) /Aaa (sf)	N/A
<i>(S&amp;P/Moody's)</i>		

## OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

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

**Ranking of Payments of Interest:** Payments of interest on the Class A Notes and the Class B Notes will be paid in Sequential Order.

The Notes within each individual Class will rank *pro rata* and *pari passu* and rateably among themselves at all times in respect of payments of interest to be made to such individual Class.

Any reference to a “**Class**” of Noteholders shall be a reference to the Class A Notes and the Class B Notes, as the case may be, or to the respective holders thereof.

**Ranking of Payments of Principal:** Payments of principal on the Class A Notes and the Class B Notes will be paid in Sequential Order.

The Notes within each individual Class will rank *pro rata* and *pari passu* and rateably among themselves at all times in respect of payments of principal to be made to such individual Class.

For a more detailed summary of the Priority of Payments, please refer to the section entitled “Cashflows and Cash Management”.

**Most Senior Class:** The Class A Notes whilst they remain outstanding and thereafter the Class B Notes.

**Sequential Order:** In respect of payments of interest and principal to be made to the Class A Notes and Class B Notes: *firstly*, to the Class A Notes and *secondly*, to the Class B Notes, in accordance with the relevant Priority of Payments.

**Security:** The Issuer’s obligations in respect of the Notes are secured and will share the same Security together with the other secured obligations of the Issuer in accordance with the Deed of Charge as described in further detail in Condition 6 (*Security*). The security granted by the Issuer includes:

- (a) a first fixed charge over the benefit of the Issuer in the Loans and the Related Security;
- (b) a charge at law over indebtedness comprising an obligation or liability to pay money secured by each registered charge of which it is registered as proprietor at the Land Registry of England and Wales (the “**Land Registry**”) (such registration to occur following a Perfection Trigger Event);
- (c) a first fixed charge over the benefit of each Authorised Investment;
- (d) first fixed charges over the Transaction Account, any Swap Collateral Accounts and other bank accounts of the Issuer established on or after the Closing Date in accordance with the Account Bank Agreement or the other Transaction Documents;
- (e) an assignment by way of security of the benefit under each relevant Transaction Document; except that the assignment by way of security of all of the Issuer’s right, title, interest and benefit under the Swap

Agreement shall be subject to any rights of set off or netting provided for thereunder; and

- (f) a first floating charge over the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever present and future including its uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security or absolute assignment as described above).

Certain other Secured Amounts (including certain obligations owed to the Swap Provider under the Swap Agreement) rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

**Interest payable on the Notes:**

The interest rates applicable to each Class of Notes are described in the sections "*Full Capital Structure of the Notes*" and "*Terms and Conditions of the Notes*".

**Interest Deferral:**

Interest due and payable on the Class B Notes may be deferred in accordance with Condition 8.10 (*Interest Accrual*).

**Gross-up:**

None of the Issuer, the Trustee or any other person will be obliged to pay any additional amounts to the Noteholders if there is any withholding or deduction for or on account of taxes from a payment made under the Notes.

**Redemption:**

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

- (a) mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 9.1 (*Final Redemption*);
- (b) on each Interest Payment Date prior to the delivery of an Enforcement Notice, mandatory redemption of the Notes in part subject to availability of Available Principal Receipts to be applied in accordance with the Pre-Enforcement Principal Priority of Payments, as fully set out in Condition 9.2 (*Mandatory Redemption in part*);
- (c) optional redemption exercisable by the Issuer in whole on any Interest Payment Date where the Principal Amount Outstanding of all the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date, as fully set out in Condition 9.3(a) (*Optional Redemption in whole*);
- (d) optional redemption exercisable by the Issuer in whole on any Interest Payment Date on or after the Step-Up Date, as fully set out in Condition 9.3(b) (*Optional Redemption in whole*);
- (e) optional redemption exercisable by the Issuer in whole for tax reasons, as fully set out in Condition 9.4 (*Optional Redemption in whole for taxation reasons*); and
- (f) optional redemption exercisable by the Issuer in whole upon the occurrence of an Illegality Event, as fully set out in Condition 9.5 (*Optional Redemption in whole upon the occurrence of an Illegality Event*).



Subject to the Issuer having sufficient funds available for this purpose, each Note redeemed will be redeemed in an amount equal to the Principal Amount Outstanding of the relevant Note together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption.

**Events of Default:**

As fully set out in Condition 13 (*Events of Default*), which broadly includes:

- (a) non-payment by the Issuer of principal in respect of the Most Senior Class of Notes within 7 days following the due date or non-payment by the Issuer of interest within 14 days following the due date (*provided that*, for the avoidance of doubt, a deferral of interest in respect of the Class B Notes in accordance with Condition 8.10 (*Interest Accrual*) shall not constitute a default in the payment of such interest);
- (b) breach of contractual obligations by the Issuer under the Transaction Documents which are incapable of remedy or which are, if capable of remedy, not remedied within 30 days;
- (c) any representation or warranty made by the Issuer under the Transaction Documents is incorrect and which is incapable of remedy or which, if capable of remedy, not remedied within 30 days;
- (d) Issuer Insolvency Event; or
- (e) it being illegal for the Issuer to perform or comply with its obligations.

**Limited Recourse:**

All of the Notes are ultimately limited recourse obligations of the Issuer and, if the Issuer has insufficient funds to pay amounts due in respect of the Notes in full, following the distribution of all available funds, any amounts outstanding under the Notes will cease to be due and payable as described in more detail in Condition 10 (*Limited Recourse*).

**Governing Law:**

English law.

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

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

**Prior to an Event of Default:**

Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding of the relevant Class are entitled to request that the Trustee convene a Noteholders’ meeting and all Noteholders of each Class are entitled to participate in a Noteholders’ meeting convened by the Issuer or the Trustee to consider any matter affecting their interests.

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 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 which is continuing, the holders of the Most Senior Class of Notes may, if they hold in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if they pass an Extraordinary Resolution, direct the Trustee in writing 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.

**Noteholders Meeting provisions:**

	<b>Initial meeting</b>	<b>Adjourned meeting</b>
<b>Notice period:</b>	No less than 21 clear days.	No less than 14 clear days.
<b>Location:</b>	A venue in the United Kingdom as notified to Noteholders.	A venue in the United Kingdom as notified to Noteholders.
<b>Quorum:</b>	One or more persons holding or representing in aggregate a majority of the Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting (other than a Basic Terms Modification (which must be proposed separately to each Class of Noteholders), which requires one or more persons holding or representing in the aggregate not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or	At an adjourned meeting one or more persons being or representing Noteholders of that Class or those Classes, whatever the Principal Amount Outstanding of the Notes then outstanding held or represented by them (other than Basic Terms Modification (which must be proposed separately to each Class of Noteholders), which requires one or more persons holding or representing not less than 50 per cent. of the Principal Amount

	Classes of Notes then outstanding).	Outstanding of the relevant Class or Classes of Notes then outstanding).
<b>Required majority for passing an Extraordinary Resolution</b>	Not less than 75 per cent. of votes cast	Not less than 75 per cent. of votes cast
<b>Written Resolution:</b>	75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes outstanding. A Written Resolution has the same effect as an Extraordinary Resolution.	

**Basic Terms Modification:**

Broadly speaking, the following modifications are Basic Terms Modifications:

Changes to dates, amounts or methods of calculating payments in respect of the Notes (other than a Reference Rate Modification or Swap Rate Modification), exchange, conversion or substitution of the Notes (other than in accordance with Condition 22 (*Substitution*) or Clause 23 (*Substitution*) of the Trust Deed), changes to the currency of the Notes, changes to the priority of payment of interest or principal in respect of the Notes, change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution and amendments to the definition of Basic Terms Modification.

**Relationship between Classes of Noteholders:**

In the event of a conflict of interests of holders of different Classes the Trustee shall have regard only to the interests of the holders of the Most Senior Class and will not have regard to any lower ranking Class of Notes.

Subject to the provision in respect of a Basic Terms Modification, an Extraordinary Resolution of holders of the Most Senior Class shall be binding on all other Classes and would override any resolutions to the contrary of the Classes ranking behind such Class.

A Basic Terms Modification requires an Extraordinary Resolution of each Class of Notes then outstanding.

**Seller as Noteholder:**

For the purpose of, *inter alia*, the right to attend and vote at any meeting of Noteholders, any Extraordinary Resolution in writing and any direction made by Noteholders, those Notes (if any) which are held by or on behalf of or for the benefit of the Seller, any holding company of the Seller or any subsidiary of such holding company in each case as beneficial owner, shall (unless and until ceasing to be held) be deemed not to remain outstanding, *provided that* if all the Notes of a particular Class are held by the Seller, any holding company of the Seller and/or any other subsidiary of such holding company (the “**Relevant Class of Notes**”) (and no other Classes of Notes exist that rank junior or *pari passu* to the Relevant Class of Notes, in respect of which the Notes are held by persons other than the Seller, any holding company of the Seller or any other subsidiary of such holding company), Notes of the Relevant Class of Notes will be deemed to remain outstanding.

**Relationship between Noteholders and other**

**Secured Creditors:**

The Trust Deed provides that the Trustee shall, except where expressly provided otherwise and prior to the redemption in full of the Notes, have regard solely to the interests of the Noteholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to it and to act in accordance with the applicable Priority of Payments.

**Provision of Information to the Noteholders under**

**the UK Securitisation Regulation:.....**

The Servicer shall, on behalf of the Issuer, prepare and make available via the Reporting Medium, or procure the making available via the Reporting Medium of the information required to be made available by the Reporting Entity pursuant to the Transparency Requirements, which shall include:

(a) the Quarterly Loan by Loan Report in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation and the UK Article 7 Technical Standards; and

(b) if and to the extent it becomes aware of the same, as soon as reasonably practical, any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the UK Securitisation Regulation and the UK Article 7 Technical Standards,

in each case in accordance with the requirements of the UK Securitisation Regulation, including as to the form of such information and the time when such information is required to be made available.

Information required to be made available prior to pricing to potential investors in the Notes pursuant to Article 7 of the UK Securitisation Regulation was made available by means of the website of EuroABS at <https://www.euroabs.com/IH.aspx?d=8307>.

**Bank of England Information:**

The Servicer shall prepare and/or file on behalf of the Issuer the Bank of England Information.

## OVERVIEW OF CREDIT STRUCTURE AND CASHFLOWS

Please refer to the sections entitled “Key Structural Features” and “Cashflows and Cash Management” for further detail in respect of the credit structure and cash flow of the transaction.

### Available Funds of the Issuer:

The Cash Manager will apply Available Revenue Receipts and Available Principal Receipts on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, as set out below.

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

(a) Revenue Receipts received during the immediately preceding Collection Period, less amounts applied during such Collection Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):

(i) payments of certain insurance premiums;

(ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer’s account (including any amounts required to satisfy any of the obligations and/or liabilities incurred by the Collection Account Bank under the direct debit scheme), any other amounts due to the Collection Account Bank in respect of amounts which are credited to the Collection Account or the Sub-Collection Account but which are subsequently recalled or reversed as an unpaid sum and the Collection Account Bank’s fees and charges for the operation of the Collection Account and the Sub-Collection Account;

(iii) any amount received from a Borrower at any time (including upon redemption of the relevant Loan) for the express purpose of payment being made to a third party or the Seller for the provision of a service to that Borrower or the Seller,

(items within paragraphs (i), (ii) and (iii) being collectively referred to herein as “**Permitted Withdrawals**”), which amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the Collection Account;

(b) interest payable to the Issuer on the Transaction Account and income from any Authorised Investments in each case received during the immediately preceding Collection Period;

(c) amounts received by the Issuer under the Swap Agreement (other than (i) any amounts to be credited to any Swap Collateral Account; and (ii) any amount received by the Issuer in respect of Swap Tax Credits) on or in respect of such Interest Payment Date;

(d) any Swap Collateral Account Surplus;

(e) any amounts standing to the credit of the Liquidity Reserve Fund (but only to the extent (i) necessary after applying all other Available Revenue Receipts to pay any Revenue Deficiency on any Interest Payment Date and (ii) (without double counting) if the Liquidity Reserve

Fund Excess Conditions are met, amounts credited to the Liquidity Reserve Fund exceed the Liquidity Reserve Required Amount);

- (f) other net income of the Issuer received during the immediately preceding Collection Period, excluding any interest, distributions or redemption or sale proceeds received in respect of amounts standing to the credit of any Swap Collateral Account and without double counting the amounts described in paragraphs (a) to (e) above;
- (g) the amounts (if any) to be applied pursuant to paragraph (a) of the Pre-Enforcement Principal Priority of Payments representing any deficiency in the Available Revenue Receipts under paragraphs (a) to (f) above that is required to pay any Remaining Revenue Deficiency on any Interest Payment Date (up to an amount equal to the Available Principal Proceeds on such Interest Payment Date); and
- (h) amounts deemed to be Available Revenue Receipts in accordance with items (a) and (d) of the Pre Enforcement Principal Priority of Payments.

If the Cash Manager determines that there would be a deficit on an Interest Payment Date to pay items (a) to (e) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall pay or provide for such deficit by applying (1) amounts standing to the credit of the Liquidity Reserve Fund and (2) (only in respect of any senior expenses of the Issuer which rank in priority to the Class A Notes in the relevant Priority of Payments (the “**Senior Expenses**”) and interest payments due on the Class A Notes) Principal Receipts (if any), subject to certain conditions. See “*Overview of Credit Structure and Cashflows - Income Deficiency*” below.

“**Available Principal Receipts**” will, broadly, include the following:

- (a) Principal Receipts on the Loans received during the immediately preceding Collection Period; and
- (b) amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (g) and (j) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date,

less:

- (c) the amount of Principal Receipts to the extent comprised in paragraph (a) above used or to be used by the Issuer to purchase Further Advances made during the immediately preceding Collection Period.

**Summary of Priority of Payments:** Below is a summary of the Priority of Payments. Please refer to the section entitled “*Cashflows and Cash Management*” for further information. In addition, please refer to “*Limited Recourse*” in the section entitled “*Overview of the Terms and Conditions of the Notes*”.

**Pre-Enforcement Revenue  
Priority of Payments**

**Pre-Enforcement Principal  
Priority of Payments**

**Post-Enforcement Priority of  
Payments**

- |   |   |   |
|---|---|---|
| <p>(a) Fees, costs, charges, liabilities and expenses of the Trustee and any Appointee;</p> <p>(b) any charges, liabilities, costs, expenses and fees of the Agent Bank, the Custodian, the Registrar and the Paying Agents, the Servicer, the Cash Manager, the Account Bank, any Replacement Account Bank, any Custodian, Servicer Facilitator and the Corporate Services Provider;</p> <p>(c) any third party expenses and any Transfer Costs;</p> <p>(d) any amounts due to the Swap Provider under the Swap Agreement (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments) but excluding any Swap Subordinated Amounts;</p> <p>(e) Class A interest;</p> <p>(f) (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount;</p> <p>(g) an amount sufficient to eliminate any debit on the Class A Principal Deficiency Sub-Ledger;</p> | <p>(a) to pay any Remaining Revenue Deficiency in full;</p> <p>(b) to redeem the Class A Notes until the Principal Amount Outstanding of the Class A Notes has been reduced to zero;</p> <p>(c) to redeem the Class B Notes until the Principal Amount Outstanding of the Class B Notes has been reduced to zero; and</p> <p>(d) remaining amounts to be applied as Available Revenue Receipts.</p> | <p>(a) Fees, costs, charges, liabilities and expenses of the Trustee and any Appointee (and any Receiver appointed by the Trustee);</p> <p>(b) any charges, liabilities, costs, expenses and fees of the Agent Bank, the Custodian, the Registrar and the Paying Agents, the Servicer, the Cash Manager, the Account Bank, any Replacement Account Bank, any Custodian, the Servicer Facilitator and the Corporate Services Provider;</p> <p>(c) any amounts due to the Swap Provider under the Swap Agreement (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments) but excluding any Swap Subordinated Amounts;</p> <p>(d) Class A interest;</p> <p>(e) to redeem the Class A Notes;</p> <p>(f) Class B interest;</p> <p>(g) to redeem the Class B Notes;</p> <p>(h) Swap Subordinated Amounts (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap</p> |
|---|---|---|

**Pre-Enforcement Revenue  
Priority of Payments**

- (h) Issuer Profit Amount;
- (i) Class B interest;
- (j) an amount sufficient to eliminate any debit on the Class B Principal Deficiency Sub-Ledger;
- (k) Swap Subordinated Amounts (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments);
- (l) interest due and payable in respect of the Subordinated Loan to the Subordinated Loan Provider;
- (m) principal amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (n) Deferred Consideration payable to the Seller.

**Pre-Enforcement Principal  
Priority of Payments**

**Post-Enforcement Priority of  
Payments**

- Collateral Account Priority of Payments);
- (i) Issuer Profit Amount;
- (j) corporation tax payable by the Issuer;
- (k) interest and principal due and payable in respect of the Subordinated Loan to the Subordinated Loan Provider; and
- (l) Deferred Consideration to the Seller.

**Key Structural Features:**

The general credit and liquidity structure of the transaction includes, broadly, the following elements:

- availability of the Liquidity Reserve Fund, initially funded by the proceeds of the Subordinated Loan on the Closing Date up to the Liquidity Reserve Required Amount (being an amount equal to 1.0 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date) and replenished on each Interest Payment Date up to the Liquidity Reserve Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. The Liquidity Reserve Fund (prior to repayment in full of the Class A Notes) will be credited to the Transaction Account. Moneys standing to the credit of the Liquidity Reserve Fund will be applied to make up any Revenue Deficiency. Any amount credited to the Liquidity Reserve Fund in excess of the Liquidity Reserve Required Amount shall, *provided that* the Liquidity Reserve Fund Excess Conditions (if applicable) are met, form part of Available Revenue Receipts;



- availability of Principal Receipts to make up any Remaining Revenue Deficiency. See the section entitled “*Overview of Credit Structure and Cashflows – Income Deficiency*” below for limitations on the use of Principal Receipts for this purpose;
- payments of principal and payments of interest on the Class A Notes will be made *pari passu* and *pro rata* amongst each other;
- payments of principal and interest on the Class B Notes will be subordinated to payments on the Class A Notes;
- availability of the rate of interest provided by the Account Bank in respect of collections transferred to the Transaction Account. The Transaction Account is subject to the Account Bank Agreement, under which, the Account Bank has agreed to pay interest at a rate which may be agreed from time to time in respect of sums in the Transaction Account. However, the Issuer (or the Cash Manager acting on the instructions of the Issuer and on its behalf) may invest sums standing to the credit of the Transaction Account in Authorised Investments pursuant to the terms of the Account Bank Agreement;
- availability of the fixed rate swap provided by the Swap Provider to hedge against the possible variance between the fixed interest rates payable in respect of the Relevant Fixed Rate Loans and the floating rate interest payable in respect of the Class A Notes; and
- it is expected that during the life of the Notes, the Available Revenue Receipts will, assuming that all the Loans are fully performing, be sufficient to pay the interest amounts payable in respect of all the Class A Notes, the Senior Expenses of the structure and retaining the Issuer Profit Amount.

See the section entitled “*Key Structural Features*” for further information on this.

**Revenue Deficiency:**

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of Senior Expenses and interest amounts on the Class A Notes. To the extent that Available Revenue Receipts are insufficient to pay items (a) to (e) inclusive of the Pre-Enforcement Revenue Priority of Payments in full (the amount of any deficit being an “**Revenue Deficiency**”), the Cash Manager will, on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Revenue Deficiency by applying amounts standing to the credit of the Liquidity Reserve Fund.

Any amounts so withdrawn from the Liquidity Reserve Fund will be applied to pay Senior Expenses and interest on the Class A Notes in the order set out in the Pre-Enforcement Revenue Priority of Payments. If following application of Available Revenue Receipts and amounts standing to the credit of the Liquidity Reserve Fund, the Cash Manager determines that there would be a remaining Revenue Deficiency on such Interest Payment Date to pay Senior Expenses and interest amounts on the Class A Notes under items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments (the amount of any such deficit being a “**Remaining Revenue Deficiency**”), the Cash Manager will on the relevant Interest Payment Date and on behalf of the

Issuer, pay or provide for such Remaining Revenue Deficiency by applying Principal Receipts (if any) in accordance with the Pre-Enforcement Revenue Priority of Payments.

The application of any Principal Receipts to meet any Remaining Revenue Deficiency will be recorded as set out below in the section entitled “*Overview of Credit Structure and Cashflows – Principal Deficiency Ledger*”.

**Principal Deficiency Ledger:**

The Principal Deficiency Ledger of the Issuer will record as a debit to the ledger (i) any Losses on the Portfolio and (ii) the application of any Principal Receipts to meet any Remaining Revenue Deficiency. The Principal Deficiency Ledger will be divided into two sub-ledgers which will correspond to each of the Class A Notes and the Class B Notes. The sub-ledger for each Class of Notes will show separate entries for each Class of Notes.

Debits will be recorded as follows:

- (a) *first*, on the Class B Principal Deficiency Sub-Ledger until the debit balance of that sub-ledger is equal to the then aggregate Principal Amount Outstanding of the Class B Notes; and
- (b) *second*, on the Class A Principal Deficiency Sub-Ledger until the debit balance of that sub-ledger is equal to the then aggregate Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, the Issuer shall apply any excess Available Revenue Receipts to extinguish or reduce any balance on the Principal Deficiency Ledger. Any Available Revenue Receipts applied in order to extinguish or reduce any balance on the Principal Deficiency Ledger on an Interest Payment Date, will be applied as follows:

- (a) *first*, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class A Notes on the Class A Principal Deficiency Sub-Ledger; and
- (b) *second*, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class B Notes on the Class B Principal Deficiency Sub-Ledger.

Please refer to the section entitled “*Key Structural Features*” for further information on this.

**Transaction Account and Cash Management:**

The Servicer will ensure that all payments due under the Loans are made by Borrowers into the Sub Collection Account which it will then transfer Collection Account on the same day of receipt. Amounts credited to the Collection Account from (and including) the Closing Date that relate to the Loans will be identified on a daily basis (or, if such day is not a Business Day, the next following Business Day) (each such aggregate daily amount, a “**Daily Loan Amount**”) and the Seller will transfer an amount equal to the Daily Loan Amount from the Collection Account into the Transaction Account on the next Business Day after that Daily Loan Amount is identified as received in the relevant Collection Account. On each Interest Payment Date amounts standing to the credit of the Transaction Account will be

applied by the Cash Manager in accordance with the relevant Priority of Payments.

**Swap Collateral Accounts:**

On or around the Closing Date, a Swap Collateral Account will be established with the Account Bank in the name of the Issuer, into which the following amounts shall be transferred and credited to:

- (a) any early termination amount received by the Issuer under the Swap Agreement required to fund the entry into a replacement Fixed Rate Swap Transaction;
- (b) any Swap Collateral in the form of cash;
- (c) any Replacement Swap Premium paid to the Issuer to the extent required to pay termination payments to the existing Swap Provider; and
- (d) any Swap Tax Credit,

and one or more additional Swap Collateral Accounts may be established with the Account Bank in the name of the Issuer into which such amounts may be transferred and credited to from time to time.

In addition, if the Swap Provider opts to deliver Swap Collateral in the form of securities under the terms of the Credit Support Annex, the Issuer shall, at the request of the Swap Provider (that may be made from time to time) for the purpose of facilitating the delivery of such securities collateral, open one or more Swap Collateral Accounts in which the Swap Provider posts Swap Collateral in the form of securities.

Amounts or securities or proceeds of such securities standing to the credit of the Swap Collateral Accounts shall be applied solely in accordance with the Swap Collateral Account Priority of Payments.

## OVERVIEW OF THE PORTFOLIO AND ADMINISTRATION

Please refer to the section entitled “The Portfolio – The Loans”, “The Portfolio – Statistical Information on the Provisional Portfolio” and “Servicer – Administration Procedures” for further detail in respect of the characteristics of the Portfolio and the sale and the servicing arrangements in respect of the Portfolio.

### Sale of Portfolio:

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

Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Portfolio to the Issuer on the Closing Date.

The term “**Loans**” in this Prospectus shall include any Buy to Let loans in the Portfolio sold or to be sold (as applicable) to the Issuer by the Seller on or about the Closing Date pursuant to the Mortgage Sale Agreement including, where the context so requires, any further advance made by the Seller to a Borrower prior to the Closing Date and sold to the Issuer pursuant to the Mortgage Sale Agreement, each Further Advance sold or to be sold (as applicable) to the Issuer by the Seller after the Closing Date and any loan which is the subject of a Product Switch but excluding (for the avoidance of doubt) each loan and its Related Security redeemed or repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by it.

The Loans and Related Security are governed by English Law.

Please refer to the section entitled “The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement” for further information.

### Features of Loans:

Certain features of the Loans included in the Provisional Portfolio as at 30 November 2021 (the “**Cut-off Date**”) are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Loans set out in “The Portfolio – Statistical Information on the Provisional Portfolio”. The 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 and are secured by first priority charges over freehold and leasehold properties in England and Wales.

<i>Current Balance (£)</i>	282,701,571
<i>Number of Loans (including Further Advances)</i>	1,346
<i>Number of Borrowers</i>	1,330
<i>Average Balance (£)</i>	210,031
<i>Weighted Average Interest Rate (%)</i>	2.87
<i>Weighted Average Original LTV (%)</i>	70.41
<i>Weighted Average Current LTV (%)</i>	70.08
<i>Buy-to-Let (%)</i>	100.00
<i>Weighted Average Term To Maturity (Years)</i>	19.72

<i>Weighted Average Seasoning (months)</i>	34.00
<i>Borrowers subject to Bankruptcy or Individual Voluntary Agreement (%)</i>	0.00
<i>Borrowers subject to County Court Judgements (%)</i>	0.00

**Consideration:**..... The consideration from the Issuer to the Seller in respect of the sale of the Portfolio together with its Related Security shall be: (i) Consideration of £282,701,570.97, being an amount equal to the Current Balance of the Loans of the Seller determined as at the close of business on 31 October 2021, which is due and payable on the Closing Date and (ii) Deferred Consideration, in each case, payable in accordance with the Mortgage Sale Agreement to the Seller.

Any Deferred Consideration will be paid to the Seller in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

Any reference to the “**Current Balance**” of any Loan means, on any date, the aggregate balance of the amounts charged to the Borrower’s account in respect of a Loan at such date (but avoiding double counting) including:

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

*less* any repayment or payment (including, if permitted, by way of set-off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

See the section entitled “*The Portfolio*” for further information.

The consideration from the Issuer to the Seller in respect of the sale of Further Advances to the Issuer shall be the Further Advance Purchase Price, which will, if sufficient, be met through Available Principal Receipts on the 25<sup>th</sup>

calendar day of each month (or if such day is not a Business Day, the immediately following Business Day) after the last day of the calendar month in which a Further Advance is made.

**Representations and Warranties:**

The Seller will make certain representations and warranties to the Issuer and the Trustee on (i) the Closing Date in respect of the Portfolio; (ii) the last calendar day in each month during which an Advance Date has occurred in respect of the relevant Further Advances; and (iii) the last calendar day in each month during which a Switch Date has occurred in respect of the relevant Product Switch.

In addition to warranties in respect of the legal status of the Loans and their Related Security, there are also warranties in relation to the assets which include (but are not limited to) the following:

- first ranking mortgage;
- no right of set-off;
- current loan amount not exceeding £1,000,000;
- minimum payment made (not less than one monthly payment);
- no Loan is more than one monthly payment in arrears; and
- final Loan repayment date not falling beyond three years prior to the Final Maturity Date.

See the section entitled “*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*” for further information.

**Repurchase of Loans:**

The Seller shall repurchase any Loan and its Related Security in the following circumstances:

- upon material breach of any of the representations or warranties given by the Seller on the Closing Date (and, with respect to certain of the representations and warranties, also on the date that the appointment of Newcastle Building Society as Servicer is terminated), which have not been remedied by the Seller within 90 Business Days of being notified by the Issuer of such breach;
- upon material breach of any of the representations or warranties given by the Seller (i) in respect of a Further Advance, on or prior to the last calendar day of the calendar month following the calendar month in which an Advance Date has occurred, or (ii) in respect of a Product Switch, on or prior to the last calendar day of the month following the calendar month in which a Switch Date has occurred (in each case which is not capable of remedy or is not remedied within 30 Business Days of being notified by the Issuer); and
- in certain circumstances upon making a Product Switch or Further Advance if the Seller has notified the Issuer that certain conditions have not been met. See “*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*”.

The Seller will also repurchase the Loans and their Related Security in the following circumstances:

- if the Issuer exercises its Clean-Up Call Option where the Principal Amount Outstanding of the Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date; or
- if the Issuer exercises a general call option on any Interest Payment Date from and including the Step-Up Date (see the section headed “*Overview of the Terms and Conditions of the Notes – Redemption*” and Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*)).

As an alternative to selling the Further Advance to the Issuer, if the Available Principal Receipts are insufficient to pay the consideration for any Further Advance or if the Seller does not wish a Loan which is the subject of a Product Switch to remain in the Portfolio (as applicable), the Seller may elect to repurchase the relevant Loan and its Related Security from the Issuer on or prior to the last day of the calendar month following the calendar month in which the Further Advance or Product Switch is made.

See the section entitled “*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*” for further information.

**Consideration for Repurchase:**

An amount at least equal to the Current Balance of the Loans to be repurchased as of the date of completion of the repurchase.

Such consideration may be satisfied by a cash payment by the Seller to the Issuer.

See the section entitled “*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*” for further information.

**Perfection Trigger Events:**

See “*Perfection Trigger Events*” in the section entitled “*Transaction Overview – Triggers Table – Non-Rating Triggers Table*”.

Prior to the completion of the transfer of legal title to the Loans, the Issuer will be subject to certain risks as set out in the risk factor entitled “*Seller to initially retain legal title to the Loans and risks relating to set-off*” in the section entitled “*Risk Factors*”.

**Administration of the Portfolio:**

The Servicer agrees to service on behalf of the Issuer the Loans and their Related Security. The appointment of the Servicer may be terminated by the Issuer and/or the Trustee (subject to the terms of the Servicing Agreement) upon the occurrence of a Servicer Termination Event (see “*Servicer Termination Event*” in the “*Non-Rating Triggers Table*”), provided that a substitute Servicer has been appointed and such appointment to be effective not later than the date of such termination.

The Servicer may also resign by giving not less than 12 months’ notice to the Issuer and the Trustee and subject to, *inter alia*, a replacement Servicer having been appointed.

Upon the occurrence of a Servicer Termination Event and the termination of the appointment of the Servicer, in accordance with the provisions of the

Servicing Agreement, or following the resignation of the Servicer, the Servicer Facilitator shall use best endeavours to identify, on behalf of the Issuer or (after the service of an Enforcement Notice) the Trustee, a suitable successor servicer in accordance with the terms of the Servicing Agreement, which process shall be commenced by no later than 10 Business Days after the Servicer Facilitator became aware of the termination or retirement of the Servicer. The Servicer Facilitator shall use its reasonable endeavours to procure that a replacement Servicer meeting the requirements set out in the Servicing Agreement is appointed within 30 calendar days of the occurrence of the applicable Servicer Termination Event or resignation. The Servicer shall continue to provide the duties under the Servicing Agreement until a replacement Servicer is appointed in accordance with the terms of the Servicing Agreement.

**Delegation:**

The Servicer may, in certain circumstances, delegate or sub-contract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer remains liable at all times for servicing the Loans and for the acts or omissions of any delegate or sub-contractor. See the section entitled “*The Servicer – The Servicing Agreement*” for further information.



## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
Swap Provider (or any guarantor thereof):	Moody's Rating Requirements	
	Collateral Trigger: (i) A counterparty risk assessment from Moody's of Baa1(cr) or above, or (ii) a senior unsecured debt rating from Moody's of Baa1 or above (the " <b>Qualifying Collateral Trigger Rating</b> ").	If the Swap Provider (or its successor or any relevant guarantor) does not have the Qualifying Collateral Trigger Rating and either (a) has not had a Qualifying Collateral Trigger Rating since the Closing Date or (b) at least 30 business days have elapsed since the last time the Swap Provider (or its successor or relevant guarantor) had a Qualifying Collateral Trigger Rating, the Swap Provider must take one of the following remedial actions: (i) post collateral; (ii) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party; (iii) procure a guarantee from an appropriately rated third party; or (iv) take such other action as required to maintain or restore the rating of the Class A Notes by Moody's, in each case in accordance with the terms of the Swap Agreement.
	Transfer Trigger: (i) A counterparty risk assessment from Moody's of Baa3(cr) or above, or (ii) a senior unsecured debt rating from Moody's of Baa3 or above (the " <b>Qualifying Transfer Trigger Rating</b> ").	If the Swap Provider (or its successor, assignee or any relevant guarantor) does not have the Qualifying Transfer Trigger Rating, the Swap Provider must, at its own cost, use commercially reasonable efforts to, as soon as reasonably practicable (and in any event within 30 business days), post collateral and take one of the following remedial actions: (i) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party; (ii) procure a guarantee from an appropriately rated third party; or (iii) take such other action as required to maintain or restore the rating of the Class A Notes by Moody's, in each case in accordance with the terms of the Swap Agreement.

**Transaction Party**

**Required Ratings on the Closing Date**

**Possible effects of Ratings Trigger being breached include the following**

**S&P Rating Requirements**

S&P Global Ratings' 'Counterparty Risk Framework: Methodology And Assumptions', (published on 8 March 2019) permit four different options for selecting applicable frameworks containing transfer ratings triggers, and the contractual requirements that should apply on the occurrence of breach of a transfer ratings trigger by the Swap Provider (the "**S&P Framework**", as defined and set out in the Swap Agreement). Subject to certain conditions specified in the Swap Agreement, the Swap Provider may change the applicable S&P Framework by written notice to the Issuer, the Trustee and S&P. The applicable S&P Framework that will apply on the Closing Date is specified in the Swap Agreement.

**S&P First Rating Requirement:** The Swap Provider (or its successor or permitted transferee) has an issuer credit rating or resolution counterparty rating assigned to it of at least A- (if S&P Framework "Strong", applies at the relevant time).

The consequence of the Swap Provider no longer having the requisite rating under the S&P Framework "Strong" shall be that the Swap Provider has to take certain remedial actions within the required time frame as set out in the terms of the Swap Agreement. Such remedial actions are as follows: (a) post collateral or (b) (i) procure a transfer to an eligible replacement of the 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 Class A Notes by S&P, in each case in accordance with the terms of the Swap Agreement.

**S&P Second Rating Requirement:** The Swap Provider (or its successor or permitted transferee) has an issuer credit rating or resolution counterparty rating assigned to it of at least:

- BBB+ (if S&P Framework "Strong", applies at the relevant time);
- A- (if S&P Framework "Adequate" applies at the relevant time);

The consequence of the Swap Provider no longer having the requisite rating under the relevant S&P Framework (as applicable), shall be that the Swap Provider has to take certain remedial actions within the required time frame as set out in the terms of the Swap Agreement. Such remedial actions are as follows: (a) use commercially reasonable efforts to (i) procure a transfer to an eligible replacement of the obligations under the Swap Agreement or (ii) procure a guarantee from an eligible guarantor in respect of its obligations,

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
	<ul style="list-style-type: none"> <li>• A (if S&amp;P Framework “Moderate” applies at the relevant time);</li> <li>• A+ (if S&amp;P Framework “Weak” applies at the relevant time).</li> </ul>	<p>under the Swap Agreement or (iii) take such other action as required to maintain or restore the ratings of the Class A Notes by S&amp;P and (b) (other than if S&amp;P Framework “Weak” applies) as long as the remedial actions of limb (a) have not been put into place, to post or continue to post collateral, in each case in accordance with the terms of the Swap Agreement.</p> <p>A failure by the Swap Provider to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement.</p>
Account Bank:	<p>(i) S&amp;P: the short-term issuer default rating of the Account Bank is downgraded to less than A-1 and the long-term issuer default rating of the Account Bank is downgraded to less than A; or (ii) Moody’s: the long-term deposit rating of the Account Bank is downgraded below a rating of A3 (or (in each case) such other short-term or long term rating which is otherwise acceptable to the relevant Rating Agency from time to time).</p>	<p>The consequences of breach may be that the Issuer will be required (within 60 calendar days) to arrange for the transfer (at its own cost) of the Transaction Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Account Bank Agreement in order to maintain the ratings of the Notes at their then current ratings unless the Issuer has arranged a guarantee of its obligations by a suitably rated third party. However, the Issuer may also remedy such breach of the Ratings Trigger by other remedial action acceptable to the Rating Agencies which would maintain the rating of the Class A Notes. Any termination of the appointment of the Account Bank will not occur until a replacement has been appointed</p>

### Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
<p>Servicer Termination Event</p> <p>See the section entitled “<i>The Servicer</i>” for further information on this.</p>	<p>(a) Servicer payment default;</p> <p>(b) Failure to comply with any of its other covenants or obligations; or</p> <p>(c) Servicer Insolvency Event.</p>	<p>The Issuer or the Trustee may terminate the appointment of the Servicer.</p> <p>The Issuer shall appoint a replacement Servicer in accordance with a replacement servicing agreement.</p>
<p>Perfection Trigger Events</p> <p>See the section entitled “<i>The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement</i>” for further information on this.</p>	<p>(a) Seller Insolvency Event;</p> <p>(b) Severe Credit Quality Deterioration Event;</p> <p>(c) the Seller defaults in the performance or observance of any of its other obligations under the Transaction Documents, including failure to repurchase any Loan under the Mortgage Sale Agreement, and such default continues unremedied for longer than the remedy period permitted by the relevant Transaction Documents;</p> <p>(d) an Enforcement Notice has been served following the occurrence of an Event of Default;</p> <p>(e) the Seller is required to perfect the Issuer’s legal title to the Loans or their Related Security by an order of a court of</p>	<p>The legal transfer by the Seller to the Issuer of all the Loans and their Related Security as soon as reasonably practicable.</p>

**Nature of Trigger****Description of Trigger****Consequence of Trigger**

competent jurisdiction or by a regulatory authority which has jurisdiction over the Seller or by any organisation of which the Seller is a member, or it becomes necessary by law or regulation to perfect the Issuer's legal title; or

- (f) the security created under or pursuant to the Deed of Charge or any material part of that security is, in the opinion of the Trustee, in danger of being seized or sold under any form of distress, diligence, attachment, execution or other legal process or otherwise in jeopardy.

Cash Manager Termination Event  
See section entitled "*Cashflows and Cash Management*" for further information on this.

Following the termination of the appointment of the Cash Manager under the Cash Management Agreement.

The Issuer or the Trustee may terminate the appointment of the Cash Manager.

The Issuer shall appoint a replacement cash manager pursuant to a replacement Cash Management Agreement.

## FEES

The following table sets out the estimated on-going annual fees to be paid by the Issuer to the specified Transaction Parties.

Please note that that where a replacement Servicer or replacement cash manager has been appointed, the replacement Servicer or replacement Cash Manager is likely to charge fees and such fees are likely to be paid in priority in cashflow ahead of all outstanding Notes quarterly in arrear on each Interest Payment Date.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing Fees	0.2 per cent. per annum (inclusive of VAT) of the aggregate amount of the Portfolio at the opening of business on the preceding Collection Period	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	Estimated at 0.02 per cent. per annum (inclusive of VAT) of the aggregate amount of the Portfolio at the opening of business on the preceding Collection Period	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes – Closing Date	Estimated at €5,140.00 (exclusive of VAT)		On or about the Closing Date
Expenses related to the admission to trading of the Notes - annual	Estimated at €3,000 (exclusive of VAT)	Ahead of all outstanding Notes	On each anniversary of the Closing Date

As at the date of this Prospectus, the standard rate of UK value added tax (“VAT”) is 20%.

## CERTAIN REGULATORY REQUIREMENTS

### THE UK SECURITISATION REGULATION

#### Risk retention requirements

Newcastle Building Society, will retain, as an originator, (the “**Retention Holder**”), on an ongoing basis, a material net economic interest of not less than 5 per cent. in the securitisation in accordance with and as required by Article 6(1) of the UK Securitisation Regulation.

As at the Closing Date, such interest will be comprised of the Retention Holder holding the Class B Notes in accordance with Article 6(3)(d) of the UK Securitisation Regulation (the “**Retained Interest**”).

Any change to the manner in which the Retained Interest is held will be notified to Noteholders in accordance with the Conditions and the requirements of the UK Securitisation Regulation. The Retention Holder’s Retained Interest will be confirmed through disclosure in the Quarterly Investor Report.

Pursuant to the Risk Retention Letter, the Retention Holder has undertaken and agreed in its capacity as “originator” for the purposes of the UK Securitisation Regulation that it will, while any of the Notes remain outstanding:

- (a) retain the Retained Interest in accordance with Article 6 of the UK Securitisation Regulation;
- (b) not change the manner in which it retains such Retained Interest except to the extent permitted or required under the UK Securitisation Regulation;
- (c) not to transfer, sell or hedge or otherwise enter into any credit risk mitigation, short position or any other credit risk hedge or other activity prohibited under Article 6 of the UK Securitisation Regulation, except, to the extent permitted by the UK Securitisation Regulation;
- (d) confirm its Retained Interest as contemplated by Article 6 of the UK Securitisation Regulation through provision of information in the Prospectus, disclosure in the Quarterly Investor Report (as prepared by the Cash Manager) in accordance with Article 7 of the UK Securitisation Regulation (or shall procure that the same is confirmed) noting that the Issuer is the designated reporting entity pursuant to Article 7(2) of the UK Securitisation Regulation, provided that the Retention Holder will not be in breach of this paragraph (d) if it fails to so comply due to events, actions or circumstances beyond its control;
- (e) promptly notify the Issuer, the Seller, Swap Provider and the Trustee if for any reason it ceases to hold the Retained Interest in accordance with paragraph (a) above or fails to comply with the covenants set out in paragraphs (a) to (d) above in respect of the Retained Interest; and
- (f) noting that it is not the Reporting Entity, comply (or procure compliance) with the disclosure obligations under Article 7 of the UK Securitisation Regulation, including, without limitation, by providing the Issuer with access to any reasonable and relevant additional data as necessary for the Issuer to comply with its obligations as the entity responsible for compliance with the requirements of Article 7 of the UK Securitisation Regulation (subject to all applicable laws) provided that the obligations of the Retention Holder in this paragraph (f) shall be subject to any legal or regulatory requirements applicable to the Retention Holder and provided further that the Retention Holder will not be in breach of the requirements of this paragraph (f) if, due to events, actions or circumstances beyond its control, it is not able to comply with the undertakings contained in the Risk Retention Letter.

#### Transparency and reporting

##### *Designation of the Reporting Entity*

For the purposes of Article 7(2) of the UK Securitisation Regulation, the Issuer, as SSPE, has been designated as the entity responsible for compliance with the requirements of Article 7 of the UK Securitisation Regulation (the “**Reporting Entity**”). The Reporting Entity will either fulfil such requirements itself or shall procure that such requirements are fulfilled on its behalf.

### ***Reporting under the UK Securitisation Regulation***

The Reporting Entity has undertaken in the Risk Retention Letter to procure the provision of information to the competent authorities, to Noteholders and (upon request) potential investors as required by Article 7(1) of the UK Securitisation Regulation in a manner consistent with Article 7(2) of the UK Securitisation Regulation and the UK Article 7 Technical Standards, subject always to any requirement of law, and provided that: (i) the Issuer will not be in breach of such undertaking if the Issuer fails to so comply due to events, actions or circumstances beyond the Issuer's control; and (ii) the Issuer is only required to do so to the extent that the disclosure requirements under Article 7 of the UK Securitisation Regulation remain in effect.

As to the information made available to prospective investors, reference is made to the information set out herein and forming part of this Prospectus and to the other documents and information which will be made available to prospective investors upon request in accordance with the UK Securitisation Regulation. See the sections entitled "*The Servicing Agreement – Reporting under the UK Securitisation Regulation*" and "*Cashflows and Cash Management – Reporting under the UK Securitisation Regulation*".

### **Investors to assess compliance**

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 5 of the UK Securitisation Regulation. None of the Issuer, the Seller, the Retention Holder, the Servicer, the Arranger or the Lead Manager or any of the other transaction parties makes any representation that the information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

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

See further "*Risk Factors – Certain Regulatory Risks in respect of the Notes – Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*" above for further information on the implications of the UK Securitisation Regulation.

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

The Seller has applied the same sound and well-defined credit-granting criteria for the Loans as it has applied to equivalent Loans that are not part of the Portfolio. In particular:

- (a) the Seller has applied the same clearly established processes for approving and, where relevant, amending, renewing and refinancing Loans as it has applied to equivalent Loans that are not part of the Portfolio; and
- (b) the Seller has effective systems in place to apply those criteria and processes in order to ensure that credit-granting is based on a thorough assessment of the Borrower's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the Borrower meeting his/her obligations under the relevant Mortgage Loan Agreement, as to which see "*The Loans and the Portfolio – Lending Criteria*".

### **EU SECURITISATION REGULATION**

The Transaction is not being structured so as to ensure compliance by any person with any requirement of the EU Securitisation Regulation, and none of the Issuer, the Seller, the Trustee, the Lead Manager, the Arranger, the Retention Holder or any other Transaction Party makes any representation that any such information described above or elsewhere in this Prospectus is will be sufficient for such purposes.

### **U.S. CREDIT RISK RETENTION REQUIREMENTS**

No party to the transaction intends to retain at least 5 per cent. of the credit risk of the securitised assets for purposes of compliance with the U.S. Risk Retention Rules.



For further information on the requirements referred to above and the corresponding risks, please refer to the section entitled “*Risk Factors – U.S. Risk Retention Requirements*”.

## **THE VOLCKER RULE**

On 10 December 2013, U.S. regulators adopted final regulations to implement Section 619 of the Dodd-Frank Act, commonly referred to as the “**Volcker Rule**”. The regulations generally prohibit “banking entities” (broadly defined to include U.S. banks, bank holding companies and foreign banking organisations, together with their respective subsidiaries and other affiliates) from (a) engaging in proprietary trading, (b) acquiring or retaining an ownership interest in, or sponsoring, a “covered fund” and (c) entering into certain relationships with such funds, subject to certain exceptions and exclusions.

The Issuer has been structured not to be a “covered fund” for the purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (such statutory provisions, together with such implementing regulations, being the Volcker Rule). In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act and under the Volcker Rule may be available, the Issuer has relied on an exemption from registration as an “investment company” under the Investment Company Act under Section (3)(c)(5)(C) thereof. Under the Volcker Rule, 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) thereof.

Any prospective investor in any Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding the effect of the Volcker Rule.

## 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 distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown.

However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, the following tables were prepared based on the characteristics of the Loans included in the Portfolio and the following additional assumptions (the “**Modelling Assumptions**”):

- (a) there are no arrears or enforcements;
- (b) no Loan is sold by the Issuer;
- (c) there is no debit balance on any of the sub-ledgers of the Principal Deficiency Ledger on any Interest Payment Date;
- (d) the Seller is not in breach of the terms of the Mortgage Sale Agreement;
- (e) no Loan is repurchased by the Seller;
- (f) no Further Advances are made in respect of the Portfolio;
- (g) the portfolio mix of loan characteristics remains the same throughout the life of the Notes;
- (h) the ratio of the Principal Amount Outstanding of the Class A Notes to the aggregated Current Balances of the Provisional Portfolio as at the Closing Date is 88.4% per cent.
- (i) the Notes are issued on 30 November 2021 and all payments on the Notes are received on the 25th day of every third calendar month commencing from 25 February 2022. The collection dates are the end of each month preceding the Interest Payment Date;
- (j) in the case of tables stating “to call”, the Notes are redeemed at their Principal Amount Outstanding on the Step-Up Date;
- (k) the Notes will be redeemed in accordance with the Conditions;
- (l) no Security has been enforced;
- (m) the assets of the Issuer are not sold by the Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;
- (n) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (o) the Loans continue to be fully performing;
- (p) the Portfolio to be purchased on the Closing Date is identical to the Provisional Portfolio, which has the characteristics defined in the section entitled “*Statistical Information on the Provisional Portfolio*” as at the Cut-off Date and is purchased by the Issuer as at 30 November 2021; and
- (q) mortgage loans that are indicated to revert to a standard variable rate are assumed to revert to the Seller Standard Variable Rate.

The actual characteristics and performance of the Loans are likely to differ from the assumptions. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Loans will prepay at a constant rate until maturity, that all of the Loans will prepay at the same rate or that there will be no defaults or delinquencies on the

Loans. Moreover, the diverse remaining terms to maturity and mortgage rates of the Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average mortgage rates of the Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Loans, or actual prepayment or loss experience, will affect the percentage of the initial amount outstanding of the Notes which are outstanding over time and cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage CPR.

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

**Weighted Average Lives of the Notes at the Specified CPRs**

<b>Possible Average Life of Class A Notes (years)</b>		
<b>CPR</b>	<b>Assuming Issuer Call on Step-Up Date</b>	<b>Assuming no Issuer Call</b>
0.0%	4.95	18.83
2.5%	4.62	14.05
5.0%	4.32	10.62
7.0%	4.09	8.59
10.0 %	3.76	6.43
12.5%	3.50	5.24
15.0%	3.26	4.38

The average life of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution.

For more information in relation to the risks involved in the use of the average lives estimated above, see the section entitled “*Risk Factors – Credit Structure – Yield and prepayment considerations*”.

## USE OF PROCEEDS

The Issuer will use the gross proceeds of £282,700,000 of the issue of the Notes to pay to the Seller the Consideration of £282,701,570.97 payable by the Issuer for the Loans included in the Portfolio to be acquired from the Seller on the Closing Date (see “*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*”).

In addition, the Issuer will, on the Closing Date, make a drawing under the Subordinated Loan Agreement entered into with Newcastle as Subordinated Loan Provider. The Issuer will apply the proceeds of the Subordinated Loan to (i) establish the Liquidity Reserve Fund on the Closing Date, (ii) fund certain fees and expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date; and (iii) pay any amount of Consideration in respect of the Portfolio not paid by the net proceeds from the issue of the Notes.

## ISSUER

The Issuer was incorporated in England and Wales on 30 September 2021 (registered number 13653178) and is a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is at 1 Bartholomew Lane, London EC2N 2AX. The telephone number of the Issuer's registered office is +44 207 398 6300.

The issued share capital of the Issuer comprises 50,000 ordinary shares of £ 1 each, 49,999 shares of which are partly paid to £ 0.25 each and 1 of which is fully paid and all of which are beneficially owned by Holdings (see the section entitled "*Holdings*" below).

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

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes 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. Save as disclosed in this Prospectus, the Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus. The Issuer has no employees.

As at the date of this Prospectus, no statutory accounts have 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 2022. The auditors of the Issuer are Deloitte LLP, a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is registered and authorised for regulated activities under the Institute of Chartered Accountants in England and Wales (Registered Number C009201919).

The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 13 December 2021.

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

### Directors and secretary

The following table sets out the directors of the Issuer and their respective business addresses and occupations.

<b>Name</b>	<b>Business address</b>	<b>Business Occupation</b>
Intertrust Directors 1 Limited	1 Bartholomew Lane, London EC2N 2AX	Director
Intertrust Directors 2 Limited	1 Bartholomew Lane, London EC2N 2AX	Director
Raheel Shahzad Khan	1 Bartholomew Lane, London EC2N 2AX	Director
Intertrust Corporate Services Limited	1 Bartholomew Lane, London EC2N 2AX	Secretary

The company secretary of the Issuer is Intertrust Corporate Services Limited, whose principal office is at 1 Bartholomew Lane, London EC2N 2AX.

## HOLDINGS

Holdings was incorporated in England and Wales on 27 September 2021 (registered number 13645297) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 1 Bartholomew Lane, London EC2N 2AX. The telephone number of Holdings' registered office is +44207 398 6300.

The issued share capital of Holdings comprises one ordinary share of £1.

The entire beneficial interest in the share of Holdings is beneficially owned by Intertrust Corporate Services Limited (the "**Share Trustee**") on a discretionary trust.

Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

The Seller does not own directly or indirectly any of the share capital of Holdings and neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer or any other similar vehicle.

Holdings has not engaged in any other activities since its incorporation other than those incidental to the authorising of the Transaction Documents to which it is or will be a party and other matters which are incidental to those activities. Holdings has no employees.

### Directors

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Directors 1 Limited	1 Bartholomew Lane, London EC2N 2AX	Director
Intertrust Directors 2 Limited	1 Bartholomew Lane, London EC2N 2AX	Director
Raheel Shahzad Khan	1 Bartholomew Lane, London EC2N 2AX	Director

The company secretary of Holdings is Intertrust Corporate Services Limited, whose principal office is at 1 Bartholomew Lane, London EC2N 2AX.

The accounting reference date of Holdings is 31 December.

## **TRUSTEE**

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

Citicorp is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware. Citicorp is regulated by the UK's Financial Conduct Authority.



## **CASH MANAGER AND ACCOUNT BANK**

Citibank, N.A. is a national association formed through its Articles of Association, obtained its charter, 1461, July 17 1865, and governed by the laws of the United States and having its principal business office at 388 Greenwich Street, New York, NY 10013, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

The London Branch of Citibank, N.A. is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. It is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

## **CORPORATE SERVICES PROVIDER**

Intertrust Management Limited (registered number 03853947), having its principal address at 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom, 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.

*Source – Intertrust Management Limited*

## NEWCASTLE BUILDING SOCIETY

### Introduction to the Society

The principal office of Newcastle Building Society (the “**Society**”) is 1 Cobalt Park Way, Wallsend, NE28 9EJ and its telephone number is 0191 244 2000. The Society was, in terms of total assets, at 31 December 2020, the largest building society based in the North East of England and the eighth largest building society in the United Kingdom and with assets of £4.9 billion.

The Society was formed when the Newcastle upon Tyne Permanent Building Society and the Grainger Building Society merged.

The Grainger Building Society, after surviving World War II, had taken over The City of Newcastle Building Society and The North Northumberland Benefit Building Society before merging with the Percy Building Society in 1957. They then absorbed the Victory Building Society in 1974 and changed their name to The Grainger Building Society.

In 1942, the Newcastle upon Tyne Permanent Building Society it acquired the assets of The North Eastern Permanent Building Society, followed by The Portland Building Society in 1961 and The St. Andrews Building Society in 1979.

Almost twenty years later, at the end of 1980, Newcastle upon Tyne Permanent Building Society amalgamated with The Grainger Building Society and so Newcastle Building Society was formed. After merging with the Nottingham Imperial Building Society in 2000 and the Universal Building Society in 2006, became the largest building society in the North East.

### Constitution

The Society is registered under the Building Societies Act 1986 and operates in accordance with the Act, regulations made thereunder and its Rules and Memorandum. The Society is an incorporated building society for the purposes of the Act and is authorised and regulated by the FCA and PRA under firm reference number 156058.

The Society is a mutual organisation with members of the Society being shareholding members or borrowing members or both. Eligibility to vote at General Meetings is governed by the Act and by the rules of the Society.

### Principal business areas

The Society’s principal purpose is making loans which are secured on residential property and are funded substantially by its members. The other purposes of the Society are:

- (a) to carry on the businesses of banking, investment, insurance and the provision of financial services and facilities;
- (b) to carry on any businesses connected with the provision of housing or other accommodation or the provision of any services relating to housing or other accommodation;
- (c) to carry on any businesses in the fields of information technology, data processing and communications;
- (d) to carry on any businesses involving the provision of goods or other services (whether for consumer or others) or dealing in any property;
- (e) to act as a parent undertaking and investment body and to assist and co-ordinate the activities of any undertakings in which it holds an interest;
- (f) to promote and support community and charitable purposes; and
- (g) to carry on or participate in any business or other activity which, in the opinion of the Board or any duly authorised officer or employee of the Society, may conveniently be carried on in connection with any other activity of the Society or for developing, taking advantage of or protecting any of the property or income of

the Society or any connected undertaking of the Society or managing any risks associated with the activities of the Society or any connected undertaking of the Society.

As a regional building society, the Society is particularly focused on supporting the communities of its region, which it defines as the North East of England, North Yorkshire and Cumbria. As a customer-owned business, the Society is clear how being truly led by their purpose of ‘connecting our communities with a better financial future’ means that they can deliver a unique and sustainable business to benefit both the region and their customers for the long-term.

The Society cares about building lasting, authentic relationships with their customers, which means that while digital and intermediary channels play a key role in their distribution and service delivery, face-to-face contact and a thriving branch network are particularly important. They are therefore keen to innovate in this area, ensuring they can continue to play a role in maintaining vibrant high streets across the region.

## Subsidiaries

The following subsidiary companies are wholly owned by the Society:

- Newcastle Financial Advisers Limited
- Newcastle Mortgage Loans (Jersey) Limited
- Newcastle Portland House Limited
- Newcastle Strategic Solutions Limited
- Newcastle Systems Management Limited

## Management

### *Board of Directors*

The affairs of the Society are conducted and managed by a Board of Directors (the “**Board**”) who are responsible for the Society’s strategy and policy and are elected and serve in accordance with the Society’s rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and in turn appoints and monitors executives who are responsible for the daily management of the Society.

The business address of the Society’s Directors is at 1 Cobalt Park Way, Wallsend, NE28 9EJ. The members of the Board, their roles within the Society and their principal outside activities are, as at the date of this Prospectus, as set out below.

Name	Position within the Society	Other Directorships and positions
GA Bennett	Independent Non Executive Director	Newcastle Portland House Limited Darkwood Croft Management Company Limited MAM Properties Limited
MJ Faull	Independent Non Executive Director	IQUW Syndicate Management Limited

BP Glover	Independent Non Executive Director	Cygnnet Properties and Leisure PLC Recognise Bank Limited Property & Funding Solutions Ltd
AS Haigh	Chief Executive Officer and Executive Director	Community Foundation serving Tyne & Wear and Northumberland North East England Chamber of Commerce
K Ingham	Independent Non Executive Director	Newcastle Strategic Solutions Limited Vice President Operations (Europe Middle East and Africa at Expedia Inc.)
SL Lynn	Independent Non Executive Director	Newcastle Strategic Solutions Limited Newcastle Systems Management Limited Stuart Lynn Limited Whitley Bay Golf Club Limited
S Miller	Chief Customer Officer and Executive Director	Newcastle Financial Advisers Limited
JDA Ramsbotham	Chair and Independent Non-Executive Director	Newcastle Strategic Solutions Limited Hargreaves Land Limited Association of Education Advisers
DA Samper	Chief Financial Officer and Executive Director	Newcastle Portland House Limited

A Shiels	Independent Director	Non	Executive	Newcastle Financial Advisers Limited Anne Shiels Consulting Limited
MR Thompson	Independent Director	Non	Executive	Atlas Cloud Limited Newcastle United Foundation The Clinkard Group Limited The North of England Protecting & Indemnity Association Limited Tyne and Wear Building Preservation Trust Limited The Greggs Foundation Trustee
IW Ward	Independent Director	Non	Executive	Newcastle Financial Advisers Limited Newcastle Systems Management Limited Branston Consultancy Limited

## THE PORTFOLIO

### THE LOANS

#### Introduction

The following is a description of some of the characteristics of the mortgage loans currently or previously offered by the Seller and includes details of mortgage loan types, the underwriting process, Lending Criteria and selected statistical information. In selecting which loans to sell to the Issuer, the Seller has identified the Provisional Portfolio. Each Loan in the Provisional Portfolio incorporates one or more of the features referred to in this section. From the Provisional Portfolio, the Seller will sell a Portfolio of and Related Security to the Issuer on the Closing Date.

Any Loans sold to the Issuer on the Closing Date will be randomly selected from the Provisional Portfolio.

#### Characteristics of the Loans

##### *Origination of the Loans*

The Mortgages included in the Provisional Portfolio were all made no earlier than 19 October 2015 and on or before 30 April 2021 and the Seller derived their mortgage lending business at the relevant times from the following sources:

- (a) its branch networks throughout the North East of England and Cumbria;
- (b) a centralised direct to customer telephony mortgage advice operation; and
- (c) intermediaries that include mortgage brokers and independent financial advisors throughout the UK (except Northern Ireland).

##### *Interest Payments*

The Loans in the Portfolio have one or more of the following interest terms:

- **“Fixed Rate Loans”** means Loans subject to a fixed interest rate for a specified period of time and which at the expiration of that period generally convert to Variable Rate Loans. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the fixed interest rate.
- **“Variable Rate Loans”** means Loans subject to a rate of interest linked to the Seller Standard Variable Rate or Issuer Variable Rate, as the case may be, for the life of the Loan or until an alternative product that the Borrower qualifies for is selected by the Borrower. Variable Rate Loans will not usually have an early repayment charge.

##### *Repayment Terms*

Borrowers typically make payments of interest on, and repay principal of, their Loans using one of the following methods:

- **Repayment Loans:** the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the Borrower will have repaid the full amount of the principal of the Loan.
- **Interest Only Loans:** the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and the Borrower must repay that amount in one lump sum. Where Loans are interest only, proof is required that a suitable repayment mechanism has been put in place.
- **Part and Part Loans:** the Borrower is required to repay part of the principal amount of the Loan by making monthly payments of both interest and principal and to repay the remaining part of the principal amount of the Loan in one lump sum when the Loan matures.

### ***Calculation of Current Balance***

Newcastle Building Society employs the methodology set out below in order to determine the balance of each Loan and the collections in respect of it.

The “**Current Balance**” of a Loan means, on any date, the aggregate balance of the amounts charged to the Borrower’s account in respect of a Loan at such date (but avoiding double counting) including:

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

less any repayment or payment (including, if permitted, by way of set-off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

Interest is charged on the Current Balance of each Loan (other than any part thereof which represents an insurance premium not due for payment by the Borrower).

### ***Early Repayment Charges***

If a Borrower wishes to repay the whole of an advance before the time agreed, the Borrower may do so. A Borrower may repay part of an advance before the time agreed provided such partial repayment is not prohibited under the terms of the Loan. In the case of repayment in full, the Borrower must pay to the Seller all sums owing to it in respect of such advance by way of principal, interest and costs (including, if the terms of the advance so provide, an early repayment charge) together with the Seller’s expenses reasonably and properly incurred in connection with such repayment. Not all products offered by the Seller carry an early repayment charge.

Repayment charges will be calculated on the basis provided under the relevant offer of advance in relation to a Loan. In these cases, the Seller retains absolute discretion to waive or enforce early repayment charges in accordance with the Seller’s policy from time to time. The amount of any early repayment charges which may become payable on the Loans that are sold to the Issuer will comprise Revenue Receipts.

### ***Seller Standard Variable Rate***

The Seller Standard Variable Rate means any variable mortgage rate set by Newcastle by reference to the general level of interest rates and competitor rates in the UK mortgage market and, as at the Closing Date, is 3.96% per annum.

Pursuant to the Mortgage Conditions in force as at the Closing Date, Newcastle may only change its standard variable rate to take into account the following circumstances:

- (a) market interest rate conditions as they affect Newcastle: for example, if the market rate that lending institutions generally have to pay to borrow funds to lend on the type of products covered by the Mortgage Conditions increases, so that Newcastle has to pay more to fund its lending;



- (b) Newcastle needs to respond to changes to its legitimate costs associated with providing the service to the Borrower, including its reasonable administrative and overhead costs;
- (c) there is a change in the law (including tax law), the interpretation of the law, the decisions of any court or ombudsman or any requirements or guidance of a regulatory authority; or
- (d) a change in Newcastle's lending risk or cost of lending if there are changes in the way the Property is used or occupied or if the Borrower is in breach of any of the Mortgage Conditions,

and any such change may only increase Newcastle's standard variable rate if the change:

- (i) is made having regard to running Newcastle's business as a building society in the interest of its membership as a whole, balancing the interest of its savers and borrowers;
- (ii) is proportionate to and not greater than is justified by the circumstances giving rise to it; and
- (iii) does not discriminate unfairly against the Borrower individually or as a particular type of borrower, unless the circumstances in question relate specifically to a particular type of borrower (in which case Newcastle will give an explanation about that).

Where Newcastle transfers the benefit of all or part of a Loan, references in the Mortgage Conditions to Newcastle's standard variable rate shall be the rate of interest determined from time to time by the transferee.

#### ***Further Advances***

A Borrower may apply to the Seller for a further amount to be lent to him or her under his or her Loan. This further amount will be secured by the same Property as the Loan, and will be added as a separate sub-account to the Loan. Any Further Advance made by the Seller and purchased by the Issuer will be added to the Current Balance of that Borrower's Loan on the relevant Advance Date. The aggregate of the outstanding amount of the Loan and the Further Advance may be greater than the original amount of the Loan.

#### ***Product Switches***

From time to time a Borrower may request, or the Seller or the Servicer (on behalf of the Seller) may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan. In addition, in order to promote the retention of Borrowers, the Seller may periodically contact certain Borrowers in respect of the Seller's total portfolio of outstanding residential mortgage loans in order to encourage a Borrower to review the Seller's other residential mortgage loans and to discuss moving that Borrower to an alternative mortgage product. Any such variation (subject to certain exceptions) is called a "**Product Switch**".

A Loan which is subject to a Product Switch may remain in the Portfolio subject to the terms contained in the Mortgage Sale Agreement. See "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*".

#### **Underwriting**

The underwriting approach of the Seller has changed over time. Loans in the Portfolio may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination.

The current approach of the Seller to the underwriting of loans takes into account a number of factors including the following:

- (a) *Credit score*: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data.
- (b) *Affordability*: a comprehensive affordability assessment is undertaken for each applicant based on the expected or confirmed rental income covering the stressed mortgage payment.
- (c) *Valuations*:

- (i) qualified independent valuers are appointed (RICS qualified) from a panel approved by the Seller and the panel is managed by a panel manager who is responsible for overall quality assurance. The Seller will review reports and carry out check on the panel manager on an annual basis.
- (ii) Each valuation must contain an estimated rental yield.
- (iii) Remote valuations are not acceptable for buy-to-let properties.

### **Lending Criteria**

The following is a summary of the lending criteria (the “**Lending Criteria**”) applied by the Seller in originating the Loans, subject to any underwriting exception (as described below). It should be noted that the Lending Criteria have changed over time and not all Loans in the Portfolio will have been originated under these terms. The Seller retains the right to revise its lending criteria from time to time, so the criteria applicable to any Loans which are the subject of a Further Advance or Product Switch may not be the same as those currently used or used at the time of the Initial Advance in relation to such mortgage loan.

(a) *Property – location*

Each property on which a Loan is secured is situated in either England or Wales.

(b) *Property – Borrower’s title*

Each property is a freehold, leasehold or commonhold residential property in England and Wales, the legal title to which is vested in the Borrower and is a good and marketable title.

(c) *Property – leasehold term*

In the case of a leasehold residential property, if the term of the lease is 85 years or less the property must be referred to an underwriter for approval.

(d) *Property – valuation*

A valuation report is required, to be performed by a panel valuer. An approved panel of valuers is maintained by current appointed panel manager e.surv on the Society’s behalf in the UK. The following qualifications are accepted without reference: An Associate, Member or Fellow of the Royal Institution of Chartered Surveyors (and must be a RICS registered Valuer under the RICS Valuer Registrations Scheme at the date of the valuation), A Fellow of the Incorporated Society of Valuers and Auctioneers, an Associate of the Incorporated Society of Valuers and Auctioneers. Other qualifications may be acceptable to the Seller acting as a Prudent Mortgage Lender.

(e) *Property – construction*

Each property must be of a traditional construction (as defined by the valuer), in a satisfactory condition and of a suitable type. For Properties less than ten years old, a suitable certificate or guarantee is required. Alternatively, a qualified architect/surveyor with professional indemnity cover who was employed solely by or on behalf of the purchaser must have supervised construction of the property.

(f) *Property – occupiers*

Any property occupied by the Borrower or a connected person (e.g. spouse, partner, child, parent, grandparent etc) is not acceptable.

(g) *Property – use*

Only assured shorthold tenancy agreements between 6 and 12 months will be accepted. A Loan will not be granted in relation to property which is used for houses in multiple occupation or student lets where there are more than four tenants.

(h) *Loan – loan to value ratio*

The LTV is calculated by dividing the initial principal amount advanced at completion of the Loan (excluding any completion fees) by the lesser of the valuation or purchase price of the property. For the purpose of calculating the applicable LTV, any builder's deposit or incentives are accounted for in the relevant valuation or deducted from the relevant purchase price.

What is an acceptable LTV will depend on the nature of the product and Borrowers, the value of the property and the credit rating of the borrowers.

Loans are restricted to a maximum LTV of 75 per cent.

(i) *Loan – repayment methods*

Loans may be capital and interest repayment loans, part and part loans or interest only loans. Where Loans are interest only, proof is required that a suitable repayment mechanism to repay the loan on term expiry has been put in place.

(j) *Loan – term*

Maximum loan term of 25 years.

(k) *Borrower – capacity and status*

The Seller will only lend to individuals or joint borrowers who are UK residents where loans will be held in individual names. Applications from limited companies, Trusts and SPV's will not be accepted. Borrowers must have a minimum age of 21 and must currently own a residential property which is their main residence or have another BTL mortgage already in existence.

(l) *Borrower – credit history*

All Borrowers will be credit searched on receipt of a new application and also credit scored via the existing residential scorecard which will take into account the credit performance of Borrowers for up to the last six years.

(m) *Borrower – income and affordability*

The Seller will seek to use the rental income generated from the property to be mortgaged within an affordability calculation. The minimum rental value is 145 per cent of the associated mortgage payment when calculated on an interest only basis at either the product rate or reference rate. A 5.5% reference rate will be used in the assessment (unless a 5 year fix or more is selected, whereby the product rate will be utilised).

Any buy to lets held with other mortgage providers must have an aggregate rental coverage of 145% of the pay rate.

The expected rental income for utilisation in the assessment must be independently confirmed by a Valuer featuring on the valuer panel.

Outside of rental income, at least one applicant must have a minimum income of £25,000 (gross) per annum – or for a joint application a combined income of £30,000 will be accepted. This can be from either an employed or self employed source.

### **Underwriting exception**

On a case-by-case basis the Seller may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low LTV ratio, overall affordability position, high credit score and track record with the organisation. Any such exceptions would have been approved by one of a specifically refined

group of suitably qualified and experienced delegated mandate holders. These exceptions are closely monitored by Credit Risk and are reported monthly to the Seller's Credit Risk Committee.

### **Changes to the underwriting policies and Lending Criteria**

The Seller may make changes to the underwriting policies and Lending Criteria in the future.

### **Insurance Policies**

(a) *Borrower's Insurance*

It is a condition of each Loan that each Borrower is to effect and maintain (at their own expense) a property insurance policy in an amount sufficient to recover the reinstatement value of the Property.

(b) *Other Insurances*

The Seller also has a block policy in place to cover the risk of the failure of a Borrower to maintain home insurance.

### **Arrears policy**

Arrears and default of borrowers, debt restructuring, forbearance, losses, recoveries and other asset performance remedies and actions are defined in accordance with the Seller's procedures and arrears and possession policies as they apply to the Loans from time to time.

The Seller identifies a Loan as being in arrears where any amount remains unpaid on its due payment date. Borrowers then become subject to collection activity by the Servicer.

#### *Procedure for Loans excluding Consumer Buy-to-Let Loans*

If a Loan (excluding Consumer-Buy-to-Let Loans) is in arrears the Seller will follow the following procedures:

- (a) within seven days of a missed payment/payment shortfall telephone contact is attempted during the day via any contact telephone numbers held on the system for the Borrower;
- (b) the Borrower is also contacted by letter;
- (c) if the Borrower does not engage or no agreement has been achieved and the account becomes one month in arrears, arrears letters are issued;
- (d) the system identifies further defaults;
- (e) further action is taken in the form of telephone and letters; and
- (f) cases that are at least two full months of payments outstanding (or one month in exceptional cases, for instance, repeat arrears) are given notice of intention to take legal proceedings and the Servicer may appoint an LPA Receiver.

#### *Procedure for Consumer Buy-to-Let Loans*

If a Consumer-Buy-to-Let Loan is in arrears the Seller will follow the following procedures:

- (a) within fifteen days of a missed payment/payment shortfall telephone contact is attempted during the day via any contact telephone numbers held on the system for the Borrower or the Borrower is contacted by letter; and
- (b) if an agreed payment is not received the Borrower will be contacted by telephone within three days of the broken arrangement (or a letter sent if no telephone number is available).

The Seller will upon establishing the Borrower's circumstances offer options specifically tailored to return the account to order, where possible. These may include extending the term of the mortgage, changing the type of mortgage, deferring payments of interest due or capitalising arrears.

#### *Serious Arrears and litigation*

A Borrower will move to this stage if they have at least two full monthly payments or more outstanding or there is a breach of terms and conditions. At this stage:

- (a) a further letter may be sent to the Borrower advising that unless a payment to clear the arrears or satisfactory proposals are received within fifteen days then once the account is three months in arrears (or in breach of terms and conditions) the Seller may instruct solicitors;
- (b) if attempts to make a suitable arrangement with the borrower have been unsuccessful, solicitors are instructed to commence proceedings
- (c) a possession order and monetary judgment is obtained; and
- (d) the possession order is enforced when further default occurs.

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

The Loans in the Portfolio were selected using a random selection process from the mortgage loans in the Seller's mortgage book which met the warranties set out in "*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Representations and Warranties*" on the Closing Date.

Under the terms of the Risk Retention Letter, the Seller will confirm that:

- (a) the Loans have not been selected to be sold to the Issuer with the aim of rendering losses on the Loans sold to the Issuer, measured over a period of 4 years, higher than the losses over the same period on comparable assets held on the balance sheet of Newcastle Building Society.
- (b) it has applied to each Loan the same sound and well-defined criteria for credit-granting as applied to all other mortgage loans originated by it. The same clearly established processes for approving and, where relevant, amending, renewing and refinancing the Loans also apply to all other mortgage loans originated by Newcastle.

## SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT

### Mortgage Sale Agreement

The following section contains an overview of the material terms of the Mortgage Sale Agreement. The overview does not purport to be complete and is subject to the provisions of the Mortgage Sale Agreement.

#### *The Portfolio*

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will sell its interest in a portfolio of Loans and their associated mortgages (the “**Mortgages**” and, together with the other security for the Loans, the “**Related Security**”) and all moneys derived therefrom from time to time (collectively referred to herein as the “**Portfolio**”) to the Issuer on the Closing Date. The consideration due to the Seller in respect of the Initial Portfolio will be the aggregate of:

- (a) £282,701,570.97 as Consideration; and
- (b) an obligation of the Issuer to pay, at a later date, the Deferred Consideration in respect of the sale of the Portfolio.

The sale by the Seller to the Issuer of Loans in the Portfolio (including pursuant to a substitution, as described below) will be given effect to by an assignment.

Any Deferred Consideration will be paid to the Seller in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

The Issuer shall, subject to the satisfaction of certain conditions, purchase Further Advances made by the Seller under a Loan.

#### *Perfection Trigger Events*

Pursuant to the terms of the Mortgage Sale Agreement, the Issuer may, by notice in writing (a “**Perfection Notice**”) to the Seller (with a copy to the Trustee), require the Seller to complete the transfer, by way of assignment, to the Issuer of the legal transfer or conveyance of the Loans and Related Security (and, where appropriate, their registration) as soon as reasonably practicable following the delivery of the Perfection Notice following the occurrence of any of the following events (each, a “**Perfection Trigger Event**”):

- (a) a “**Seller Insolvency Event**”, as follows:
  - (i) the Seller becomes insolvent or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act (on the basis that the reference in such section to £ 750 was read as a reference to £10 million), Sections 123(1)(b), (d) and (e), and Section 123(1)(c) of the Insolvency Act (on the basis that the words “for a sum exceeding £ 10 million” were inserted after the words “extract registered bond” and “extract registered protest”) or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or building society liquidator or building society special administrator or similar officer over the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or a distress, execution or diligence or other process is enforced upon the whole or any substantial part of its undertaking or assets and is not discharged within 60 days); or
  - (ii) an order is made or an effective resolution is passed for the winding-up of the Seller, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction (a) with or by any of its subsidiaries or (b) the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the Most Senior Class of Notes; or

- (iii) if the Seller (otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (a) above), ceases or, through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or its mortgage administration business,

except in the case of the events described in paragraphs (i) to (iii) above occurring for the purposes of or pursuant to a Permitted Transfer, as defined below;

- (b) a “**Severe Credit Quality Deterioration Event**”: if the Seller determines, as at any date, that its CET1 Ratio has fallen below 7%; or
- (c) the Seller defaults in the performance or observance of any of its other obligations under the Transaction Documents, including failure to repurchase any Loan under the Mortgage Sale Agreement, and such default continues unremedied for longer than the remedy period permitted by the relevant Transaction Documents.

“**Permitted Transfer**” means:

- (a) an amalgamation of the Seller and one or more other building societies under section 93 of the Building Societies Act; or
- (b) a transfer by the Seller of all or substantially all of its engagements (being 90 per cent. or more of the Issuer’s engagements including its obligations under the Trust Deed and the Agency Agreement) or (on terms which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders) any smaller part of its engagements, in both cases under section 94 of the Building Societies Act; or
- (c) a transfer by the Seller of its business to a company under sections 97 to 102D of the Building Societies Act (including any transfer of business to a subsidiary of another mutual society pursuant to section 97 of the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007) (the “**Funding and Mutual Societies Transfers Act**”) or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act); or
- (d) an alteration in the status of the Seller by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an institution authorised under the FSMA or to a body which is regulated on a similar basis to an institution authorised under the FSMA; or
- (e) any other reconstruction or amalgamation or transfer, in each case the terms of which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders.

“**CET1 Ratio**” means the ratio (expressed as a percentage) of Common Equity Tier 1 as at such date to the Risk Weighted Assets as at the same date, in each case calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the Capital Requirements Regulation) or, as the context requires, a consolidated basis.

“**Common Equity Tier 1**” means, as at any date, the sum of all amounts that constitute common equity tier 1 capital of the Seller as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations but without taking into account any transitional, phasing-in or similar provisions.

“**Risk Weighted Assets**” means, as at any date, the aggregate amount of the risk weighted assets of the Seller as at such date, as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations.

The Title Information Documents and Loan Files relating to the Portfolio are currently held by or to the order of the Seller. The Seller has undertaken that, until perfection of the assignments contemplated by the Mortgage Sale Agreement, all the Title Information Documents and Loan Files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

Neither the Trustee nor the Issuer has made or will make or has caused to be made or will cause to be made on its behalf any enquiries, searches or investigations in relation to the Portfolio, but each is relying entirely on the representations and warranties to be given by the Seller contained in the Mortgage Sale Agreement.

### ***Representations and Warranties***

Except as stated otherwise, the Seller will give the following representations and warranties in the Mortgage Sale Agreement, with respect to itself, the Loans originated by it and their Related Security, to the Issuer and the Trustee on the Closing Date (the “**Loan Warranties**”):

- (a) the particulars of the Loans set out in the Mortgage Sale Agreement are true, complete and accurate in all material respects as at the Closing Date;
- (b) each Loan was originated by the Seller as principal in the ordinary course of business and was originated, and is denominated, in Sterling;
- (c) each Loan was originated by and made by the Seller on its own account pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio;
- (d) no Loan sold by the Seller had, at the time of such sale, a Current Balance of more than £1,000,000;
- (e) prior to the making of each Initial Advance and any further advance in respect of each Loan prior to the Closing Date and each Further Advance, the Lending Criteria of the Seller and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions as are made on a case by case basis and which would be acceptable to a Prudent Mortgage Lender;
- (f) each Loan was made and its Related Security taken or received on the terms of the Standard Documentation of the Seller without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect subject only to such exceptions as are made on a case by case basis and which would be acceptable to a Prudent Mortgage Lender;
- (g) each Loan has been entered into by the Seller and the relevant 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 Loan or its Related Security;
- (h) the Seller has full recourse to the relevant Borrower under the relevant Loan;
- (i) the Current Balance on each Loan and its Related Security constitutes a valid debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute legal, valid, binding and enforceable obligations of the Borrower and each Loan and its Related Security is non-cancellable (except that (i) the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest; (ii) 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, for the avoidance of doubt, such laws include but are not limited to, the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999 and the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015; and (iii) this representation shall not apply in respect of any early repayment charges or redemption fees);
- (j) interest on each Loan is and has at all times been charged and paid by the relevant Borrower in accordance with the provisions of the Standard Documentation of the Seller;
- (k) no agreement for any Loan is in whole or in part (i) a “regulated credit agreement” under Article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or (ii) a “regulated mortgage contract” under Article 61 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or (iii) a “consumer credit back book mortgage contract” as defined under the Mortgage Credit Directive Order 2015;



- (l) all of the Borrowers are individuals and were aged 18 years or older at the date of entering into the relevant Loan and its Related Security and the identity of each Borrower has been verified by the Seller in accordance with procedures which would be acceptable to a Prudent Mortgage Lender;
- (m) the whole of the Current Balance on each Loan and all further advances made prior to the Closing Date or prior to the Advance Date in respect of Further Advances, and interest, fees, costs, expenses and any other amounts payable under or in respect of such Loan are secured by a Mortgage over a residential property;
- (n) each Mortgage constitutes a valid and subsisting first ranking charge by way of legal mortgage over the relevant Mortgaged Property;
- (o) each Mortgage has first priority for the whole of the Current Balance on the Loan and interest on such Current Balance and all fees, costs, expenses and other amounts payable under or in respect of such Loan or Mortgage;
- (p) all of the Mortgaged Properties are residential properties situated in England or Wales;
- (q) each Mortgaged Property is either freehold, leasehold or commonhold;
- (r) in respect of each Loan secured on leasehold Mortgaged Property, the relevant leasehold interest had, as at the date when the Loan was originated, an unexpired term left to run of not less than 30 years after the maturity of the relevant Loan;
- (s) each Borrower has a good and marketable title to the Mortgaged Property free from any encumbrance which:
  - (i) would materially adversely affect such title; and
  - (ii) a Prudent Mortgage Lender would regard as unacceptable for security purposes;
- (t) prior to the granting of each Mortgage, the Seller received a Valuation Report from a Valuer on the relevant Mortgaged Property (or such other form of valuation as would be acceptable to a Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Prudent Mortgage Lender;
- (u) prior to the inception of each Mortgage (except in the case of a remortgage or a Further Advance), the Seller:
  - (i) instructed its solicitor or licensed conveyancer to carry out an investigation of title to the relevant Mortgaged Property and to undertake such other searches, investigation, enquiries and other actions on behalf of the Seller as are set out in the instructions which the Seller issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out in the UK Finance Mortgage Lenders' Handbook for England and Wales (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would have been acceptable to a Prudent Mortgage Lender at the relevant time; and
  - (ii) received a report on title from the solicitor or licensed conveyancer in paragraph (i) above, relating to such Mortgaged Property the contents of which were such as would have been acceptable to a Prudent Mortgage Lender at that time;
- (v) as far as the Seller is aware, each Mortgaged Property was at the time of inception of the Mortgage required to be insured to an amount not less than the full reinstatement cost as determined by the relevant valuer under:
  - (i) a Buildings Insurance Policy arranged by the Borrower in accordance with the Mortgage Conditions; or
  - (ii) with respect to leasehold Mortgaged Properties, a Buildings Insurance Policy arranged by the relevant landlord,

and in all cases: (A) against risks usually covered by a comprehensive building insurance policy; and (B) the Seller has received no notice from the Borrower that any Mortgaged Property has ceased to be insured;

- (w) immediately prior to the purchase of any Loan and the Related Security by the Issuer, and subject to registration or recording at the Land Registry, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold and/or assigned by the Seller to the Issuer free and clear of all Security, claims and equities (including, without limitation, rights of set-off or counterclaim);
- (x) as far as the Seller is aware, all steps necessary to perfect the Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay;
- (y) save for Title Deeds held at the Land Registry and Title Deeds existing in dematerialised forms, Title Deeds relating to each of the Loans and their Related Security are held by, or are under the control of the Seller, the Servicer or the Seller's solicitors, licensed conveyancers to the order of the Seller;
- (z) there is no restriction on the assignment of the Loans and their Related Security and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the Mortgage Sale Agreement without breaching any term or condition applying to any of them;
- (aa) the Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan, Mortgage or its Related Security, other than waivers and acquiescence such as a Prudent Mortgage Lender might make;
- (bb) the Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loan and all such accounts, books and records are up to date and in the possession of the Seller or held to its order;
- (cc) neither the Seller nor any of its agents has received written notice of any litigation or dispute (subsisting, threatened or pending) in respect of any Borrower, a Mortgaged Property, Loan, Related Security or Insurance Policy which (if adversely determined) might have a material adverse effect on the value of any Loan;
- (dd) there are no governmental authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or perform its obligations under the Mortgage Sale Agreement to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence and, with the exception of sending notification of assignment to the Borrowers, all formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;
- (ee) the Seller is and has been in material compliance with the requirements of MCOB in so far as they apply to any of the Loans, Related Security or Insurance Policies at all relevant times, and the Seller has at all relevant times held all authorisations, approvals, licenses, consents and orders required by it under the FSMA in connection with the Loans, Related Security and Insurance Policies;
- (ff) no Loan is a second charge loan, a right to buy loan, a LIBOR loan, a guarantor loan, a construction loan, a commercial loan (an "**Excluded Loan**");
- (gg) no Property has been let or sub-let otherwise than by way of: (a) an assured shorthold tenancy which meets the requirements of Section 19A or Section 20 of the Housing Act 1988; (b) an assured tenancy; or (c) any other tenancy which could be acceptable to a Prudent Mortgage Lender;
- (hh) the Loans sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement are "financial assets" as defined in (i) United Kingdom Financial Reporting Standard 25 (FRS 25) (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with FRS 25); or (ii) International Accounting Standard 32 (IAS 32) (if the Issuer prepares its statutory

individual entity financial statements for the period in which such acquisition occurs in accordance with IAS 32);

- (ii) no Related Security or Ancillary Right in respect of a Loan is 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 and Section 4(1) of the Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act 2017 as appropriate and each Loan is either a “debenture” which is not a marketable security or is “exempt loan capital” (being loan capital which is exempt from stamp duty under section 79(4) of the Finance Act 1986; and
- (jj) in respect of each Loan in respect of which the Seller paid to a third party or intermediary appointed by a Borrower in respect of such Loan a procuration, broker’s or finder’s fee or commission, the existence and amount of such payment was disclosed to the Borrower before the Loan was originated. For the purposes of this warranty, a decision of a court, the Financial Ombudsman Service, the Issuer or the Seller acting reasonably (including without limitation in dealing with complaints and treating customers fairly) in respect of the relevant Loan that the existence or amount of a broker’s or finder’s fee or commission was not disclosed to the Borrower before the Loan was originated shall be determinative of that fact.

In respect of Further Advances, the representations and warranties set out at paragraphs (b) to (k) (inclusive), (m), (n), (o), (w), (x), (y), (z), (bb), (cc), (dd), (ee) and (ff) will be given by the Seller to the Issuer on the last calendar day of each month during which an Advance Date has occurred (the “**Further Advance Warranties**”);

In respect of Product Switches, the representations and warranties set out at paragraphs (d), (e), (i) and (j) are given on the last calendar day of each month during which a Switch Date has occurred (the “**Product Switch Warranties**”),

For the purposes of this section and where used elsewhere in this Prospectus, the following words shall have the meanings set out below:

“**Buildings Insurance Policies**” means all buildings insurance policies relating to Properties taken out (a) in the name of the relevant Borrower and (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property and each a “**Building Insurance Policy**”.

“**Valuation Report**” means the valuation report or reports for mortgage purposes obtained by the Seller from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller.

#### ***Repurchase by the Seller***

The Seller has agreed in the Mortgage Sale Agreement to repurchase any of the Loans together with their Related Security sold by it to the Issuer in the circumstances described below. The Seller does not have any discretionary rights of repurchase.

If any of the Loan Warranties given by the Seller are materially breached in respect of any Loan and/or its Related Security or any Loan Warranty proves to be materially untrue as at the Closing Date and this (where capable of remedy) has not been remedied within 90 Business Days of receipt by the Seller of notice from the Issuer in relation thereto, the Seller will, upon receipt of a further notice from the Issuer, purchase such Loan and its Related Security from the Issuer no later than 30 days after the date on which such notice was given. Consideration for such repurchase shall be provided by payment in cash the cash payment amount, equals at least the Current Balance(s) of the Loan(s) subject to repurchase.

A Loan and its Related Security may also be repurchased in certain circumstances where a Product Switch, Further Advance or, substitution is made. See “*Product Switches and Further Advances*” below.

Pursuant to the terms of the Mortgage Sale Agreement, if any of the Loan Warranties given by the Seller are materially breached in respect of any Loan and/or its Related Security or any Loan Warranty proves to be materially untrue as at

the Closing Date, the Seller must notify the Issuer and (following the service of an Enforcement Notice) the Trustee as soon as the Seller becomes aware of such breach.

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

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller or the Servicer (on behalf of the Seller) may make an offer to any Borrower for a Further Advance. If a Borrower requests, or the Seller or the Servicer (on behalf of the Seller) offers, a Further Advance under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering, documenting and funding that Further Advance. Any Further Advance made to a Borrower will be purchased by the Issuer on the 25th calendar day of the month (or if such day is not a Business Day, the immediately following Business Day) after the last day of the calendar month during which a Further Advance is made by the Seller to the relevant Borrower (the “**Further Advance Purchase Date**”).

The Seller must, in relation to the Loan which is subject to the Further Advance, give the Further Advance Warranties set out in the Mortgage Sale Agreement on the date the Seller makes a further Advance to a Borrower (the “**Advance Date**”). Further, the Issuer must pay the Further Advance Purchase Price to the Seller on the Further Advance Purchase Date, to the extent that the Issuer has sufficient Principal Receipts. The purchase price for the relevant Further Advance shall be an amount equal to the Current Balance of the Further Advance as at the Advance Date (the “**Further Advance Purchase Price**”) and will be paid from Principal Receipts, which (if there are sufficient funds available to do so) the Cash Manager shall (on the instruction of the Issuer) withdraw from the Principal Ledger of the Transaction Account and apply to the payment of the Further Advance Purchase Price on the related Further Advance Purchase Date.

The Seller or the Servicer (on behalf of the Seller) is obliged to serve a notice (the “**Notice of Non-Satisfaction of Further Advance Conditions**”) on the Issuer if at any time they have identified (beyond a reasonable doubt) that all or some of the following conditions (the “**Further Advance Conditions**”) cannot be satisfied in relation to a Further Advance:

- (a) the Advance Date falls before the Step-Up Date;
- (b) no Event of Default has occurred and is continuing;
- (c) no Seller Insolvency Event has occurred;
- (d) no Servicer Insolvency Event has occurred;
- (e) the purchase of the Further Advance will not result in the aggregate principal balance outstanding of all Further Advances purchased by the Issuer exceeding 3 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date;
- (f) each Loan and its Related Security which is the subject of the Further Advance complies, as at the last calendar day in each month during which an Advance Date has occurred, with the Further Advance Warranties on such date; and
- (g) the Liquidity Reserve Fund is at the Liquidity Reserve Required Amount.

If:

- (a) at any time following the purchase by the Issuer of any Further Advances a Notice of Non-Satisfaction of Further Advance Conditions has been given by the Seller to the Issuer and has yet to be revoked by the Seller; or
- (b) there are insufficient amounts available to the Issuer to pay the Further Advance Purchase Price on the Further Advance Purchase Date,

then the Seller must repurchase the relevant Loan and its Related Security (including, for the avoidance of doubt, the Further Advance) from the Issuer on or prior to the last day of the calendar month following the calendar month in

which such Further Advance occurred. Consideration for such repurchase shall be provided by payment in cash such that the cash payment amount equals at least the Current Balance(s) of the Loan(s) subject to repurchase.

In addition, the Seller has agreed in the Mortgage Sale Agreement that, if it is subsequently determined that:

- (a) any of the representations or warranties made by it on the Advance Date in respect of any Loan originated by it subject to a Further Advance was materially untrue as at such date; or
- (b) any of the Further Advance Conditions was in fact not satisfied in relation to a Further Advance on the Advance Date:
  - (i) despite no Notice of Non-Satisfaction of Further Advance Conditions having been given by the Seller to the Issuer no later than one Business Day prior to the last day of the relevant calendar month; or
  - (ii) where a Notice of Non-Satisfaction of Further Advance Conditions was given but was revoked by the Seller by the Business Day prior to the last day of such calendar month,

and, in either case, this (where capable of remedy) has not been remedied within 30 Business Days of receipt by the Seller of notice from the Issuer in relation thereto, the Seller will, upon receipt of a further notice from the Issuer, repurchase the entire Loan and its Related Security (including, for the avoidance of doubt, the Further Advance) from the Issuer on the next Business Day after receipt of such further notice by the Seller (or such other date as the Issuer may direct in that notice (*provided that* the date so specified by the Issuer shall not be later than 30 Business Days after receipt by the Seller of such further notice)). Consideration for such repurchase shall be provided by payment in cash such that the cash payment amount equals at least the Current Balance(s) of the Loan(s) subject to repurchase.

Neither the Seller nor the Servicer (as applicable) shall be permitted to issue any offer for a Further Advance to any Borrower with a Loan which is delinquent or which is in default.

Where used in this Prospectus, the following terms have the following meanings:

**“Further Advance”** means, in relation to a Loan, any advance of further money after the Closing Date following a request from an existing Borrower following the making of the Loan which is secured by the same Property as the Loan where the Seller has a discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

**“Further Advance Warranties”** means in respect of Further Advances, the representations and warranties given by the Seller to the Issuer on the last calendar day of each month during which an Advance Date has occurred set out at paragraphs (b) to (k) (inclusive), (m), (n), (o), (w), (x), (y), (z), (bb), (cc), (dd), (ee) and (ff) in Schedule 1 (*Loan Warranties*) to the Mortgage Sale Agreement.

**“Monthly Payment”** means, in respect of a Loan, the amount which the relevant Mortgage Conditions require a Borrower to pay on each Monthly Payment Day in respect of such Loan.

**“Monthly Payment Day”** means the date in each month on which interest (and principal in relation to a repayment mortgage) is due to be paid by a Borrower on a Loan under the applicable Mortgage Conditions or, if any such day is not a Business Day, the next following Business Day.

A Loan will be subject to a **“Product Switch”** if there is any variation of the financial terms and conditions of the Loan other than:

- (a) an addition or a release of a party to the Loan;
- (b) any variation agreed with a Borrower to control or manage arrears on the Loan;
- (c) any variation in the rate of interest payable (i) as a result of any variation in SVR or other applicable floating rates or (ii) where the terms of the Loan change the rate of interest payable by a Borrower on termination of

an interest discount for a fixed period of time or the terms of the Loan otherwise change the interest rate payable;

- (d) any variation imposed by statute; and
- (e) any variation of a Loan from Repayment Loan to an Interest Only Loan or *vice versa*,

each a “**Permitted Variation**”.

Such Permitted Variations may be made to the Loans without the requirement for the Seller to obtain any further consent or comply with any further condition.

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. If a Borrower requests, or the Seller or the Servicer (on behalf of the Seller) offers, a Product Switch under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering and documenting that Product Switch and such Product Switch shall be effective from the date stated in the relevant request or offer (the “**Switch Date**”).

Any Loan which has been subject to a Product Switch will remain in the Portfolio unless the Seller has given a Notice of Non-Satisfaction of Product Switch Conditions. The Seller or the Servicer (on behalf of the Seller) is obliged to serve a notice (the “**Notice of Non-Satisfaction of Product Switch Conditions**”) on the Issuer if at any time they have identified (beyond a reasonable doubt), but in any case on or before close of business on the last day in the calendar month during which the relevant Product Switch was made, that all or some of the following conditions (the “**Product Switch Conditions**”) cannot be satisfied in relation to a Product Switch:

- (a) the Switch Date falls before the Step-Up Date;
- (b) no Event of Default has occurred and is continuing;
- (c) no Seller Insolvency Event has occurred;
- (d) no Servicer Insolvency Event has occurred;
- (e) the Product Switch will be effected by such means as would be adopted by the Seller, for the purpose of ensuring the validity and priority of the Loan, were such switch in respect of a loan advanced by the Seller which is not part of the Portfolio;
- (f) the Product Switch will be similar to switches offered to the Seller’s mortgage borrowers whose mortgage loans do not form part of the Portfolio;
- (g) each Loan and its Related Security which is the subject of a Product Switch complies with the Product Switch Warranties on the last calendar day of the month during which the relevant Product Switch is made;
- (h) the weighted average post-swap yield of the Portfolio is not less than SONIA *plus 1 per cent.*; and
- (i) the Liquidity Reserve Fund is at the Liquidity Reserve Required Amount.

“**Product Switch Warranties**” means the warranties set out at paragraphs (d), (e), (i) and (j) in “*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Representations and Warranties*”.

If by close of business on the last calendar day of the month during which a Product Switch has been effected no Notice of Non-Satisfaction of Product Switch Conditions has been given by the Seller to the Issuer or has been so given but subsequently revoked by the Seller, and the Loan which is the subject of a Product Switch remains in the Portfolio, the Seller must, in relation to the relevant Loan, give the representations and warranties in respect of Product Switches set out in the Mortgage Sale Agreement as at the last calendar day of the month during which a Switch Date occurred.

If by close of business on the last calendar day of the month during which a Product Switch has been effected a Notice of Non-Satisfaction of Product Switch Conditions has been given by the Seller to the Issuer and has not yet to be revoked by the Seller, then the Seller must repurchase the relevant Loan and its Related Security from the Issuer on or prior to the last day of the calendar month following the calendar month in which the Switch Date falls. Consideration for such repurchase shall be provided by payment in cash such that the cash payment amount equals at least the Current Balance(s) of the Loans subject to repurchase.

In addition, the Seller has agreed in the Mortgage Sale Agreement that, if it is subsequently determined that:

- (a) any representation or warranty made by it as at the last day of the calendar month in which the Switch Date falls in respect of any of its Loans which is subject to a Product Switch was materially untrue as at the date it was made; or
- (b) any of the Product Switch Conditions were in fact not satisfied on the last day of the calendar month in which the Switch Date falls:
  - (i) despite no Notice of Non-Satisfaction of Product Switch Conditions being given by the Seller to the Issuer on the last calendar day of the month during which the relevant Product Switch was effected; or
  - (ii) where a Notice of Non-Satisfaction of Product Switch Conditions was given but was revoked by the Seller prior to close of business on the last calendar day of the month during which the relevant Product Switch was effected,

and, in either case, this (where capable of remedy) has not been remedied within 30 Business Days of receipt by the Seller of notice from the Issuer, the Seller will, upon receipt of a further notice from the Issuer, repurchase the entire Loan and its Related Security from the Issuer on the next Business Day after receipt of such further notice by the Seller (or such other date as the Issuer may direct in the notice (*provided that* the date so specified by the Issuer shall not be later than 30 Business Days after receipt by the Seller of such further notice)).

Where in relation to a proposed Further Advance or a Product Switch, the Seller or the Servicer (on behalf of the Seller) proposes making a Further Advance or Product Switch (as applicable), the Seller may, despite the Seller not having given (in the case of the Further Advance) a Notice of Non-Satisfaction of Further Advance Conditions or (in the case of the Product Switch) a Notice of Non-Satisfaction of Product Switch Conditions (as applicable) to the Issuer, as alternatives to selling the Further Advance to the Issuer or the Loan which is the subject of a Product Switch remaining in the Portfolio (as applicable), elect to repurchase the relevant Loan and its Related Security from the Issuer on or prior to the last day of the calendar month following the calendar month in which the Advance Date or the Switch Date, (as applicable) falls for a consideration equal to its Current Balance. Any such election must be made prior to the last day of the calendar month following the calendar month in which the relevant Advance Date or Switch Date (as applicable) falls. The Seller must pay to the Issuer the consideration for the relevant Loan and its Related Security which is the subject of a Further Advance or a Product Switch (as applicable) on or prior to the last day of the calendar month following the calendar month in which such Further Advance or Product Switch is made.

### ***Governing Law***

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

## STATISTICAL INFORMATION ON THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Portfolio of £282,701,570.97 as at 30 November 2021 (the “**Cut-off Date**”). The Portfolio has been randomly selected from the Provisional Portfolio. A Loan will be removed from the Provisional Portfolio if in the period from (and including) the Cut-off Date to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not or would not comply with the representations and warranties given by the Seller in the Mortgage Sale Agreement on the Closing Date. The Provisional Portfolio was determined on or prior to the Cut-off Date by the Seller in accordance with the procedures as described in “*Selection of the Portfolio*” above.

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

Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Cut-off Date. Columns may not add up to the total due to rounding.

As of the Cut-off Date, the Provisional Portfolio had the following characteristics:

Total outstanding current balance.....	£282,701,571
Number of Loans.....	1,346
Number of Borrowers.....	1,330
Average current loan balance .....	£210,031
Weighted Average Interest Rate.....	2.87%
Weighted Average Original LTV	70.41%
Weighted Average Current LTV	70.08%
Buy-to-Let .....	100.00%
Weighted Average Term To Maturity	19.72 years
Weighted Average Seasoning.....	34.00 months
Borrowers subject to Bankruptcy or Individual Voluntary Agreement .....	0.00%
Borrowers subject to County Court Judgments	0.00%



## 1. Loan-to-Value Ratios as at the Cut-off Date

The following tables show the range of LTV ratios, which express the Current Balance of the aggregate of Loans in a mortgage account in the Provisional Portfolio as at the Cut-off Date or the date of origination of the Loan, as applicable divided by the valuation as at origination of the Loan or the most recent valuation thereof (including indexed valuations where applicable — see “*The Loans — Lending Criteria — Valuations*”). For the avoidance of doubt, there have been no revaluations for the purposes of the issuance of the Notes. The figures in the following tables have been calculated on the basis of the number of Properties in the Provisional Portfolio. For the purposes of the first table below, “*Original LTV*” refers to the amount outstanding on a given Loan as at the time of the latest loan advance.

Distribution of Loans by Loan to Value Ratio (Original Loan to Value %)	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
10.01% - 20.00% .....	1	0.07	60,334	0.02
20.01% - 30.00% .....	5	0.37	561,791	0.20
30.00% - 40.00% .....	11	0.82	1,753,654	0.62
40.01% - 50.00% .....	20	1.49	4,077,369	1.44
50.01% - 60.00% .....	67	4.98	15,738,511	5.57
60.01% - 70.00% .....	325	24.15	77,235,877	27.32
70.01% - 80.00% .....	917	68.13	183,274,035	64.83
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>
Weighted Average: .....	70.41			
Minimum: .....	14.00			
Maximum: .....	76.00			

Distribution of Loans by Loan to Value Ratio (Current Loan to Value %)	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
≤ 10.00% .....	1	0.07	14,778	0.01
10.01% - 20.00% .....	2	0.15	107,628	0.04
20.01% - 30.00% .....	6	0.45	693,529	0.25
30.00% - 40.00% .....	14	1.04	2,168,492	0.77
40.01% - 50.00% .....	22	1.63	3,871,614	1.37
50.01% - 60.00% .....	76	5.65	16,606,428	5.87
60.01% - 70.00% .....	346	25.71	78,841,620	27.89
70.01% - 80.00% .....	879	65.30	180,397,483	63.81
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,700,483</b>	<b>100.00</b>
Weighted Average: .....	70.08			
Minimum: .....	8.69			
Maximum: .....	77.11			

## 2. Current Balances as at the Cut-off Date

The following table shows the range of outstanding Current Balances of mortgage accounts in the Provisional Portfolio as at the Cut-off Date and the date of origination. The figures in the following tables have been calculated on the basis of the number of Properties in the Provisional Portfolio. For the purposes of the second table below, “*Original Loan Balance*” refers to the amount outstanding on a given Loan as at the time of the latest loan advance.

Distribution of Loans by Current Balance (£)	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
≤25000.00.....	2	0.15	33,113	0.01
25000.01 to 50000.00	7	0.52	307,803	0.11
50000.01 to 100000.00.....	162	12.04	12,448,878	4.40
100000.01 to 150000.00.....	229	17.01	28,575,090	10.11
150000.01 to 200000.00.....	246	18.28	43,542,559	15.40
200000.01 to 250000.00.....	267	19.84	60,766,339	21.49
250000.01 to 500000.00.....	430	31.95	135,329,374	47.87
500000.01 to 750000.00.....	3	0.22	1,698,415	0.60
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>
Weighted Average:.....	210,031			
Minimum:.....	14,778			
Maximum:.....	692,759			

## 3. Years to Maturity

The following table shows the number of years until the maturity of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Remaining Term to Maturity (years)	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
0.01 to 5.00	21	1.56	3,066,027	1.08
5.01 to 10.00	68	5.05	13,543,426	4.79
10.01 to 15.00	147	10.92	27,865,274	9.86
15.01 to 20.00	279	20.73	53,545,441	18.94
20.01 to 25.00	829	61.59	184,303,391	65.19
25.01 to 30.00	2	0.15	378,012	0.13
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>
Weighted Average:.....	19.72			
Minimum:.....	0.67			
Maximum:.....	27.34			

#### 4. Seasoning of Loans

The following table shows the number of months since the date of origination of the Initial Advance in respect of a Loan in the Provisional Portfolio as at the Cut-off Date. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Seasoning (months)	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
0.00 to 11.99	142	10.55	34,272,709	12.12
12.00 to 23.99	247	18.35	51,882,626	18.35
24.00 to 35.99	354	26.30	80,475,951	28.47
36.00 to 47.99	181	13.45	41,613,372	14.72
48.00 to 59.99	294	21.84	52,093,516	18.43
60.00 to 71.99	121	8.99	21,130,505	7.47
≥72.00	7	0.52	1,232,892	0.44
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>
Weighted Average: .....	33.99			
Minimum: .....	7.00			
Maximum: .....	73.23			

#### 5. Repayment Method

The following table shows the repayment method for the Loans in the mortgage accounts in the Provisional Portfolio as at the Cut-off Date. For a description of the various repayment terms the Seller offers, see “*The Loans — Characteristics of the Loans — Repayment Terms*”. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Repayment Method	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
Interest Only	1,250	92.87	270,043,175	95.52
Repayment	93	6.91	12,278,219	4.34
Part & Part	3	0.22	380,178	0.13
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>

#### 6. Interest Rate Type

The following table shows the distribution of Loan products in the Provisional Portfolio as at the Cut-off Date. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Rate Type	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
Fixed to Floating	1,335	99.18	281,427,707	99.55
Floating for life	11	0.82	1,273,864	0.45
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>

## 7. Fixed Rate Reversion Year

The following table shows the distribution of Loan products in the Provisional Portfolio as at the Cut-off Date. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Fixed Rate Reversion Year	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
2021	25	1.87	4,638,227	1.65
2022	347	25.99	61,514,821	21.86
2023	202	15.13	42,680,725	15.17
2024	355	26.59	80,647,292	28.66
2025	199	14.91	42,226,863	15.00
2026	196	14.68	47,877,569	17.01
2027	11	0.82	1,842,210	0.65
<b>Total</b> .....	<b>1,335</b>	<b>100.00</b>	<b>281,427,707</b>	<b>100.00</b>

## 8. Interest Rate

The following table shows the interest rates in respect of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Interest Rate (%)	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
1.51 to 2.00	38	2.82	8,006,341	2.83
2.01 to 2.50	337	25.04	68,581,694	24.26
2.51 to 3.00	587	43.61	121,160,147	42.86
3.01 to 3.50	258	19.17	59,070,232	20.89
3.51 to 4.00	126	9.36	25,883,158	9.16
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>
Weighted Average: .....	2.87			
Minimum: .....	1.99			
Maximum: .....	3.99			

## 9. Performance Status

The following table shows the performance status in respect of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Performance Status	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
Performing	1,346	100.00	282,701,571	100.00
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>

## 10. Loan Purpose

The following table shows the distribution of Loans by loan purpose in respect of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Distribution of Loans by Loan Purpose	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
Re-mortgage	975	72.44	214,952,478	76.04
Purchase	371	27.56	67,749,093	23.96
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>

## 11. Property Type

The following table shows property types in respect of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the number of Properties in the Provisional Portfolio.

Distribution of Loans by Loan Purpose	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
Flat/Apartment	512	38.04	110,988,553	39.26
Terraced House	468	34.77	94,809,554	33.54
House, detached or semi-detached	335	24.89	71,451,494	25.27
Bungalow	31	2.30	5,451,971	1.93
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>

## 12. Geographical Distribution of Properties

The following table shows the distribution of Properties securing the Loans in the Provisional Portfolio throughout England and Wales as at the Cut-off Date. No such properties are situated outside England or Wales. The Seller's lending criteria and current credit scoring tests do not take into account the geographical location of the property securing a Loan. The figures in the following table have been calculated on the basis of the Properties in the Provisional Portfolio.

Distribution of Loans by Region	Number of Loans	% of Loans in the Portfolio	Balance	% of Balance in the Portfolio
London	468	34.77	133,946,506	47.38
South East	289	21.47	61,254,689	21.67
East of England	155	11.52	31,728,416	11.22
South West	99	7.36	16,432,175	5.81
West Midlands	71	5.27	9,617,403	3.40
East Midlands	69	5.13	8,424,683	2.98
North West	64	4.75	8,026,128	2.84
Yorkshire and the Humber	75	5.57	7,647,318	2.71
North East	40	2.97	3,914,954	1.38
Wales	16	1.19	1,709,298	0.60
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>

## 13. Debt-Service Coverage Ratio

The following table shows the debt-service coverage ratio in respect of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the number of Properties in the Provisional Portfolio.

DSCR	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0.01 to 1.50	88	6.54	12,863,754	4.55
1.51 to 3.00	1,079	80.16	246,093,302	87.05
3.01 to 4.50	164	12.18	22,509,853	7.96
4.51 to 6.00	11	0.82	863,754	0.31
6.01 to 7.50	3	0.22	352,572	0.12
7.51 to 9.00	1	0.07	18,336	0.01
<b>Total</b> .....	<b>1,346</b>	<b>100.00</b>	<b>282,701,571</b>	<b>100.00</b>
Weighted Average:	2.23			
Minimum:	0.76			
Maximum:	8.65			

## CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The United Kingdom housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market (including buy-to-let mortgages).

### Arrears and Repossession Rates for UK buy-to-let mortgages

The table below sets out the repossession and arrears rates of residential buy-to-let properties in the United Kingdom since 2006.

Year	Number of BTL Mortgages Outstanding (at end of period)	Repossession rate (%)
2006	835,900	0.13
2007	1,025,500	0.20
2008	1,168,800	0.26
2009	1,246,900	0.38
2010	1,309,400	0.35
2011	1,387,800	0.44
2012	1,449,000	0.48
2013	1,528,200	0.37
2014	1,653,600	0.29
2015	1,782,700	0.17
2016	1,854,800	0.13
2017	1,885,900	0.14
2018	1,918,400	0.12
2019	1,946,300	0.14
2020	1,992,600	0.06

Source: UK Finance

### House Price Index

Date	UK House Price Index (SA)*	
	Index	% annual change
01/01/2006	83.90	6.20
01/02/2006	84.04	6.47
01/03/2006	84.72	6.46
01/04/2006	86.56	7.25
01/05/2006	87.38	7.12
01/06/2006	88.21	7.28
01/07/2006	89.48	7.44
01/08/2006	90.23	7.91
01/09/2006	90.60	8.52
01/10/2006	91.13	9.37
01/11/2006	91.60	9.61
01/12/2006	92.74	10.37
01/01/2007	92.71	10.49
01/02/2007	92.97	10.63
01/03/2007	93.69	10.59

UK House Price Index (SA)*		
Date	Index	% annual change
01/04/2007	95.58	10.42
01/05/2007	96.68	10.64
01/06/2007	97.74	10.80
01/07/2007	98.96	10.60
01/08/2007	99.54	10.32
01/09/2007	99.67	10.01
01/10/2007	99.44	9.12
01/11/2007	99.38	8.50
01/12/2007	99.23	7.00
01/01/2008	97.44	5.11
01/02/2008	96.60	3.91
01/03/2008	95.90	2.36
01/04/2008	96.06	0.50
01/05/2008	96.64	-0.03
01/06/2008	95.37	-2.42
01/07/2008	94.33	-4.69
01/08/2008	92.36	-7.22
01/09/2008	90.03	-9.67
01/10/2008	88.21	-11.29
01/11/2008	85.72	-13.74
01/12/2008	84.42	-14.93
01/01/2009	82.47	-15.37
01/02/2009	81.51	-15.62
01/03/2009	81.01	-15.53
01/04/2009	81.74	-14.90
01/05/2009	82.87	-14.25
01/06/2009	83.69	-12.25
01/07/2009	85.19	-9.69
01/08/2009	86.03	-6.85
01/09/2009	86.70	-3.70
01/10/2009	87.29	-1.04
01/11/2009	87.58	2.17
01/12/2009	88.16	4.43
01/01/2010	87.83	6.51
01/02/2010	88.05	8.02
01/03/2010	88.05	8.69
01/04/2010	89.18	9.10
01/05/2010	89.61	8.13
01/06/2010	90.05	7.60
01/07/2010	90.96	6.77
01/08/2010	90.95	5.73
01/09/2010	90.72	4.63
01/10/2010	89.71	2.78
01/11/2010	88.64	1.21
01/12/2010	88.48	0.37
01/01/2011	87.75	-0.10

	<b>UK House Price Index (SA)*</b>	
<b>Date</b>	<b>Index</b>	<b>% annual change</b>
01/02/2011	87.28	-0.88
01/03/2011	86.88	-1.33
01/04/2011	88.23	-1.06
01/05/2011	87.83	-1.98
01/06/2011	87.98	-2.29
01/07/2011	89.09	-2.05
01/08/2011	89.14	-1.99
01/09/2011	88.92	-1.98
01/10/2011	87.94	-1.97
01/11/2011	87.99	-0.74
01/12/2011	87.61	-0.98
01/01/2012	87.02	-0.83
01/02/2012	86.78	-0.58
01/03/2012	87.04	0.18
01/04/2012	88.04	-0.22
01/05/2012	88.32	0.55
01/06/2012	89.19	1.37
01/07/2012	89.53	0.49
01/08/2012	89.63	0.55
01/09/2012	89.32	0.44
01/10/2012	88.68	0.84
01/11/2012	88.76	0.88
01/12/2012	88.55	1.07
01/01/2013	87.96	1.09
01/02/2013	87.95	1.34
01/03/2013	88.47	1.65
01/04/2013	89.34	1.48
01/05/2013	89.81	1.69
01/06/2013	90.55	1.53
01/07/2013	91.57	2.28
01/08/2013	92.30	2.97
01/09/2013	92.36	3.41
01/10/2013	91.98	3.72
01/11/2013	92.49	4.21
01/12/2013	93.34	5.41
01/01/2014	93.45	6.24
01/02/2014	93.84	6.70
01/03/2014	94.16	6.44
01/04/2014	96.26	7.75
01/05/2014	97.28	8.32
01/06/2014	98.12	8.35
01/07/2014	99.50	8.66
01/08/2014	100.66	9.06
01/09/2014	100.77	9.11
01/10/2014	100.62	9.39
01/11/2014	100.29	8.43



	<b>UK House Price Index (SA)*</b>	
<b>Date</b>	<b>Index</b>	<b>% annual change</b>
01/12/2014	100.53	7.70
01/01/2015	100.00	7.01
01/02/2015	100.09	6.65
01/03/2015	100.46	6.68
01/04/2015	101.34	5.28
01/05/2015	102.44	5.30
01/06/2015	103.22	5.20
01/07/2015	104.97	5.50
01/08/2015	105.93	5.23
01/09/2015	106.15	5.34
01/10/2015	106.29	5.63
01/11/2015	107.11	6.81
01/12/2015	107.48	6.91
01/01/2016	107.76	7.76
01/02/2016	107.81	7.72
01/03/2016	108.92	8.42
01/04/2016	109.32	7.88
01/05/2016	110.60	7.97
01/06/2016	111.65	8.17
01/07/2016	112.83	7.49
01/08/2016	112.84	6.52
01/09/2016	112.67	6.14
01/10/2016	112.29	5.65
01/11/2016	112.82	5.33
01/12/2016	113.03	5.16
01/01/2017	112.89	4.76
01/02/2017	113.13	4.93
01/03/2017	112.89	3.64
01/04/2017	114.67	4.89
01/05/2017	115.36	4.31
01/06/2017	116.35	4.20
01/07/2017	117.86	4.46
01/08/2017	118.40	4.92
01/09/2017	117.95	4.69
01/10/2017	118.06	5.13
01/11/2017	117.72	4.34
01/12/2017	118.18	4.56
01/01/2018	117.77	4.32
01/02/2018	118.08	4.37
01/03/2018	117.36	3.97
01/04/2018	118.49	3.32
01/05/2018	118.97	3.13
01/06/2018	119.77	2.94
01/07/2018	121.25	2.88
01/08/2018	121.63	2.73
01/09/2018	121.39	2.92

UK House Price Index (SA)*		
Date	Index	% annual change
01/10/2018	121.27	2.72
01/11/2018	120.75	2.57
01/12/2018	120.49	1.95
01/01/2019	119.75	1.68
01/02/2019	119.44	1.16
01/03/2019	119.11	1.49
01/04/2019	119.97	1.26
01/05/2019	120.14	0.98
01/06/2019	120.66	0.74
01/07/2019	122.00	0.62
01/08/2019	122.40	0.63
01/09/2019	122.49	0.90
01/10/2019	122.16	0.74
01/11/2019	121.73	0.81
01/12/2019	121.57	0.90
01/01/2020	121.65	1.59
01/02/2020	120.95	1.26
01/03/2020	122.04	2.46
01/04/2020	120.80	0.69
01/05/2020	121.42	1.07
01/06/2020	123.10	2.02
01/07/2020	124.14	1.75
01/08/2020	125.35	2.41
01/09/2020	126.68	3.43
01/10/2020	127.88	4.68
01/11/2020	129.29	6.21
01/12/2020	130.33	7.21
01/01/2021	130.51	7.29
01/02/2021	131.09	8.39
01/03/2021	132.96	8.95
01/04/2021	131.50	8.86
01/05/2021	132.48	9.11
01/06/2021	138.57	12.57
01/07/2021	133.24	7.33
01/08/2021	138.12	10.18
01/09/2021	141.58	11.76

Source: ONS, Land Registry.

The percentage change in the table above is calculated in accordance with the following formula:

$(X-Y)/Y$  where X is equal to the reference quarter's index value and Y is equal to the index value of the previous year's corresponding quarter.

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## INFORMATION ON THE SELLER STANDARD VARIABLE RATE

The below table provides information on how the Seller Standard Variable Rate has changed each month since 29 January 2016, as compared to each of the Bank of England Base Rate and SONIA Reference Rate at the relevant time, in order to allow an assessment of the Standard Variable Rate in relation to other market rates.

“**Bank of England Base Rate**” means the rate as advised from time to time by the Monetary Policy Committee of the Bank of England.

“**SONIA**” means the Sterling Overnight Index Average (not compounded) at the relevant date.

“**Seller Standard Variable Rate**” means any variable mortgage rate set by Newcastle Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market.

<b>Date</b>	<b>Bank of England Base Rate (%)</b>	<b>SONIA (%)</b>	<b>Seller Standard Variable Rate (%)</b>
Jan-16	0.50	0.45	5.99
Feb-16	0.50	0.45	5.99
Mar-16	0.50	0.41	5.99
Apr-16	0.50	0.46	5.99
May-16	0.50	0.45	5.99
Jun-16	0.50	0.44	5.99
Jul-16	0.50	0.45	5.99
Aug-16	0.25	0.20	5.99
Sep-16	0.25	0.16	5.99
Oct-16	0.25	0.20	5.99
Nov-16	0.25	0.20	5.99
Dec-16	0.25	0.16	5.99
Jan-17	0.25	0.21	5.99
Feb-17	0.25	0.20	5.99
Mar-17	0.25	0.17	5.99
Apr-17	0.25	0.21	5.99
May-17	0.25	0.21	5.99
Jun-17	0.25	0.19	5.99
Jul-17	0.25	0.20	5.99
Aug-17	0.25	0.21	5.99
Sep-17	0.25	0.20	5.99
Oct-17	0.25	0.21	5.99
Nov-17	0.50	0.46	5.99
Dec-17	0.50	0.41	5.99
Jan-18	0.50	0.47	5.99
Feb-18	0.50	0.46	5.99
Mar-18	0.50	0.44	5.99
Apr-18	0.50	0.45	5.99
May-18	0.50	0.45	5.99
Jun-18	0.50	0.44	5.99
Jul-18	0.50	0.45	5.99
Aug-18	0.75	0.70	5.99
Sep-18	0.75	0.70	5.99
Oct-18	0.75	0.70	5.99
Nov-18	0.75	0.70	5.99
Dec-18	0.75	0.70	5.99
Jan-19	0.75	0.70	5.99

Feb-19	0.75	0.71	5.99
Mar-19	0.75	0.70	5.99
Apr-19	0.75	0.71	5.99
May-19	0.75	0.71	5.99
Jun-19	0.75	0.71	5.99
Jul-19	0.75	0.71	5.99
Aug-19	0.75	0.71	5.99
Sep-19	0.75	0.71	5.99
Oct-19	0.75	0.71	5.99
Nov-19	0.75	0.71	5.99
Dec-19	0.75	0.71	5.99
Jan-20	0.75	0.71	5.99
Feb-20	0.75	0.71	5.99
Mar-20	0.10	0.07	5.99
Apr-20	0.10	0.07	5.99
May-20	0.10	0.07	5.99
Jun-20	0.10	0.06	5.99
Jul-20	0.10	0.06	5.99
Aug-20	0.10	0.05	5.99
Sep-20	0.10	0.05	5.99
Oct-20	0.10	0.05	5.99
Nov-20	0.10	0.05	5.99
Dec-20	0.10	0.04	3.96
Jan-21	0.10	0.05	3.96
Feb-21	0.10	0.05	3.96
Mar-21	0.10	0.05	3.96
Apr-21	0.10	0.05	3.96
May-21	0.10	0.05	3.96
Jun-21	0.10	0.05	3.96
Jul-21	0.10	0.05	3.96
Aug-21	0.10	0.05	3.96
Sep-21	0.10	0.05	3.96
Oct-21	0.10	0.05	3.96

## THE SERVICER

### The Servicer

Under the Servicing Agreement, Newcastle Building Society will be appointed as the Servicer of the Loans together with their Related Security.

Newcastle Building Society is an entity which is subject to prudential, capital and liquidity regulation in the United Kingdom and it has well documented and adequate policies, procedures and risk management controls relating to the servicing of mortgage loans. Such policies, procedures and risk management controls have been assessed and confirmed by the FCA and the PRA in the United Kingdom.

This section describes the Servicer's administration procedures based on the current Newcastle Building Society mortgage servicing policies. The Servicer will administer the Loans and their Related Security in the Portfolio in accordance with its policies applicable from time to time, but subject to the terms of the Servicing Agreement. For a description of the Servicer's obligations under the Servicing Agreement, see "*The Servicing Agreement*".

Under the terms of the Servicing Agreement, Newcastle Building Society as Servicer will covenant to service the Loans in the Portfolio as if the same had not been sold to the Issuer but had remained on the books of Newcastle Building Society and in accordance with Newcastle Building Society's procedures and servicing and enforcement policies as they apply to the Loans from time to time. As such, Newcastle Building Society as Servicer will service the Loans in the Portfolio in the same way as comparable mortgage loans which are not included in the Portfolio.

### Administration Procedures

Administration procedures include:

- Managing of Mortgage Accounts in arrears;
- Issuing redemption statements, processing lump sum payments and early redemption fees;
- Collecting and distributing title deeds and any supporting documents as well as storage of deeds;
- Processing transfers of titles, notices of death, forfeitures and irritancies of leases, sale and exchange of land, account conversions, term amendments, deed amendments, compensation and enforcement notices;
- Dealing with all types of transactions posting and refunding fees, setting up direct debits and payment date changes;
- Dealing with all customer correspondence on other aspects of mortgages once the loan is drawn down, including changes in customer details and changes on the customer mortgage, i.e. product, repayment etc; and
- Notifying Borrowers of changes to interest rates applicable to the loans.

### *Payment of Interest and Principal*

Pursuant to the terms and conditions of the Loans, Borrowers must pay the monthly amount required under the terms and conditions of the Loans on or before each monthly instalment due date, within the month they are due. Interest accrues in accordance with the terms and conditions of each Loan and is collected from Borrowers monthly.

Payments are monthly in arrear and payments of all Loans are payable in the month that they are due.

### Collections

Payments by Borrowers in respect of amounts due under the Loans will be made into the agency collection account held by the Seller (the "**Sub-Collection Account**") at the Collection Account Bank which will then be transferred by the Seller to the collection account held by it (the "**Collection Account**") held with the Collection Account Bank.

Amounts credited to the Collection Account from (and including) the Closing Date that relate to the Loans will be identified on a daily basis (each such aggregate daily amount, a “**Daily Loan Amount**”) and the Seller will transfer an amount equal to the Daily Loan Amount from the Collection Account into the Transaction Account by the next Business Day after that Daily Loan Amount is identified as received in the Collection Account.

The Seller will declare a trust over the Sub-Collection Account and the Collection Account (the “**Collection Accounts Declaration of Trust**”) in favour of, *inter alios*, the Issuer and itself (in its capacity as a beneficiary) absolutely as beneficial tenants in common. The Issuer’s share of the capital of the trust (the “**Issuer Trust Share**”) on any date shall be in an amount equal to the aggregate of the Daily Loan Amounts paid into the Collection Account from (and including) the Closing Date to (and including) such date less an amount equal to the payments made by the Seller into the Transaction Account from (and including) the Closing Date to (and including) such date.

Borrowers are required to make payments by standing order, faster payments, cash, direct debit or cheque unless otherwise agreed. However, direct debits may be returned unpaid after the due date for payment and, under the Direct Debit Indemnity Scheme, a Borrower may make a claim at any time to his or her bank for a refund of direct debit payments. Similarly, cheques may be returned unpaid by the Borrower’s bank.

In each case, the Servicer will be permitted to reclaim from the Transaction Account the corresponding amounts previously credited. If a direct debit is returned unpaid in these circumstances, the usual arrears procedures described in “*The Servicer – Administration Procedures Arrears and default procedures*” will be taken.

### **Arrears and Default Procedures**

Arrears and default of borrowers, debt restructuring, forbearance, losses, recoveries and other asset performance remedies and actions are defined in accordance with the Seller’s procedures and arrears and possession policies as they apply to the Loans from time to time.

The Seller identifies a Loan as being in arrears where any amount remains unpaid on its due payment date. Borrowers then become subject to collection activity by the Servicer.

#### *Procedure for Loans excluding Consumer Buy-to-Let Loans*

If a Loan (excluding Consumer-Buy-to-Let Loans) is in arrears the Seller will follow the following procedures:

- (a) within seven days of a missed payment/payment shortfall telephone contact is attempted during the day via any contact telephone numbers held on the system for the Borrower;
- (b) the Borrower is also contacted by letter;
- (c) if the Borrower does not engage or no agreement has been achieved and the account becomes one month in arrears, arrears letters are issued;
- (d) the system identifies further defaults;
- (e) further action is taken in the form of telephone and letters; and
- (f) cases that are at least two full months of payments outstanding (or one month in exceptional cases, for instance, repeat arrears) are given notice of intention to take legal proceedings and the Servicer may appoint an LPA Receiver.

#### *Procedure for Consumer Buy-to-Let Loans*

If a Consumer-Buy-to-Let Loan is in arrears the Seller will follow the following procedures:

- (a) within fifteen days of a missed payment/payment shortfall telephone contact is attempted during the day via any contact telephone numbers held on the system for the Borrower or the Borrower is contacted by letter; and

- (b) if an agreed payment is not received the Borrower will be contacted by telephone within three days of the broken arrangement (or a letter sent if no telephone number is available).

The Seller will upon establishing the Borrower's circumstances offer options specifically tailored to return the account to order, where possible. These may include extending the term of the mortgage, changing the type of mortgage, deferring payments of interest due or capitalising arrears

*Serious Arrears and litigation*

A Borrower will move to this stage if they have at least two full monthly payments or more outstanding or there is a breach of terms and conditions. At this stage:

- (a) a further letter may be sent to the Borrower advising that unless a payment to clear the arrears or satisfactory proposals are received within fifteen days then once the account is three months in arrears (or in breach of terms and conditions) the Seller may instruct solicitors;
- (b) if attempts to make a suitable arrangement with the borrower have been unsuccessful, solicitors are instructed to commence proceedings
- (c) a possession order and monetary judgment is obtained; and
- (d) the possession order is enforced when further default occurs.



## THE SERVICING AGREEMENT

The following section contains an overview of the material terms of the Servicing Agreement. The overview does not purport to be complete and is subject to the provisions of the Servicing Agreement.

### Introduction

The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Trustee, the Seller, the Servicer Facilitator and the Servicer.

On the Closing Date, Newcastle Building Society (in such capacity, the “**Servicer**”) will be appointed by the Issuer under the Servicing Agreement as its agent to administer the Loans and their Related Security that it will sell to the Issuer in its capacity as Seller. The Servicer will undertake to comply with any proper directions and instructions that the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement. The Servicer will be required to administer the Loans and their Related Security in the following manner:

- (a) in accordance with the Servicing Agreement; and
- (b) as if the Loans and Mortgages had not been sold to the Issuer but remained with the Seller and in accordance with the Seller’s procedures and administration and enforcement policies as they apply to the Loans from time to time.

The Servicer’s actions in administration of the Loans in accordance with its procedures and the Servicing Agreement will be binding on the Issuer. The Servicer will also be appointed by the Seller under the Servicing Agreement to be its agent to administer the Loans and their Related Security in the making of any Further Advances and/or Product Switches. For instance, the Servicer shall, on behalf of the Seller, make offers to Borrowers and accept applications from Borrowers.

The Servicer may, in some circumstances, delegate or subcontract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer will remain liable at all times for the administration of the Loans and for the acts or omissions of any delegate or subcontractor.

### Powers

Subject to the guidelines for administration set forth above, each Servicer will have the power, *inter alia*:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the Loans and their Related Security or the exercise of such rights, powers and discretions.

### Undertakings by the Servicer

The Servicer will undertake, in relation to the Loans and their Related Security that the Seller has sold to the Issuer, among other things, that it will:

- (a) administer the relevant Loans and their Related Security as if the same had not been sold to the Issuer but had remained on the books of the Seller and in accordance with the Seller’s Policy (including any administration and enforcement policies as they apply to the Loans from time to time);
- (b) provide the services to be undertaken by it under the Servicing Agreement in such manner and with the same level of skill, care and diligence as would a Prudent Mortgage Lender;
- (c) comply with any proper directions, orders and instructions which the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement and, in the event of any conflict, those of the Trustee shall prevail;

- (d) maintain all approvals, authorisations, permissions, consents and licenses required for itself in connection with the performance of its duties under the Servicing Agreement, and prepare and submit on a timely basis all necessary applications and requests for any further approvals, authorisations, permissions, consents and licenses required for itself in connection with the performance of its duties under the Servicing Agreement;
- (e) allocate to the Issuer and the Seller, office space, facilities, equipment and staff sufficient to fulfil the obligations of the Issuer and the Seller under the Servicing Agreement;
- (f) not knowingly fail to comply with any legal requirements in the performance of its duties under the Servicing Agreement;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;
- (h) collect payments on the Loans and discharging Loans and the Related Security upon redemption;
- (i) not without the prior written consent of the Trustee amend or terminate any of the Transaction Documents in any material respect except in accordance with their terms; and
- (j) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan pursuant to the Mortgage Sale Agreement, notify the Issuer and the Seller in writing of such event;
- (k) deal with Further Advances and Product Switches, in accordance with the provisions of the Mortgage Sale Agreement, the Mortgage Conditions and the Servicing Agreement; and
- (l) assist the auditors of the Issuer and provide information to them upon reasonable prior written request.

### **Compensation of the Servicer**

The Servicer will receive a Servicing Fee for servicing the Loans. The Issuer will pay the Servicer its Servicing Fee which shall be calculated in relation to each Interest Period on the basis of the number of days elapsed and a 365 day year (or 366 day year in a leap year) of 0.2 per cent. per annum on the aggregate Current Balance of the Loans which the Seller has sold to the Issuer comprising the Portfolio as at the opening of business on the first day of the preceding Collection Period. The Servicing Fee is payable quarterly in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Pre-Enforcement Revenue Priority of Payments to pay them. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Final Maturity Date or on any earlier date on which an Enforcement Notice is served by the Trustee on the Issuer.

### **Removal or Resignation of the Servicer**

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

- (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 or any other Transaction Document and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (following service of an Enforcement Notice) the Trustee requiring the same to be remedied; or
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document, which in the opinion of the Trustee is materially prejudicial to the interests of the most senior class of Noteholders (which determination shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 30 Business Days after the earlier of:

- (i) the Servicer becoming aware of such default; or
- (ii) receipt by the Servicer of written notice from the Issuer or (following service of an Enforcement Notice) the Trustee requiring the same to be remedied,

*provided however that* where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 30 Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following service of an Enforcement Notice) the Trustee may in its absolute discretion specify to remedy such default or to indemnify the Issuer and/or the Trustee against the consequences of such default;

- (c) a Servicer Insolvency Event occurs in relation to the relevant Servicer (in this context, “**Servicer Insolvency Event**” has, for so long as the Seller is the Servicer, the same meaning as Seller Insolvency Event (as defined in “*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement*” above but any reference to the Seller shall be deemed to be replaced with a reference to the Servicer),

then (prior to the delivery of an Enforcement Notice and with the prior written consent of the Trustee) the Issuer or (after delivery of an Enforcement Notice) the Trustee (in the case of (a) or (b)) may, at once or at any time thereafter while such default continues, and (in the case of (c)) shall, at once, by notice in writing to the Servicer terminate its appointment as Servicer under the Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the notice, provided that a substitute Servicer has been appointed and such appointment to be effective not later than the date of such termination.

Subject to the fulfilment of a number of conditions (including the appointment of a substitute Servicer), a Servicer may voluntarily resign by giving not less than 12 months’ notice to the Issuer and the Trustee, *provided that* a substitute Servicer has been appointed and such appointment to be effective not later than the date of such termination. The substitute Servicer is required to have experience of administering mortgages in the United Kingdom and to enter into a Servicing Agreement with the Issuer and the Trustee substantially on the same terms as the relevant provisions of the Servicing Agreement.

If the appointment of the Servicer is terminated, the Servicer must deliver the Title Information Documents and Loan Files relating to the Loans and Related Security to, or at the direction of, the Issuer.

Where a substitute Servicer is appointed following the occurrence of a Servicer Termination Event, or following the voluntary resignation by the Servicer, the Issuer’s costs and expenses associated with the transfer of administration to the substitute Servicer (the “**Transfer Costs**”) will be paid by the Seller. Where the Seller fails to pay such Transfer Costs, the Issuer shall pay such Transfer Costs in accordance with the Pre-Enforcement Revenue Priority of Payments.

The Servicing Fee payable to a substitute Servicer will be agreed by the Issuer and the substitute Servicer prior to its appointment.

#### **Right of Delegation by the Servicer**

The Servicer may subcontract or delegate the performance of its duties under the Servicing Agreement, *provided that* it meets particular conditions, including that:

- (a) the Issuer consents to the proposed subcontracting or delegation;
- (b) written notification has been given to each of the Rating Agencies;
- (c) where the arrangements involve the custody or control of any Title Information Documents and Loan Files, the subcontractor or delegate has executed a written acknowledgement that those Title Information Documents and Loan Files are and will be held to the order of the Issuer and the Trustee;
- (d) where the arrangements involve or may involve the receipt by the subcontractor or delegate of moneys belonging to the Issuer which are to be paid into the Transaction Account, the subcontractor or delegate has

executed a declaration that any such moneys are held on trust for the Issuer and will be paid forthwith into the Transaction Account;

- (e) the subcontractor or delegate has executed a written waiver of any security interest arising in connection with the delegated services;
- (f) the Issuer and the Trustee have no liability for any costs, charges or expenses in relation to the proposed subcontracting or delegation; and
- (g) the subcontractor or delegate has confirmed that it has and will maintain all approvals required for itself in connection with the fulfilment of its obligations under the agreement with the Servicer.

The provisos set out in paragraphs (a) and (b) above (among others) will not be required in respect of any delegation to (i) a wholly-owned subsidiary of Newcastle Building Society from time to time or (ii) persons such as receivers, lawyers or other relevant professionals.

### **Trust over Insurance Policies and Buildings Insurance Policies**

The Seller irrevocably undertakes to hold, and declares that it holds, on trust for the benefit of Insurance Policies, the Buildings Insurance Policies and any proceeds in respect thereof (the “**Trust Property**”) to the order of the Issuer absolutely. Any amounts received in respect of such Trust Property shall be transferred by the Seller to the Transaction Account within two (2) Business Days of its identification by the Seller.

The Seller shall not, and shall not purport to, retire as trustee of the Trust Property without the prior written consent of the Issuer.

The trust declared over the Trust Property under the terms of the Servicing Agreement shall cease absolutely and be wound up on the Final Discharge Date.

The perpetuity period for the purposes of the declaration of trust over the Trust Property shall be the period of 125 years from the date of the Servicing Agreement.

### **Information Covenants**

The Servicer will, on or before each Servicer Reporting Date:

- (a) on or before each Servicer Reporting Date make available to the Issuer and the Cash Manager the Servicer Report; and
- (b) prepare on behalf of the Issuer the Bank of England Information in the required format.

### **Reporting under the UK Securitisation Regulation**

For the purposes of Article 7(2) of the UK Securitisation Regulation, the Issuer (as SSPE) (the “**Reporting Entity**”) has been designated as the entity responsible to fulfil the Transparency Requirements, and will either fulfil such information requirements itself or procure that such information requirements are complied with on its behalf, provided that the Reporting Entity will not be in breach of such undertaking if the Reporting Entity fails to so comply due to events, actions or circumstances beyond the Reporting Entity’s reasonable control.

The Servicer shall, on behalf of the Reporting Entity, prepare and make available via the Reporting Medium, or procure the making available via the Reporting Medium of the information required to be made available by the Reporting Entity pursuant to the Transparency Requirements, which shall include:

- (a) the Quarterly Loan-by-Loan Report in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation and the UK Article 7 Technical Standards; and

- (b) if and to the extent it becomes aware of the same, as soon as reasonably practical, any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the UK Securitisation Regulation and the UK Article 7 Technical Standards,

in each case in accordance with the requirements of the UK Securitisation Regulation, including as to the form of such information and the time when such information is required to be made available.

### **Setting of interest rates on the Loans**

Pursuant to the Servicing Agreement, the Issuer grants the Servicer, who shall act in accordance with the Mortgage Loan Agreements and the Mortgage Conditions, full right, liberty and authority to determine and set the interest rates applicable to the Loans which have been sold to the Issuer and which have not at the relevant date of determination been repurchased by the Seller. The Servicer may not at any time, without the prior written consent of the Issuer and, following the delivery of an Enforcement Notice, the Trustee, set or maintain:

- (a) the Issuer Variable Rate applicable to any Variable Rate Loans in the Portfolio at rates which are higher than (although they may be equal to) the then prevailing Seller Standard Variable Rate; or
- (b) any other discretionary rate or margin in respect of any other Loan in the Portfolio which is higher than (although it may be equal to) the interest rate or margin of the Seller, which applies to that type of Loan beneficially owned by the Seller outside the Portfolio.

The Servicer has agreed to take all reasonable steps necessary under the Mortgage Conditions and applicable law to notify Borrowers of each change in interest rates, whether due to a change in the Issuer Variable Rate or any other rate or margin (including any such change effected at the request of the Issuer) or as a consequence of the Mortgage Conditions. The Servicer will also notify the Issuer and the Trustee of any change in the Issuer Variable Rate

Any of the Issuer and, following the delivery of an Enforcement Notice, the Trustee may terminate the authority of the Servicer to set the interest rates applicable to Loans included in the Portfolio in certain limited circumstances set out in the Servicing Agreement including upon the occurrence of any Servicer Termination Event (as described above).

### **Liability of the Servicer**

The Servicer has agreed to indemnify each of the Issuer and the Trustee on an after tax basis against all losses, liabilities, claims, expenses or damages incurred as a result of negligence, fraud or wilful default by the Servicer in carrying out its functions as Servicer under the Servicing Agreement or any other Transaction Document to which it is party or as a result of a breach by the Servicer of the terms of the Servicing Agreement or the other Transaction Documents to which it is party (in such capacity).

### **Servicer Facilitator**

Under the Servicing Agreement, upon the occurrence of a Servicer Termination Event and the termination of the appointment of the Servicer, in accordance with the provisions of the Servicing Agreement, or following the resignation of the Servicer, the Servicer Facilitator shall use best endeavours to identify, on behalf of the Issuer or (after the service of an Enforcement Notice) the Trustee, a suitable successor servicer in accordance with the terms of the Servicing Agreement, which process shall be commenced by no later than 10 Business Days after the Servicer Facilitator became aware of the service of a termination notice by the Issuer or resignation notice by the Servicer. The Servicer Facilitator shall use its reasonable endeavours to procure that a replacement Servicer meeting the requirements set out in the Servicing Agreement is appointed within 30 calendar days of the occurrence of the applicable Servicer Termination Event or resignation. The Servicer shall continue to provide the duties under the Servicing Agreement until a replacement Servicer is appointed in accordance with the terms of the Servicing Agreement.

### **Governing law**

The Servicing Agreement and any non-contractual obligations arising out of or in connection with the Servicing Agreement are governed by English law.

## THE SWAP PROVIDER

Lloyds Bank Corporate Markets plc (“**Lloyds Bank Corporate Markets**”) (LEI 213800MBWEIJDM5CU638) is a wholly owned subsidiary of Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, “**Lloyds Banking Group**”), was incorporated under the laws of England and Wales on 28 September 2016 (registration number 10399850) and is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA. Lloyds Bank Corporate Markets’ registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom.

Lloyds Bank Corporate Markets was created in response to the Financial Services (Banking Reform) Act 2013, which took effect from 1 January 2019 and requires the separation of certain commercial banking activities and international operations from the rest of the Lloyds Banking Group.

Lloyds Bank Corporate Markets and its subsidiaries provides deposit taking, lending and transaction banking products and services to customers (both new and existing) and is also responsible for the provision of certain wholesale banking products and services (including loan markets, bonds and asset securitisation and elements of foreign exchange, commodities and rate management). Lloyds Bank Corporate Markets has a client -led strategy, focused on UK based clients and international clients with a link to the UK.

Additional information on Lloyds Bank Corporate Markets, and Lloyds Banking Group’s approach to ring- fencing, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: <http://www.lloydsbankinggroup.com>. The information on this website does not form part of this Prospectus.

## KEY STRUCTURAL FEATURES

### Credit Enhancement and Liquidity Support

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

- the Available Revenue Receipts are expected to exceed interest due and payable on the Class A Notes and senior costs and expenses of the Issuer (including retaining the Issuer Profit Amount);
- a Revenue Deficiency on any Interest Payment Date may be funded by applying amounts standing to the credit of the Liquidity Reserve Fund and a Remaining Revenue Deficiency on any Interest Payment Date may (subject to certain conditions) be funded by applying Principal Receipts;
- the payments of interest and principal on the Classes of Notes in Sequential Order and the deferral of interest payments on the Class B Notes where the Issuer has insufficient proceeds;
- losses allocable to the Classes of Notes in reverse Sequential Order in the Principal Deficiency Ledger, first to the Class B Principal Deficiency Sub-Ledger and then to the Class A Principal Deficiency Sub-Ledger;
- the Transaction Account earns interest at a rate which may be agreed from time to time and amounts credited to the Transaction Account may be invested in Authorised Investments; and
- the Issuer will enter into the Swap Agreement to hedge against the possible variance between the fixed interest rates due and payable by Borrowers on the Relevant Fixed Rate Loans and the floating rate interest payments in respect of the Class A Notes.

For the purposes of this paragraph and where used elsewhere in this Prospectus, “**Sequential Order**” means, in respect of payments of interest and principal to be made to the Class A Notes and Class B Notes, firstly, to the Class A Notes and secondly, to the Class B Notes.

Each of these factors is considered in more detail below.

#### *Credit Support for the Notes provided by Available Revenue Receipts*

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be available to pay the amounts payable under items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see the section entitled “*Key Structural Features – Credit Enhancement and Liquidity Support – Basis Risk for the Notes*”) and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency Ledger entries (which may arise from (i) Losses on the Portfolio or (ii) the application of Principal Receipts to cover previous Remaining Revenue Deficiencies).

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met in priority to item (g) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish and increase the Liquidity Reserve Fund up to and including an amount equal to the Liquidity Reserve Required Amount.

#### *Liquidity support provided by use of Liquidity Reserve Fund and Available Principal Receipts to fund Revenue Deficiency and Remaining Revenue Deficiency*

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of items (a) to (e) inclusive of the Pre-Enforcement Revenue Priority of Payments. To the

extent that Available Revenue Receipts are insufficient for this purpose, the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Revenue Deficiency by applying amounts standing to the credit of the Liquidity Reserve Fund.

If following application of Available Revenue Receipts and amounts standing to the credit of the Liquidity Reserve Fund, the Cash Manager determines that there would be a Remaining Revenue Deficiency, the Cash Manager will on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Revenue Deficiency by applying Principal Receipts (if any).

***Payment of the Notes in Sequential Order and deferral of interest payments on the Notes***

Payments of interest on the Classes of Notes will be paid in Sequential Order (so that payments on the Class B Notes will be subordinated to payments on the Class A Notes) in accordance with the relevant Priority of Payments.

Any shortfall in payments of interest on any Class of Notes (other than the Most Senior Class) will be deferred until the next Interest Payment Date and this will not constitute an Event of Default. On the next Interest Payment Date, the amount of interest scheduled to be paid on a Class of Notes will be increased to take account of any deferral of such amounts for such Class of Notes. The deferral process will continue until the Final Maturity Date of the Notes, at which point, all such deferred amounts (including interest thereon) will become due and payable. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes, then the relevant Noteholders may not receive all interest amounts.

It is not intended that any surplus will be accumulated in the Issuer, other than, for the avoidance of doubt, the Issuer Profit Amount and amounts standing to the credit of the Liquidity Reserve Ledger.

***Losses allocated to the Principal Deficiency Ledger***

On each Calculation Date, the Cash Manager will determine the amount of Losses on the Portfolio which is allocable to the Notes.

A Principal Deficiency Ledger, comprising two sub-ledgers (one relating to each Class of Notes), will be established on the Closing Date in order to record any Losses on the Portfolio and the application of any Principal Receipts to meet any Remaining Revenue Deficiency.

Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B Notes.

Losses and the amount of any Principal Receipts applied to fund a Remaining Revenue Deficiency will be recorded as a debit to the Principal Deficiency Ledger as follows:

- (a) first, 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
- (b) second, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes.

Amounts allocated to the Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments as follows:

- (a) *first*, to the Class A Principal Deficiency Sub-Ledger to reduce the debit balance to zero; and
- (b) *second*, to the Class B Principal Deficiency Sub-Ledger to reduce the debit balance to zero.

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



### ***Transaction Account***

If, at any time (i) both the short term issuer default rating of the Account Bank is downgraded to less than A1 by S&P and the long term issuer default rating of the Account Bank is downgraded to less than A by S&P; or (ii) the long-term deposit rating of the Account Bank is downgraded below a rating of A3 by Moody's (or (in each case) such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency) (the "**Account Bank Required Minimum Rating**"), the Issuer will be required, in order to maintain the ratings of the Class A Notes at their then current rating, either (i) (within 60 days) transfer (at its own cost) the balance of the Transaction Account and each Swap Collateral Account to an account held with such bank or financial institution with a rating at least equal to the Account Bank Required Minimum Rating (a "**Replacement Account Bank**") on substantially similar terms to those set out in the Account Bank Agreement or (ii) (within 60 days) procure a guarantee of the Account Bank's obligations under the Account Bank Agreement from a guarantor bank or financial institution with a rating at least equal to the Account Bank Required Minimum Rating, or (iii) take such other remedial action as may be acceptable to the Rating Agencies in order to maintain the ratings of the Notes.

In relation to (i) above, if where taking into account the then prevailing market conditions, the Issuer determines it is not practical to agree terms substantially similar to those set out in the Account Bank Agreement and the Issuer certifies in writing to the Trustee, that such terms are reasonable commercial terms taking into account the then prevailing current market conditions, a replacement agreement may be entered into without the consent of Noteholders on such reasonable commercial terms and the Trustee shall be entitled to rely absolutely on such certification without any liability to any person for so doing (notwithstanding that the fee payable to the Replacement Account Bank may be higher). The Trustee shall not be obliged to agree to any such arrangements if to do so would, in its sole opinion, have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights or protections, of the Trustee in the Transaction Documents and/or the Conditions.

All monies held by the Issuer will be deposited in the Transaction Account in the first instance. The Transaction Account is maintained with the Account Bank. The Account Bank has agreed to pay interest at a rate which may be agreed from time to time in respect of sums in the Transaction Account. The Issuer may invest sums standing to the credit of the Transaction Account in Authorised Investments.

### ***Swap Agreement***

The interest rate on the Loans in the Portfolio is payable by reference, or linked, to the Seller Standard Variable Rate, (or the Issuer Variable Rate, as the case may be) and certain fixed rates. However, the interest rate payable by the Issuer with respect to the Class A Notes is an amount calculated by reference to a Compounded Daily SONIA in respect of each Interest Payment Date commencing on the First Interest Payment Date.

To hedge against the possible variance between:

- (a) various fixed rates of interest payable on the Loans in the Portfolio; and
- (b) the floating rate of interest payable on the Class A Notes,

the Issuer will, on or about the Closing Date, enter into the Swap Agreement with the Swap Provider, being an agreement in the form of a 2002 ISDA Master Agreement (together with a Schedule and Swap Credit Support Annex thereto) and a swap confirmation documenting the fixed rate swap transaction thereunder. The Swap Agreement is not designed to provide a perfect hedge for the Loans included in the Portfolio or eliminate all risks associated with the mismatch between rates payable in respect of such Loans and interest rates in respect of the Notes. However, the Fixed Rate Swap Transaction is intended to cover a major share of the interest rate risk present in the context of the Notes.

### ***Cashflows under the Fixed Rate Swap Transaction***

The Swap Agreement will govern the terms of the fixed rate swap transaction relating to the Relevant Fixed Rate Loans (the "**Fixed Rate Swap Transaction**").

Under the Fixed Rate Swap Transaction, the following amounts will be calculated in respect of each Interest Payment Date:

- (a) the amount produced by applying Compounded Daily SONIA (as defined under the Swap Agreement) in respect of the corresponding Interest Period ending on that Interest Payment Date to the Swap Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the Fixed Rate Swap Transaction (the “**Swap Provider Amount**”); and
- (b) the amount (the “**Issuer Amount**”) equal to the product of (i) the fixed rate (which may be revised from time to time as agreed between the Issuer and the Swap Provider) and (ii) the Swap Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the Fixed Rate Swap Transaction.

The notional amount of the Fixed Rate Swap Transaction (the “**Swap Notional Amount**”) in respect of each calculation period thereunder will be equal to the aggregate of the Current Balances (calculated, for each calculation period, at the end of the calendar month immediately preceding such calculation period) of the Fixed Rate Loans in the Portfolio that do not have three or more monthly payments due and unpaid by a Borrower (the “**Relevant Fixed Rate Loans**”).

After the Swap Provider Amounts and the Issuer Amounts are calculated in respect of the Fixed Rate Swap Transaction in relation to an Interest Payment Date, the following payments will be made on or in respect of that Interest Payment Date: (i) if the relevant Issuer Amount is greater than the relevant Swap Provider Amount, then the Issuer will pay an amount equal to the difference between the two to the Swap Provider and (ii) if the relevant Swap Provider Amount is greater than the relevant Issuer Amount, then the Swap Provider will pay an amount equal to the difference between the two to the Issuer.

If a payment is to be made by the Swap Provider (other than payments to be credited to a relevant Swap Collateral Account), that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments or the Swap Collateral Account Priority of Payments (as applicable).

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

The Swap Agreement may be terminated early in, *inter alia*, the following circumstances (each, a “**Swap Early Termination Event**”):

- (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 a breach of a provision of the Swap Agreement by the Swap Provider is not remedied within the applicable grace period;
- (c) if a material misrepresentation is made by the Swap Provider under the Swap Agreement;
- (d) if a change of law results in the obligations of one of the parties (or, in the case of the Swap Provider, its credit support provider, if applicable) becoming illegal;
- (e) if certain force majeure events occur and result in one of the parties being prevented from performing its obligations, receiving payments or complying with any material provision of the Swap Agreement;
- (f) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Swap Agreement;
- (g) upon the occurrence of certain insolvency events in relation to any of the parties to the Swap Agreement or, in the case of the Swap Provider, its credit support provider (if applicable);
- (h) the occurrence of a merger of the Swap Provider (or its credit support provider, if applicable) without an assumption of the obligations under the Swap Agreement or the relevant credit support document (as applicable);

- (i) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described below in “*Key Structural Features – Ratings Downgrade of Swap Provider*”;
- (j) if there is a redemption of the Rated Notes pursuant to Conditions 9.3 (*Optional Redemption in whole*), 9.4 (*Optional Redemption in whole for taxation reasons*) or 9.5 (*Optional Redemption in whole upon the occurrence of an Illegality Event*) of the Notes or for any other reason other than in accordance with Condition 9.1 (*Final Redemption*) or with the prior consent of the Swap Provider;
- (k) if the Trustee serves an Enforcement Notice on the Issuer pursuant to Condition 13 (*Events of Default*) of the Notes; or
- (l) if any amendment, modification or supplement is made to any Transaction Document or the Conditions without the Swap Provider’s prior written consent as a result of which (1) the Swap Provider would be required to pay more or receive less were it to replace itself as Swap Provider, (2) the amount, timing or priority of payments or deliveries due to the Swap Provider are altered, (3) the status of the Swap Provider as a Secured Creditor are altered or the secured obligations or Secured Amounts owed to the Swap Provider are altered, (4) the Issuer’s undertakings in the Transaction Documents related to a refinancing of the Notes or the sale, transfer or disposal of its assets are amended or (5) any requirement to obtain the Swap Provider’s consent is altered.

Upon the occurrence of a Swap Early Termination Event either the Issuer or the Swap Provider may be liable to make a termination payment to the other party. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on any outstanding unpaid amounts and the losses, costs or gains that the determining party would realise in replacing or providing for the economic equivalent of the material terms of the terminated transaction(s), including the payments and deliveries by the parties thereunder that would have been required but for the occurrence of such termination provided that if a Swap Early Termination Event occurs where the Swap Provider is (i) the Affected Party in respect of an Additional Termination Event or a Tax Event Upon Merger (in each case as defined in the Swap Agreement); or (ii) the Defaulting Party in respect of an Event of Default (in each case as defined in the Swap Agreement), the termination payment shall instead be based on the market value of each swap transaction under the Swap Agreement, computed in accordance with the Swap Agreement, generally on the basis of market quotations of the cost of entering into a replacement swap transaction with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties. Any termination payment due from the Issuer to the Swap Provider (after netting such amount against the value of any Swap Collateral in respect of the Swap Agreement) will, subject to the terms set out in the section entitled “*Replacement upon early termination*” below, be made in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. Any such termination payment could be substantial.

The Issuer will apply any termination payment it receives from a termination of the Swap Agreement first to purchase a replacement swap in accordance with the Swap Collateral Account Priority of Payments. To the extent that the Issuer receives a premium under any replacement swap, it shall apply such premium first to make any termination payment due under the related terminated swap. Other than a Swap Collateral Account Surplus (if any), any such termination payment or premium received by the Issuer will not be available to meet the Issuer’s obligations on the Notes or under the Transaction Documents.

#### *Ratings Downgrade of Swap Provider*

If, at any time following the Closing Date, the short-term or long-term, unsecured and unsubordinated debt obligations of the Swap Provider (or its guarantor), as applicable, are downgraded by a Rating Agency below the required ratings specified in the Swap Agreement for the Swap Provider (or its guarantor, as applicable), the Swap Provider will be required to take certain remedial measures which may include one or more of the following: providing collateral for its obligations, arranging for its obligations to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the Issuer to terminate the Swap Agreement.

## *Taxation*

The Issuer is not obliged under the Swap Agreement to gross up payments made by it if withholding taxes are imposed on payments made under the Swap Agreement.

The Issuer is required to give certain payer tax representations, and has agreed to deliver certain tax forms if requested, to the Swap Provider. *Provided that* the Issuer gives accurate representations and complies with the obligation to provide such forms, the Swap Provider is obliged to gross up payments made by it to the Issuer if withholding taxes are imposed on payments made by it to the Issuer under the Swap Agreement. The imposition of withholding taxes on payments made by the Swap Provider or the Issuer under the Swap Agreement will constitute a Tax Event (as defined in the Swap Agreement) and will give the Swap Provider a right to terminate the Swap Agreement subject to the terms thereof.

The Issuer shall repay the amount of any Swap Tax Credits in relation to the Swap Agreement directly to the Swap Provider in accordance with the Swap Collateral Account Priority of Payments rather than the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments.

## *Governing Law*

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

## **Replacement of the Swap Agreement**

### *Replacement upon early termination*

In the event that the Swap Agreement is terminated prior to its scheduled termination date, and prior to the service of an Enforcement Notice or the redemption in full of all outstanding Notes, the Issuer shall use its reasonable efforts to enter into a replacement swap agreement. There can be no assurance that the Issuer will be able to enter into a replacement swap agreement or, if one is entered into, as to the terms of the replacement swap agreement or the credit rating of the replacement swap provider.

Depending on the circumstances prevailing in the market at the time, the Issuer or the replacement swap provider may be liable to make a payment to the other in order to enter into a replacement swap agreement (such payment, a “**Replacement Swap Premium**”). If a Replacement Swap Premium is payable by the replacement swap provider to the Issuer, any such amount received by the Issuer to the extent required to fund the entry into a replacement Fixed Rate Swap Transaction will be credited to the relevant Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments. If a Replacement Swap Premium is payable by the Issuer to the replacement swap provider, the Issuer may not have sufficient funds standing to the credit of to the relevant Swap Collateral Account in order to make such payment in accordance with the Swap Collateral Account Priority of Payments and therefore may be unable to enter into a replacement swap agreement.

## **Swap Credit Support Annex**

On or around the Closing Date, the Swap Provider will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) with the Issuer (the “**Swap Credit Support Annex**”) in support of the obligations of the Swap Provider under the Swap Agreement. Pursuant to the terms of the Swap Credit Support Annex, if at any time the Swap Provider is required to provide collateral in respect of any of its obligations under the Swap Agreement, such Swap Credit Support Annex will provide that, from time to time, subject to the conditions specified in the Swap Credit Support Annex and the Swap Agreement, the Swap Provider will make transfers of collateral to the Issuer in respect of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Credit Support Annex.

## **Swap Collateral**

In the event that the Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Swap Agreement in accordance with the terms of the Swap Credit Support Annex, that collateral (and any interest, income and/or distributions earned thereon) will be credited to the relevant Swap Collateral Account and credited to

the ledger maintained by the Cash Manager pursuant to the Cash Management Agreement to record the balance from time to time of swap collateral (the “**Swap Collateral Ledger**”). In addition, upon any early termination of the Swap Agreement or novation of the Swap Provider’s obligations under the Swap Agreement to a replacement swap provider, (i) any Replacement Swap Premium received by the Issuer from a replacement swap provider to the extent required to fund the entry into a replacement Fixed Rate Swap Transaction and/or (ii) any termination payment received by the Issuer from the outgoing Swap Provider will be credited to the relevant Swap Collateral Account to the extent required to pay termination payments owed to the existing Swap Provider. Any Swap Tax Credits received by the Issuer will also be credited to the relevant Swap Collateral Account and recorded on the Swap Collateral Ledger.

Amounts or securities or proceeds of such securities standing to the credit of any Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger will not be available for the Issuer or the Trustee to make payments to the Secured Creditors generally, but shall be applied by the Cash Manager or other agent of the Issuer (acting on the instructions of the Issuer), only in accordance with the following provisions (the “**Swap Collateral Account Priority of Payments**”):

- (a) to pay an amount equal to any Swap Tax Credits received by the Issuer to the Swap Provider as soon as reasonably practicable after receipt by the Issuer of such amounts;
- (b) prior to the designation of an Early Termination Date (as defined in the Swap Agreement) in respect of the Swap Agreement, solely in or towards payment of any Return Amounts, Interest Amounts and Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Swap Provider in accordance with the terms of the Swap Credit Support Annex;
- (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 an Event of Default (as defined in the Swap Agreement) in respect of which the Swap Provider is the Defaulting Party or an Additional Termination Event (as defined in the Swap Agreement) resulting from a ratings downgrade of the Swap Provider 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 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 or novated; and
  - (ii) second, in or towards payment of any termination payment due to the outgoing Swap Provider; and
  - (iii) third, the surplus (if any) (a “**Swap Collateral Account Surplus**”) on such day to be transferred to the Transaction Account;
- (d) following (1) 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 items (b)(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 or (2) any novation of the Swap Provider’s obligations to a replacement swap provider, on the later of the day on which such replacement swap agreement is entered into 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 Provider;
  - (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 or novated; and
  - (iii) third, the surplus (if any) (a “**Swap Collateral Account Surplus**”) on such day to be transferred to the Transaction Account;

- (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 such Swap Agreement, on any day, in or towards payment of any termination payment due to the outgoing Swap Provider;
- (f) following payments of amounts due pursuant to (d) 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, the surplus (if any) (a “**Swap Collateral Account Surplus**”) remaining after payment of such Replacement Swap Premium to be transferred to the Transaction Account,

*provided that* if 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 day that is 14 calendar days prior to the date on which the Principal Amount Outstanding of all Classes of Notes is reduced to zero (other than following the occurrence of an Event of Default pursuant to Condition 13); or
- (B) the day on which an Enforcement Notice is given pursuant to Condition 13,

then the amount standing to the credit of any Swap Collateral Account on such day shall be a “**Swap Collateral Account Surplus**” and shall be transferred to the Transaction Account as soon as reasonably practicable thereafter.

A Swap Collateral Account will be opened in the name of the Issuer on the Closing Date and will be held at the Account Bank. A separate Swap Collateral Account will be established and maintained in respect of each eligible currency and one or more additional Swap Collateral Accounts may be opened in the name of the Issuer and, in respect of Swap Collateral in the form of cash, held at the Account Bank and, in respect of Swap Collateral in the form of Securities, held at the Custodian from time to time. As security for the payment of all moneys payable in respect of the Notes and the other Secured Amounts, the Issuer will grant a first fixed charge over the Issuer’s interest in the Swap Collateral Accounts 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).

### **Subordinated Loan Agreement**

On or around the Closing Date, the Issuer and the Subordinated Loan Provider will enter into the Subordinated Loan Agreement, pursuant to which the Subordinated Loan Provider will advance the Subordinated Loan to the Issuer.

#### *Use of Proceeds*

The Issuer will apply the proceeds of the Subordinated Loan to (i) establish the Liquidity Reserve Fund on the Closing Date, (ii) fund certain fees and expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date; and (iii) pay any amount of Consideration in respect of the Portfolio not paid by the net proceeds from the issue of the Notes.

#### *Interest*

The Subordinated Loan will bear interest at a rate of 0.5 per cent. per annum on its outstanding principal balance, which is capitalised and will be repaid as principal in accordance with the applicable Priority of Payments.

#### *Repayment*

The Issuer shall, subject to and in accordance with the applicable Priority of Payments, repay the outstanding principal amount of the Subordinated Loan on the Final Maturity Date, to the extent of the available funds.

*Governing Law*

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

## CASHFLOWS AND CASH MANAGEMENT

### Cash Management Services

On the Closing Date, the Cash Manager, the Issuer and the Trustee will enter into the Cash Management Agreement. Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Transaction Account and, if applicable, the Swap Collateral Account. In addition, the Cash Manager will, *inter alia*, perform reporting on behalf of the Issuer.

### Definition of Revenue Receipts

**"Revenue Receipts"** means (a) payments of interest (including any early repayment fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed and (d) certain fees (which do not fall within paragraph (e) of the definition of "Principal Receipts") which have been allocated by the Seller (in accordance with its collection policies) as interest payments and charged by the Servicer in respect of servicing the Loans, which have been charged and repaid by a means other than the Borrower's monthly instalment.

**"Accrued Interest"** means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the monthly payment date immediately preceding the relevant date to (but excluding) the relevant date.

**"Arrears of Interest"** means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Arrears, Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date.

**"Capitalised Interest"** means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date).

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

- (a) Revenue Receipts received during the immediately preceding Collection Period, less amounts applied during such Collection Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):
  - (i) payments of certain insurance premiums;
  - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account (including any amounts required to satisfy any of the obligations and/or liabilities incurred by the Collection Account Bank under the direct debit scheme), any other amounts due to the Collection Account Bank in respect of amounts which are credited to the Collection Account or the Sub-Collection Account but which are subsequently recalled or reversed as an unpaid sum and the Collection Account Bank's fees and charges for the operation of the Collection Account and the Sub-Collection Account;
  - (iii) any amount received from a Borrower at any time (including upon redemption of the relevant Loan) for the express purpose of payment being made to a third party or the Seller for the provision of a service to that Borrower or the Seller,

(items within paragraphs (i), (ii) and (iii) being collectively referred to herein as **"Permitted Withdrawals"**), which amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the Collection Account;



- (b) interest payable to the Issuer on the Transaction Account and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Swap Agreement (other than (i) any amounts to be credited to any Swap Collateral Account; and (ii) any amount received by the Issuer in respect of Swap Tax Credits) on or in respect of such Interest Payment Date;
- (d) any Swap Collateral Account Surplus;
- (e) any amounts standing to the credit of the Liquidity Reserve Fund (but only to the extent (i) necessary after applying all other Available Revenue Receipts to pay any Revenue Deficiency on any Interest Payment Date and (ii) (without double counting) if the Liquidity Reserve Fund Excess Conditions are met, amounts credited to the Liquidity Reserve Fund exceed the Liquidity Reserve Required Amount);
- (f) other net income of the Issuer received during the immediately preceding Collection Period, excluding any interest, distributions or redemption or sale proceeds received in respect of amounts standing to the credit of any Swap Collateral Account and without double counting the amounts described in paragraphs (a) to (e) above;
- (g) the amounts (if any) to be applied pursuant to paragraph (a) of the Pre-Enforcement Principal Priority of Payments representing any deficiency in the Available Revenue Receipts under paragraphs (a) to (f) above that is required to pay any Remaining Revenue Deficiency on any Interest Payment Date (up to an amount equal to the Available Principal Proceeds on such Interest Payment Date); and
- (h) amounts deemed to be Available Revenue Receipts in accordance with items (a) and (d) of the Pre-Enforcement Principal Priority of Payments.

#### **Application of Liquidity Reserve Fund Amounts and Principal Receipts to cover Revenue Deficiencies**

On each Calculation Date, the Cash Manager shall calculate whether the items (a) to (e) (inclusive) of the definition of Available Revenue Receipts (as calculated above) will be sufficient to pay on the relevant Interest Payment Date items (a) to (e) inclusive of the Pre-Enforcement Revenue Priority of Payments.

If the Cash Manager determines that there would be a Revenue Deficiency on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Revenue Deficiency by applying amounts standing to the credit of the Liquidity Reserve Fund as Available Revenue Receipts.

If, following application of Available Revenue Receipts, including amounts standing to the credit of the Liquidity Reserve Fund, the Cash Manager determines that there would be a Remaining Revenue Deficiency, then the Issuer shall pay or provide for such Remaining Revenue Deficiency by applying Principal Receipts (if any) and the Cash Manager shall make a corresponding entry in the Principal Deficiency Ledger as described in “*Key Structural Features*” above.

#### **Liquidity Reserve Fund and Liquidity Reserve Ledger**

On the Closing Date, a fund will be established called the Liquidity Reserve Fund. The Liquidity Reserve Fund will be funded on the Closing Date from the proceeds of the Subordinated Loan in the sum of £2,500,000 (being an amount equal to 1.0 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date). The Liquidity Reserve Fund will be credited to the Transaction Account (with a corresponding credit to the Liquidity Reserve Ledger). The Issuer may invest the amounts standing to the credit of the Transaction Account in Authorised Investments. See “*Key Structural Features*” above.

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Liquidity Reserve Fund (the “**Liquidity Reserve Ledger**”).

After the Closing Date, the Liquidity Reserve Fund will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments up to the Liquidity Reserve Required Amount.

The “**Liquidity Reserve Required Amount**” will be (i) on the Closing Date £2,500,000 (being an amount equal to 1.0 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date), (ii) on each Interest Payment Date, the greater of (x) 1.0 per cent. of the Principal Amount Outstanding of the Class A Notes prior to the application of Available Principal Receipts on such Interest Payment Date, and (y) 0.5 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date, *provided that* if the Liquidity Reserve Fund Excess Conditions are not satisfied on the Calculation Date immediately preceding the relevant Interest Payment Date, the Liquidity Reserve Required Amount shall be such amount as determined on the immediately preceding Interest Payment Date and (iii) upon redemption of the Notes in full, zero.

If the following conditions are met:

- (a) no Event of Default has occurred and is continuing; and
- (b) the Class A Principal Deficiency Sub-Ledger will not have a debit balance on the next Interest Payment Date after applying all Available Revenue Receipts (excluding any such amounts under paragraph (e) or (g) of the definition thereof) on that Interest Payment Date,

(together, the “**Liquidity Reserve Fund Excess Conditions**”), an amount equal to the Liquidity Reserve Fund Excess will be used as Available Revenue Receipts added to the other income of the Issuer to determine the amount of Available Revenue Receipts.

“**Liquidity Reserve Fund Excess**” means, on any Interest Payment Date, the amount by which the funds standing to the credit of the Liquidity Reserve Fund (after deducting any amounts to be applied to eliminate any Revenue Deficiency) exceed the Liquidity Reserve Required Amount.

#### **Application of Available Revenue Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer**

On each Interest Payment Date (or in respect of items (a) and (b) below, on any date) prior to the service of an Enforcement Notice by the Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the “**Pre-Enforcement Revenue Priority of Payments**”):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any fees, costs, charges, liabilities, expenses and all other amounts then due and payable or to become due and payable in the immediately succeeding Interest Period to the Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, the Custodian, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable to the Servicer or any such amount to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (iii) any amounts due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager or any such amount to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash

Management Agreement and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (iv) any amounts then due and payable to the Account Bank, any Replacement Account Bank or Custodian and any fees, costs, charges, liabilities and expenses then due and payable to the Account Bank or any Replacement Account Bank or any such amount to become due and payable to the Account Bank, any Replacement Account Bank or any Custodian in the immediately succeeding Interest Period under the provisions of the Account Bank Agreement, any Replacement Account Bank Agreement, any Custody Agreement and the other Transaction Documents, as applicable, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Servicer Facilitator under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein; and
  - (vi) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction pro rata and pari passu according to the respective amounts thereof:
- (i) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained previously by the Issuer as profit under item (h) below); and
  - (ii) any Transfer Costs which the Seller has failed to pay;
- (d) *fourth*, to pay any amounts due to the Swap Provider under the Swap Agreement (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments) but excluding any Swap Subordinated Amounts;
- (e) *fifth*, in or towards payment of interest due and payable on the Class A Notes;
- (f) *sixth*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the Liquidity Reserve Ledger up to the Liquidity Reserve Required Amount;
- (g) *seventh*, to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
- (h) *eighth*, to credit to the Issuer Profit Ledger the amount necessary to cause the balance to equal the Issuer Profit Amount;
- (i) *ninth*, to pay interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);
- (j) *tenth*, to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
- (k) *eleventh*, to pay any Swap Subordinated Amount (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments);
- (l) *twelfth*, to pay all amounts of interest due and payable in respect of the Subordinated Loan to the Subordinated Loan Provider under the terms of the Subordinated Loan Agreement;

- (m) *thirteenth*, to pay the principal amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (n) *fourteenth*, to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

#### ***Application of Principal Receipts Prior to Service of an Enforcement Notice***

##### **Definition of Principal Receipts**

“**Principal Receipts**” means (a) principal repayments under the Loans (b) payments in respect of Accrued Interest and Arrears of Interest as at the Closing Date, Capitalised Interest and Capitalised Expenses and Capitalised Arrears, (c) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, (e) and any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the Seller’s normal charging practices and repaid via a Borrower’s monthly instalment, *provided that* payments received in respect of any fees which have been allocated by the Seller (in accordance with its collection policies) as interest payments, shall not constitute Principal Receipts, (f) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date).

“**Capitalised Arrears**” means, in relation to any Loan, at any date, amounts (excluding Arrears of Interest or amounts comprising Capitalised Expenses) which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Condition or otherwise by arrangement with the relevant Borrower.

“**Capitalised Expenses**” means for any Loan at any date, expenses which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

##### **Definition of Available Principal Receipts**

“**Available Principal Receipts**” means for any Interest Payment Date:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period; and
- (b) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (g) and (j) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date,

*less:*

- (c) the amount of Principal Receipts to the extent comprised in paragraph (a) above used or to be used by the Issuer to purchase Further Advances made during the immediately preceding Collection Period.

The Issuer shall pay or provide for amounts due under the Pre-Enforcement Revenue Priority of Payments before paying amounts due under the Pre-Enforcement Principal Priority of Payments.

#### **Application of Available Principal Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer**

Prior to the service of an Enforcement Notice on the Issuer by the Trustee, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the “**Pre-Enforcement Principal Priority of Payments**”):

- (a) *first*, to be applied in accordance with the Pre-Enforcement Revenue Priority of Payments to the extent necessary to pay any Remaining Revenue Deficiency in full;

- (b) *second, pro rata and pari passu*, in or towards repayment of the Principal Amount Outstanding of the Class A Notes, until the Principal Amount Outstanding of the Class A Notes has been reduced to zero;
- (c) *third, pro rata and pari passu*, in or towards repayment of the Principal Amount Outstanding of the Class B Notes, until the Principal Amount Outstanding of the Class B Notes has been reduced to zero; and
- (d) *fourth* the excess (if any) to be applied as Available Revenue Receipts.

**Application of Revenue Receipts, Principal Receipts and other monies of the Issuer following the service of an Enforcement Notice**

Following the service of an Enforcement Notice by the Trustee on the Issuer, the Trustee (or the Cash Manager on its behalf or a Receiver) will apply all monies held in the Charged Accounts and all amounts received or recovered following service of an Enforcement Notice (other than (i) any amount that would otherwise constitute a Permitted Withdrawal (which, for the avoidance of doubt, shall be debited from the Charged Accounts prior to the remaining monies being applied in accordance with Clause 10 of the Deed of Charge), (ii) amounts standing to the credit of the Swap Collateral Accounts, except for any Swap Collateral Account Surplus, (iii) any amount received by the Issuer in respect of Swap Tax Credits received or recovered and (iv) any amounts of any Issuer Profit Amount then held in the Transaction Account which shall be used by the Issuer in or towards satisfaction of any amounts due and payable by the Issuer to third parties (and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period) and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer, in the following order of priority) (the “**Post-Enforcement Priority of Payments**” and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the “**Priority of Payments**”):

- (a) *first*, in or towards satisfaction *pro rata and pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Trustee or any Appointee, under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
  - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to any Receiver appointed by the Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata and pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, the Custodian, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable to the Servicer or any such amount to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (iii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager or any such amount to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (iv) any amounts then due and payable to the Account Bank, any Replacement Account Bank or any Custodian and any fees, costs, charges, liabilities and expenses then due and payable to the Account Bank, any Replacement Account Bank or any Custodian or any such amount to become due and payable to the Account Bank, any Replacement Account Bank or any Custodian in the immediately succeeding Interest Period under the provisions of the Account Bank Agreement, any Replacement Account Bank Agreement or any Custody Agreement and the other Transaction Documents, as applicable, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Servicer Facilitator under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein; and
  - (vi) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, to pay any amounts due to the Swap Provider under the Swap Agreement (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments) but excluding any Swap Subordinated Amounts;
  - (d) *fourth*, to pay interest due and payable on the Class A Notes;
  - (e) *fifth, pro rata and pari passu*, in or towards repayment of the Principal Amount Outstanding of the Class A Notes, until the Principal Amount Outstanding of the Class A Notes has been reduced to zero;
  - (f) *sixth*, interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);
  - (g) *seventh, pro rata and pari passu*, in or towards repayment of the Principal Amount Outstanding of the Class B Notes, until the Principal Amount Outstanding of the Class B Notes has been reduced to zero;
  - (h) *eighth*, to pay any Swap Subordinated Amount (to the extent not satisfied out of amounts standing to the credit of any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments);
  - (i) *ninth*, to credit to the Issuer Profit Ledger the amount necessary to cause the balance to equal the Issuer Profit Amount;
  - (j) *tenth*, to pay any amounts required by the Issuer to pay or discharge any liability of the Issuer to corporation tax (which cannot be made out of amounts retained previously by the Issuer or profit paid to the Issuer under item (i) above); and
  - (k) *eleventh*, to the payment, on a *pro rata and pari passu* basis, of interest and principal due and payable in respect of the Subordinated Loan to the Subordinated Loan Provider under the terms of the Subordinated Loan Agreement;
  - (l) *twelfth*, to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

### **Reporting by the Cash Manager**

The Cash Manager shall:

- (a) prepare and deliver to the Issuer, the Servicer, the Seller, EuroABS, the Rating Agencies, and the Trustee, the Cash Manager Report by no later than the Cash Manager Reporting Date, provided that the Servicer has delivered to the Cash Manager the Servicer Report by no later than the Servicer Reporting Date;

- (b) prepare and deliver to the Issuer, EuroABS and the Trustee, the Quarterly Investor Report by no later than each Quarterly Reporting Date, provided that the Servicer has delivered to the Cash Manager the Servicer Report by no later than the Servicer Reporting Date; and
- (c) publish the Bank of England Information as prepared by the Servicer and delivered to the Cash Manager for publishing on the Cash Manager Website (or such other website as may be available for such purpose and notified by the Cash Manager to the Issuer, the Trustee, the Seller, the Servicer, EuroABS and Rating Agencies from time to time) by no later than each Quarterly Reporting Date.

The Cash Manager will not assume any responsibility for the Issuer's obligations as the Reporting Entity responsible for fulfilling the reporting obligations under the UK Securitisation Regulation. In providing the services set out in the Cash Management Agreement, the Cash Manager also assumes no responsibility or liability to the Noteholders, any potential investor in the Notes or any other party including for their use or onward disclosure of the information or documentation on the Cash Manager Website and shall have the benefit of the powers, protections and indemnities granted to it under the Cash Management Agreement and the other Transaction Documents. Any such report required to be prepared under the Cash Management Agreement (or other additional reports that are requested to be produced) may include disclaimers excluding liability of the Cash Manager for the information provided therein.

The Cash Manager shall not have any duty to monitor, enquire or satisfy itself as to the veracity, accuracy or completeness of any documentation provided to it under this clause or whether or not the provision of such information accords with the UK Securitisation Regulation and shall be entitled to rely conclusively upon any instructions given by (and any determination by) the Issuer regarding the same, provided that such instructions are given in accordance with the Transaction Documents, and shall have no obligation, responsibility or liability whatsoever for the provision of information and documentation on the Cash Manager Website. The Cash Manager shall not be responsible for monitoring the Issuer's compliance with the UK Securitisation Regulation.

## DESCRIPTION OF THE NOTES IN GLOBAL FORM

### General

The Notes of each Class will be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and will be represented on issue by one or more Global Notes of such class in fully registered form without interest coupons or principal receipts attached (each a “**Global Note**”). Beneficial interests in a Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time.

All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Note in respect of each Class of Notes will be deposited on or about the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg (the “**Common Safekeeper**”).

The Global Note in respect of each Class of Notes will be deposited with the Common Safekeeper and registered in the name of a nominee of the Common Safekeeper (the “**New Safekeeping Structure**”).

The Notes are intended to be held in a manner which would allow Eurosystem eligibility. This means that the Notes will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Notes with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that any of the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Prior to the issuance of the Notes, the Issuer will enter into an Issuer ICSD agreement with the ICSDs in respect of the Notes (the “**Issuer ICSD Agreement**”). The Issuer ICSDs will, in respect of the Notes (while being held in the new safekeeping structure), maintain their respective portion of the outstanding of the issue amount through their records. The Issuer ICSD Agreement will be governed by English law.

The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper in respect of the relevant Class of Notes.

Upon confirmation by the Common Safekeeper in respect of the Notes that it has custody of each Global Note, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in such Global Note (the “**Book-Entry Interests**”) attributable thereto.

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £100,000 and, for so long as Euroclear or Clearstream, Luxembourg so permit integral multiples of £1,000 in excess thereof (a “**Minimum Denomination**”). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (“**Participants**”) or persons that hold interests in the Book-Entry Interests through Participants (“**Indirect Participants**”), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants’ accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Safekeeper in respect of the Notes is the registered holder of each Global Note underlying the Book-Entry Interests, the nominee for the Common Safekeeper, will be considered the sole Noteholder of such Global Note for all purposes under the Trust Deed. Except as set forth in the section entitled “*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 the section entitled “*Action in Respect of the Global Note 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 Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Certificates are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear or Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of each Global Note, unless and until Book-Entry Interests are exchanged for Definitive Certificates, such Global Note held by the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note pursuant to Regulation S will hold Book-Entry Interests in the Global Notes 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 forth under “*Transfers and Transfer Restrictions*”, below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Global Note, as the case may be, 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.

#### **Trading between Euroclear and/or Clearstream, Luxembourg participants**

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

#### **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 Citibank, N.A., London Branch, as the Principal Paying Agent on behalf of the Issuer to Euroclear or Clearstream, Luxembourg. 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 its nominee 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, 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 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 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 Trustee, the Paying Agents or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant’s ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant’s ownership of Book-Entry Interests.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

#### ***Euroclear and Clearstream, Luxembourg***

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 or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the 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 any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the clearing systems 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**

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

## **Transfers and Transfer Restrictions**

All transfer of Book-Entry Interests will be recorded with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to the customary procedures established by each respective system and its Participants.

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.

## **Settlement and transfer of notes**

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the "**beneficial owner**") will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.

No clearing system has knowledge of the actual beneficial owners of the Notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

## **Issuance of Definitive Certificates**

Holders of Book-Entry Interests in the Global Note will be entitled to receive certificates evidencing definitive notes in registered form ("**Definitive Certificates**") in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the 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 form.

Any Definitive Certificates issued in exchange for Book-Entry Interests in a 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. 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 Certificates issued in exchange for Book-Entry Interests in a Global Note, as the case

may be, will not be entitled to exchange such Definitive Certificate, for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under “*Transfers and Transfer Restrictions*” above *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 Certificates will not be issued in a denomination that is not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £1,000. As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

### **Action in Respect of the Global Note and the Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear and 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 Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under “*General*” above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

### **Reports**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to each of Euroclear and Clearstream, Luxembourg (the “**Clearing Systems**”) for communication by them to the holders of the relevant Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are admitted to trading and listed on the Official List) any notice shall also be published in accordance with the relevant guidelines of Euronext Dublin. See also Condition 23 (*Notices*) of the Notes.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed. If the Notes were to be represented by Definitive Certificates, the Conditions set out on the reverse of each of such Definitive Certificates would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Documents and the other Transaction Documents (as defined below).*

### 1. GENERAL

- 1.1 The £250,000,000 Class A Mortgage Backed Floating Rate Notes due May 2052 (the “**Class A Notes**”) and the £ 32,700,000 Class B Mortgage Backed Zero Rate Notes due May 2052 (the “**Class B Notes**” and, together with the Class A Notes, the “**Notes**”) will be issued by Tyne Funding No. 1 PLC (registered number 13653178) (the “**Issuer**”) on or about the Closing Date.
- 1.2 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the Notes is created pursuant to, and on the terms set out in, the Deed of Charge.
- 1.3 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.4 Certain provisions of these Conditions are summaries of the Trust Documents and the Incorporated Terms Memorandum and the Agency Agreement and are subject to their detailed provisions.
- 1.5 The Noteholders are bound by the terms of the Trust Documents and the Incorporated Terms Memorandum, and are deemed to have notice of all the provisions of the Transaction Documents.

### 2. DEFINITIONS AND INTERPRETATION

- 2.1 Capitalised terms and expressions used and not otherwise defined in these Conditions shall have the meanings given to them in the Master Definitions Schedule set out in Schedule 1 (*Master Definitions Schedule*) to the Incorporated Terms Memorandum made between the parties to the Transaction Documents on or about the Closing Date (as modified and/or supplemented and/or restated from time to time, the “**Master Definitions Schedule**”).
- 2.2 These Conditions shall be construed in accordance with the principles of interpretation and construction set out in the Incorporated Terms Memorandum.

### 3. FORM AND DENOMINATION

- 3.1 Notes will be represented by one or more global notes in fully registered form without interest coupons (each such global note in relation to a class of those Notes being a “**Global Note**”).

The Global Notes are expected to be held under the new safekeeping structure for Global Notes and be deposited with, and registered in the name of, or a nominee of, a common safekeeper (the “**Common Safekeeper**”) for Euroclear and Clearstream, Luxembourg.

- 3.2 The Principal Amount Outstanding of the Notes of each class initially offered and sold outside the United States to non U.S. persons pursuant to Regulation S (“**Regulation S**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”) is represented by one or more global registered notes in fully registered form (the “**Global Notes**”) without coupons attached. References herein to the “**Notes**” shall include (i) in relation to any Notes of a class represented by a Global Note, units of the Minimum Denomination of such class, (ii) any Global Note and (iii) any Definitive Certificate issued in exchange for a Global Note.

- 3.3 For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes 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 S.A./N.V. or Clearstream Banking, S.A., as appropriate.
- 3.4 For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in minimal amounts of £ 100,000 and integral multiples of £ 1,000 thereafter.
- 3.5 Certificates evidencing definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Global Notes (the “**Definitive Certificates**”) will be issued in registered form and serially numbered in the circumstances referred to below. Definitive Certificates, if issued, will be issued in the denomination of £ 100,000 and any amount in excess thereof in integral multiples of £ 1,000.
- 3.6 If, while any Notes are represented by a Global Note:
- (a) in the case of a Global Note held in Euroclear or Clearstream, Luxembourg, Euroclear or 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 do so cease business and, in either case, no alternative clearing system satisfactory to the Trustee is available; or
  - (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, 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 withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee,

(each a “**relevant event**”) the Issuer will issue Definitive Certificates to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Global Note will not be exchangeable for Definitive Certificates in any other circumstances.

#### 4. TITLE

- 4.1 The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) 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 Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.
- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes.
- 4.3 No transfer of a Note will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Note and any Definitive Certificates and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer

with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Note who so requests (and who provides evidence of such holding where the Notes are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.

- 4.5 A Definitive Certificate, may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, a new Definitive Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- 4.6 Each new Definitive Certificate, to be issued upon transfer of Definitive Certificates will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Certificate, to such address as may be specified in such request.
- 4.7 Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.
- 4.8 No holder of a Definitive Certificate, may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.

## **5. STATUS AND RANKING**

### **5.1 Status**

The Notes of each class constitute direct, secured and unconditional obligations of the Issuer.

### **5.2 Ranking**

The Class A Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class B Notes will at all times rank without preference or priority *pari passu* amongst themselves.

### **5.3 Sole Obligations**

The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

### **5.4 Priority of Interest Payments**

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes, in accordance with the Pre-Enforcement Revenue Priority of Payments or, after the delivery of an Enforcement Notice, the Post-Enforcement Priority of Payments.

### **5.5 Priority of Principal Payments**

Payments of principal on the Class A Notes will rank in priority to payments of principal on the Class B Notes, in accordance with the Pre-Enforcement Principal Priority of Payments or, after the delivery of an Enforcement Notice, the Post-Enforcement Priority of Payments.

### **5.6 Priority of Payments**

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Receipts and Available Principal Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments (as applicable) and thereafter, in accordance with the Post-Enforcement Priority of Payments.

## **6. SECURITY**

### **6.1 Security**

The Notes are secured by the Security.

### **6.2 Enforceability**

The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 13 (*Events of Default*) and subject to the matters referred to in Condition 14 (*Enforcement*).

## **7. ISSUER COVENANTS**

The Issuer makes the Issuer Covenants in favour of the Trustee which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business, without the prior written consent of the Trustee. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

## **8. INTEREST**

### **8.1 Accrual of Interest**

Each Note bears interest on its Principal Amount Outstanding, from (and including) the Closing Date.

### **8.2 Cessation of Interest**

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused or default is otherwise made in respect of the payment, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

- (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such class (in accordance with Condition 23 (*Notices*)) that the full amount payable is available for collection by the Noteholder, *provided that* on due presentation payment is in fact made.

### **8.3 Interest Payments**

Interest on each Note is payable in Sterling in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

### **8.4 Calculation of Interest Amount**

Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Note for the related Interest Period.

### **8.5 Determination of Note Rate, Interest Amount and Interest Payment Date**

The Agent Bank will, on each Interest Determination Date, determine:

- (a) the Note Rate for each class for the related Interest Period;



- (b) the Interest Amount for each class for the related Interest Period; and
- (c) the Interest Payment Date next following the related Interest Period,

and notify the Issuer, the Servicer, the Cash Manager, the Trustee, the Registrar, the Swap Provider and the Paying Agents and for so long as the Notes are listed on Euronext Dublin and Euronext Dublin so requires, Euronext Dublin.

Notwithstanding the provisions of these Conditions, in the event the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Agent Bank shall, to the extent that it is reasonably practicable and if it is instructed by the Issuer in writing, follow such guidance in order to determine SONIA for the purpose of the Notes for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to these Conditions or the Transaction Documents are required in order for the Agent Bank to follow such guidance in order to determine the SONIA Reference Rate, the Agent Bank shall have no obligation to act until such amendments or modifications have been made in accordance with these Conditions and the Transaction Documents.

In the event that the Note Rate cannot be determined in accordance with the foregoing provisions by the Agent Bank, the Note Rate shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Relevant Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant Interest Period in place of the Relevant Margin relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Note Rate which would have been applicable to the relevant Class of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Relevant Margin applicable to the first Interest Period).

If any of the circumstances in Condition 17.2.5 occur (being the “**Relevant Time**”), the Issuer (or the Servicer on its behalf) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Reference Rate in accordance with Note Condition 17.2 (*Additional Right of Modification*) (the “**Relevant Condition**”). For the avoidance of doubt, if an Alternative Reference Rate proposed by or on behalf of the Issuer has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Reference Rate under this Note Condition 8.5. In the event that the Note Rate is less than zero, the Note Rate shall be deemed to be zero.

There will be no maximum Note Rate.

- (a) In these Conditions (except where otherwise defined), the expression:
  - (i) “**Compounded Daily SONIA**” means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Agent Bank as at the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_{i-p\text{LBD}} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

“**d**” is the number of calendar days in the relevant Interest Period;

“**d<sub>0</sub>**” is the number of Business Days in the relevant Interest Period;

“**i**” is a series of whole numbers from one to **d<sub>0</sub>**, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

“**LBD**” means a London Banking Day;

“**d<sub>i</sub>**”, for any day “**i**”, means the number of calendar days from and including such day “**i**” up to but excluding the following Business Day;

“**p**” means for any Interest Period, five Business Days; and

“**SONIA<sub>i-pLBD</sub>**” means in respect of any Business Day falling in the relevant Interest Period, the SONIA Reference Rate for the Business Day falling “**p**” Business Days prior to that Business Day “**i**”;

“**Interest Commencement Date**” means the Closing Date;

“**Interest Determination Date**” means the fifth Business Day before the Interest Payment Date for which the relevant Note Rate and Interest Amount will apply;

“**Note Rate**” for each Interest Period means (i) in respect of the Class A Notes, Compounded Daily SONIA determined as at the related Interest Determination Date plus the Relevant Margin, and for the avoidance of doubt, for these purposes if the Note Rate is less than zero, the Rate of Interest shall be deemed to be zero; and (ii) in respect of the Class B Notes, zero.

“**Observation Period**” means the period from and including the date falling “**p**” Business Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling “**p**” Business Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling “**p**” Business Days prior to any other date on which a payment of interest is to be made in respect of the Notes);

“**Ratings Confirmation**” means in respect of any specified action, determination or appointment as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the receipt by the Issuer and/or the Trustee of written confirmation (which may take the form of a bulletin, press release, email or other written communication) from the relevant Rating Agency that the then current ratings of the Rated Notes will not be reduced, downgraded, qualified, adversely affected, suspended or withdrawn thereby or that, it would not place any Rated Notes on negative rating watch (or equivalent). No Ratings Confirmation shall be required from a Rating Agency in respect of any action, determination or appointment if such Rating Agency has declined a request from the Trustee or the Issuer to review the effect of action, determination or appointment or if such Rating Agency announces (publicly or otherwise) or confirms to the Trustee or the Issuer that a Ratings Confirmation from such Rating Agency is not required, or that its practice is to not give such confirmations for such type of action, determination or appointment or such Rating Agency has ceased to engage in the business of providing ratings or has made a public statement to the effect that it will no longer review events or circumstances of the type requiring a Ratings Confirmation under any Transaction Document or the Conditions for the purposes of evaluating whether to confirm the then-current ratings (or initial ratings) of obligations rated by such Rating Agency, in which case a formal written notice to such Rating Agency shall suffice;

“**Relevant Margin**” means, for the Class A Notes, 0.58 per cent. per annum up to and excluding the Step-Up Date and thereafter 1.16 per cent. per annum.

“**Screen**” means Bloomberg Screen SONIA; or

- (A) such other page as may replace Bloomberg Screen SONIA on that service for the purpose of displaying such information; or
- (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one selected by the Issuer and approved in writing by the Trustee) as may replace such screen;

“**SONIA Reference Rate**” means in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average (“**SONIA**”) rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Screen or, if the Screen is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day).

- (b) If, in respect of any Business Day in the relevant Observation Period, the Agent Bank determines that the SONIA Reference Rate is not available on the Screen or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be: (i) the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

#### 8.6 Publication of Note Rate, Interest Amount and Interest Payment Date

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 8.5 (*Determination of Note Rate, Interest Amount and Interest Payment Date*) and in any event no later than the second Business Day thereafter, the Issuer will cause such Note Rate and Interest Amount for each class and the next following Interest Payment Date to be published in accordance with the Notices Condition.

#### 8.7 Amendments to Publications

The Note Rate, Interest Amount for each class and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

#### 8.8 Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 (*Interest*), whether by the Paying Agents, the Registrar, the Agent Bank or the Trustee shall (in the absence of manifest error) be binding on the Issuer and all Noteholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee or the Noteholders shall attach to the Agents, the Registrar or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 8 (*Interest*).

#### 8.9 Agent Bank

The Issuer shall use reasonable endeavours to ensure that, so long as any of the Notes remains outstanding there shall at all times be an Agent Bank, a Paying Agent and a Principal Paying Agent. In the event of any of an Agent being unable or unwilling to continue to act as an Agent, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not

resign until a successor approved in writing by the Trustee is appointed by the Issuer. Notice of any change of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

#### 8.10 Interest Accrual

- (a) To the extent that funds available to the Issuer to pay interest on the Class B Notes on an Interest Payment Date are insufficient to pay the full amount of such interest, payment of the shortfall in respect of the Class B Notes (“**Deferred Interest**”) will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer’s liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds.
- (b) Such Deferred Interest will accrue interest (“**Additional Interest**”) at the rate of interest applicable from time to time to the Class B Notes and such portion of interest (as determined by this Condition 8 (*Interest*)) and payment of any Additional Interest will also be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest to the extent of such available funds.
- (c) Payment of any amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which the Class B Notes falls to be redeemed in full in accordance with Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

#### 8.11 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive the Servicer Reports with respect to a Collection Period (the “**Determination Period**”), then the Cash Manager may use the three most recent Servicer Reports in respect of the most recent Collection Period (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports received in the preceding Collection Period) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 8.11 (*Determinations and Reconciliation*). When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 8.11(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 8.11(b) and/or 8.11(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 8.11(b) and/or 8.11(c), shall be deemed to be done, in accordance with the provisions of the Transaction Documents will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) Where, in respect of any Determination Period the Cash Manager shall:
  - (i) determine the Interest Determination Ratio by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports received in the preceding Collection Period);
  - (ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the “**Calculated Revenue Receipts**”);
  - (iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the “**Calculated Principal Receipts**”).

- (c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 8.11(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount as follows:
- (i) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Revenue Ledger, as Principal Receipts (with a corresponding debit of the Revenue Ledger);
  - (ii) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Principal Ledger, as Revenue Receipts (with a corresponding debit of the Principal Ledger),

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

## 9. FINAL REDEMPTION, MANDATORY REDEMPTION IN PART, OPTIONAL REDEMPTION AND CANCELLATION

### 9.1 Final Redemption

Unless previously redeemed or purchased and cancelled as provided in this Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*), the Issuer shall redeem the Notes in each class at their Principal Amount Outstanding together with any accrued interest on the Final Maturity Date.

### 9.2 Mandatory Redemption in part

On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Receipts towards the redemption of the Notes to the extent that there are such amounts available to do so in accordance with the Pre-Enforcement Principal Priority of Payments and, as applicable, the Pre-Enforcement Revenue Priority of Payments.

### 9.3 Optional Redemption in whole

The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding on any Interest Payment Date:

- (a) when, on the related Calculation Date, the aggregate of the Principal Amount Outstanding of the outstanding Notes is less than 10 per cent. of the Principal Amount Outstanding of all of the Notes as at the Closing Date (such option, the “**Clean-Up Call Option**”); or
- (b) from and including the Step-Up Date,

subject to the following:

- (i) no Enforcement Notice has been delivered by the Trustee;
- (ii) the Issuer has given not more than 60 nor less than 14 days’ notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and

- (iii) prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Priority of Payments.

#### 9.4 Optional Redemption in whole for taxation reasons

- (a) If, by virtue of a change in Tax law (or the application or official interpretation of Tax law), on or before the next Interest Payment Date the Issuer (or the Paying Agents on the Issuer's behalf) is to make any payment in respect of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) or Swap Provider is to make any payments in respect of the Swap Agreement and either the Issuer (or the Paying Agents on the Issuer's behalf) or the Swap Provider, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment then the Issuer shall, if the same would avoid the effect of a withholding or deduction as described in this paragraph, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Trustee as principal debtor under the Notes and the Trust Deed, *provided* that the 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 Trustee may rely absolutely, without investigation or inquiry, on (A) any confirmation made in writing from each of the Rating Agencies that the then current ratings of the Notes would not be adversely affected by such substitution or (B) if no such confirmation from the Rating Agencies is forthcoming, the Issuer (having consulted with the Servicer) has certified in writing to the Cash Manager, the Trustee that such proposed action (i) (while any 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 Notes remain outstanding) would not have an adverse effect on the rating of the Notes (upon which confirmation or certificate the Trustee shall be entitled to rely absolutely without liability to any person for so doing)).
- (b) If the Issuer satisfies the Trustee immediately before giving the notice referred to below that an event described in paragraph (a) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of such withholding or deduction or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution (such event, a "**Tax Event**"), then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 14 days' notice to the Trustee and holders of the Notes in accordance with Condition 16 (*Meetings of Noteholders*), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding up to (but excluding) the date of redemption provided that:
  - (i) no Enforcement Notice has been delivered by the Trustee; and
  - (ii) prior to the giving any such notice referred to in this paragraph (b) the Issuer shall have provided to the Trustee:
    - (A) a certificate signed by two directors of the Issuer stating that (A) the circumstance referred to in paragraph (a) above prevail(s), (B) setting out details of such circumstance and (C) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution; and
    - (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or the Paying Agents

has or will become obliged to deduct or withhold amounts as a result of such change.

The Trustee shall be entitled to accept and rely absolutely upon such certificate and opinion without any enquiry or liability as sufficient evidence of the satisfaction of the circumstances set out in paragraph (A) immediately above, in which event they shall be conclusive and binding on each Class of the Notes.

- (c) The Issuer may only redeem the Notes as described above if the Issuer has certified to the Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid, such certification to be provided by way of a certificate signed by two directors of the Issuer on which the Trustee shall be entitled to rely without any enquiry or liability. Such certification shall be conclusive and binding on the holders of Notes.

#### 9.5 Optional Redemption in whole upon the occurrence of an Illegality Event

The Issuer may redeem the Notes of each Class in whole (but not in part) at their Principal Amount Outstanding together with accrued (and unpaid) interest thereon up to but excluding the date of redemption if on any Interest Payment Date, by reason of a change in law, which change becomes effective on or after the Closing Date it has become or will become unlawful for the Issuer to purchase, hold, fund or allow to remain outstanding all or any part of the Portfolio or to perform its obligations under the Transaction Documents or the Notes, (the occurrence of such event an “**Illegality Event**”), subject to the following:

- (i) no Enforcement Notice has been delivered by the Trustee;
- (ii) that the Issuer has given not more than 60 nor less than 14 days’ notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (iii) that prior to giving any such notice, the Issuer has provided to the Trustee:
  - (A) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the applicable jurisdiction (approved in writing by the Trustee), opining that the consequence of the relevant change in law is an Illegality Event; and
  - (B) a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Post-Enforcement Principal Priority of Payments.

#### 9.6 Calculation of Note Principal Payment, Principal Amount Outstanding and Pool Factor

On each Calculation Date, the Issuer shall calculate (or cause the Cash Manager to calculate):

- (a) the aggregate of any Note Principal Payment due in relation to each class on the Interest Payment Date immediately succeeding such Calculation Date;
- (b) the Principal Amount Outstanding of each Note in each class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such class); and
- (c) the fraction expressed as a decimal to the sixth point (the “**Pool Factor**”), of which the numerator is the Principal Amount Outstanding of a Note of that class (as referred to in Condition 9.6(b) above) and the denominator is the principal amount of that Note on issue expressed as an entire integer, and notify the Issuer, the Trustee, the Paying Agents, the Agent Bank, the Registrar and for so long as

the Notes are listed on Euronext Dublin and Euronext Dublin so requires, Euronext Dublin by not less than two Business Days prior to the relevant Interest Payment Date.

9.7 Calculations final and binding

Each calculation by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note of each class and the Pool Factor shall in each case (in the absence of manifest error) be final and binding on all persons.

9.8 Conclusiveness of certificates and legal opinions

Any certificate and legal opinion given by or on behalf of the Issuer or, as the case may be, the Swap Provider pursuant to Condition 9.3 (*Optional Redemption in whole*), Condition 9.4 (*Optional Redemption in whole for taxation reasons*) or Condition 9.5 (*Optional Redemption in whole upon the occurrence of an Illegality Event*) may be relied on by the Trustee without further investigation, without liability to any other person and shall be conclusive and binding on the Noteholders, the Trustee and on the other Secured Creditors.

9.9 Notice of Calculation

The Issuer will cause each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each class and the Pool Factor to be notified immediately after calculation to the Trustee, the Agents and, for so long as the Notes are listed on Euronext Dublin and Euronext Dublin so requires, Euronext Dublin, and will immediately cause details of each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each class and the Pool Factor to be published in accordance with the Notices Condition by no later than two Business Days prior to each Interest Payment Date.

9.10 Notice irrevocable

Any such notice as is referred to in Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) or Condition 9.7 (*Notice of Calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) and in an amount equal to the Note Principal Payment in respect of each Note calculated as at the related Calculation Date if effected pursuant to Condition 9.2 (*Mandatory Redemption in part*).

9.11 Cancelled or redeemed Notes

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

9.12 Notice of redemption

If the Notes are redeemed by the Issuer in accordance with this Condition 9 the Issuer shall notify the Rating Agencies in writing as soon as reasonably practicable following any such redemption.

**10. LIMITED RECOURSE**

If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each class are due and payable; or
  - (ii) the service of an Enforcement Notice; or



- (b) realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments; and

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 10 (*Limited Recourse*), “**Realisation**” means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

## 11. PAYMENTS

### 11.1 Principal and interest:

Payments of principal and interest shall be made upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for payment, by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

### 11.2 Record date

Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

### 11.3 Payments subject to fiscal laws

All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

### 11.4 Partial Payments

If a Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note.

### 11.5 Payments on Business Days

If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

## 12. TAXATION

### 12.1 Payments free of Tax

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes unless such withholding or deduction is required by law. In that event, subject to Condition 9.4 (*Optional Redemption in whole for taxation reasons*) the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after the withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted.

The occurrence of the Issuer (or such other person on the Issuer's behalf) being required to make a withholding or deduction in the circumstances outlined in the previous paragraph will not constitute an Event of Default.

12.2 No payment of additional amounts

Neither the Issuer, the Trustee nor the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such withholding or deduction.

**13. EVENTS OF DEFAULT**

13.1 Events of Default

Subject to the other provisions of this Condition, each of the following events shall be treated as an “**Event of Default**”:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Most Senior Class of Notes within seven (7) days following the due date for payment of such principal or fails to pay any amount of interest in respect of the Most Senior Class of Notes within fourteen days following the due date for payment of such interest (*provided that*, for the avoidance of doubt, a deferral of interest in respect of a class of Notes in accordance with Condition 8.10 (*Interest Accrual*) shall not constitute a default in the payment of such interest for the purposes of this Condition 13 (*Events of Default*));
- (b) *Breach of other obligations*: 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 Trustee is materially prejudicial to the interests of the holders of the Most Senior Class and the failure continues for a period of 30 days (or such longer period as the Trustee may permit) (except that in any case where the Trustee considers the failure to be incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Trustee on the Issuer of notice requiring the same to be remedied;
- (c) *Breach of representation or warranty*: any representation or warranty made by the Issuer under the Transaction Documents to which it is a party is incorrect and which in the opinion of the Trustee is materially prejudicial to the interests of the holders of the Most Senior Class and the failure continues for a period of 30 days (or such longer period as the Trustee may permit) (except that in any case where the Trustee considers the failure to be incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Trustee on the Issuer of notice requiring the same to be remedied;
- (d) *Insolvency*: an Issuer Insolvency Event occurs; or
- (e) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or Trust Documents or any of the other Transaction Documents.

13.2 Delivery of Enforcement Notice

If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

- (a) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes outstanding; or
- (b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding,

deliver an Enforcement Notice to the Issuer.

### 13.3 Conditions to delivery of Enforcement Notice

Notwithstanding Condition 13.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless:

- (a) in the case of the occurrence of any of the events mentioned in Condition 13.1(b) (*Breach of other obligations*) the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes outstanding; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

### 13.4 Consequences of delivery of Enforcement Notice

Upon the delivery of an Enforcement Notice, the Notes of each class shall become immediately due and payable, without further action or formality, at their Principal Amount Outstanding together with any accrued interest.

### 13.5 Notice of an Event of Default

The Issuer shall notify the Rating Agencies in writing as reasonably practicable following the delivery of an Enforcement Notice.

## 14. ENFORCEMENT

### 14.1 Proceedings

The Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class (including these Conditions), the Deed of Charge or under the other Transaction Documents or to enforce the Security, but it shall not be bound to do so unless:

- (a) so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or
- (b) so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of outstanding Notes,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

### 14.2 Directions to the Trustee

If the Trustee shall take any action described in Condition 14.1 (*Proceedings*), it may take such action without having regard to the effect of such action on individual Noteholders or any other Secured Creditor, *provided that* so long as any of the Most Senior Class of Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other class of Notes unless:

- (a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the classes of Notes ranking senior to such instructing class; or
- (b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of each class of Notes ranking senior to such instructing class,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

#### 14.3 Third Party Rights

No person shall have any right to enforce any Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 or any other equivalent law in applicable jurisdictions.

### 15. NO ACTION BY NOTEHOLDERS OR ANY OTHER SECURED CREDITOR

Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders or any other Secured Creditors;
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any insolvency proceeding in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Priority of Payments not being observed.

### 16. MEETINGS OF NOTEHOLDERS

#### 16.1 Convening

The Trust Deed contains "*Provisions for Meetings of Noteholders*" for convening separate or combined meetings of Noteholders of any class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

#### 16.2 Notice

No less than 21 clear days' notice specifying the place (to be held in a venue in the United Kingdom), day and hour of meeting shall be given to the Noteholders prior to any meeting of the Noteholders. In respect of an adjourned meeting no less than 14 clear days specifying the place (to be held in a venue in the United Kingdom) day and hour of meeting shall be given to the Noteholders prior to any meeting of the Noteholders.

#### 16.3 Separate and combined meetings

The Trust Deed and the Deed of Charge provide that:

- (a) an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one class shall be transacted at a separate meeting of the Noteholders of that class;
- (b) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes but does not give rise to an actual or potential conflict of interest between

the Noteholders of one class of Notes and the holders of another class of Notes shall be transacted either at separate meetings of the Noteholders of each such class or at a single meeting of the Noteholders of all such classes of Notes as the Trustee shall determine in its absolute discretion; and

- (c) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class and gives rise to any actual or potential conflict of interest between the Noteholders of one class of Notes and the Noteholders of any other class of Notes shall be transacted at separate meetings of the Noteholders of each such class.

#### 16.4 Method of convening meetings

A meeting of Noteholders of a particular class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than ten per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that class. 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 action, either directly or indirectly through the Trustee, without consent of the Issuer and, if applicable, certain other Transaction Parties pursuant to any relevant Transaction Documents, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

#### 16.5 Quorum

The quorum at any meeting convened to vote on:

- (a) an Ordinary Resolution relating to a meeting of a particular class or classes of the Notes will be one or more persons holding or representing, in aggregate, a majority of the Principal Amount Outstanding of the outstanding Notes in that class or those classes or, at any adjourned meeting, one or more persons being or representing Noteholders of that Class or those Classes, whatever the Principal Amount Outstanding of the Notes then outstanding held or represented by them, except in accordance with Conditions 17.2.5 or 17.2.6 in relation to any Reference Rate Modification or Swap Rate Modification;
- (b) an Extraordinary Resolution, other than regarding a Basic Terms Modification, relating to a meeting of a particular class or classes of the Notes will be one or more persons holding or representing, in aggregate, a majority of the Principal Amount Outstanding of the outstanding Notes in that class or those classes or, at any adjourned meeting, one or more persons being or representing Noteholders of that Class or those Classes, whatever the Principal Amount Outstanding of the Notes then outstanding held or represented by them, except in accordance with Conditions 17.2.5 or 17.2.6 in relation to any Reference Rate Modification or Swap Rate Modification;
- (c) an Extraordinary Resolution relating to a Basic Terms Modification (which must be proposed separately to each class of Noteholders) will be one or more persons holding or representing in aggregate not less than 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes or, at any adjourned meeting, one or more persons holding or representing in aggregate not less than 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes, except in accordance with Conditions 17.2.5 or 17.2.6 in relation to any Reference Rate Modification or Swap Rate Modification.

#### 16.6 Relationship between classes

In relation to each class of Notes:

- (a) no Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are outstanding Notes in each such other classes);

- (b) no Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking senior to such class (to the extent that there are outstanding Notes ranking senior to such class); and
- (c) any resolution passed at a Meeting of Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such class or classes, whether or not present at such Meeting and whether or not voting and, except in the case of a meeting relating to a Basic Terms Modification, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes.

16.7 Resolutions in writing

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

**17. MODIFICATION AND WAIVER**

17.1 Modification

The Trustee may (and, in the case of paragraph (c) and (d) below) shall) at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

- (a) any modification to these Conditions, the Trust Documents, the Notes or the other Transaction Documents in relation to which its consent is required (other than in respect of a Basic Terms Modification or any provisions of the Trust Documents referred to in the definition of a Basic Terms Modification) which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes;
- (b) any modification to these Conditions, the Trust Documents or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature, is made to correct a manifest error;
- (c) any modification to these Conditions, the Trust Documents or the other Transaction Documents in order to enable the Issuer and/or the Swap Provider to comply with any requirements which apply to them in relation to any Swap Agreement (including any further hedging under any Swap Agreement) under UK EMIR subject to receipt by the Trustee of (i) a certificate from the Swap Provider or the Issuer (issued by the Servicer on behalf of the Issuer), as appropriate certifying to the Trustee that the requested amendments to be made are solely for the purpose of enabling the Issuer and/or the Swap Provider to satisfy requirements which apply to them in relation to the Swap Agreement under UK EMIR and have been drafted solely to such effect and (ii) a certificate issued by the Servicer on behalf of the Issuer certifying to the Trustee that the Swap Provider has given its prior written consent to such modification upon which the Trustee is able to rely absolutely without Liability, *provided that* the Trustee shall not be obliged to agree to any such modification which, in the sole opinion of the Trustee would have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights or protections, of the Trustee in the Transaction Documents and/or these Conditions and provided further that the powers conferred by this Condition 17.1(c) shall not extend to a Basic Terms Modification. Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any amendment pursuant to this paragraph (c), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor (other than itself as provided above) or any other person, shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this paragraph (c) and shall not be liable to any Noteholder or other Secured Creditor for so acting or relying;

- (d) any modification to any of the Transaction Documents (other than any amendment to any Priority of Payment or a Basic Terms Modification) and take any such other actions required to effect the appointment of a Custodian that are requested in writing by the Issuer to effect the appointment of a Custodian and the entry into of related documentation (including any Custody Agreement) and to enable the Issuer to open any Swap Collateral Account, in accordance with the terms of the Swap Agreement irrespective of whether such modifications are materially prejudicial to the interests of the Noteholders of any Class or any other Secured Creditor and subject to receipt by the Trustee of a certificate from the Issuer certifying to the Trustee that such amendments are required solely for the purpose of appointing a Custodian and that the level of remuneration payable to any such Custodian is reasonable taking into account then prevailing market conditions, *provided that*, the Trustee shall not be obliged to agree to any modification pursuant to this paragraph (d) which (in the sole opinion of the Trustee) would have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (b) increasing the obligations or duties, or decreasing the rights or protections of the Trustee in the Transaction Documents and/or these Conditions. Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any amendment pursuant to this paragraph (d), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor (other than itself as provided above) or any other person, shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this paragraph (d) and shall not be liable to any Noteholder or other Secured Creditor for so acting or relying,

*provided that* the Issuer shall not request the Trustee to amend, modify or supplement any provision of the Transaction Documents or the Conditions without first obtaining the prior written consent of the Swap Provider in accordance with paragraph 10.3 (*Swap Agreement*) of Part 1 (*General Legal Terms*) of Schedule 2 (*Common Terms*) to the Incorporated Terms Memorandum. For the avoidance of doubt, the Trustee is under no obligation to monitor the Issuer's compliance with the aforementioned obligation and shall be entitled to rely without liability on a certificate of the Issuer to the effect that such consent of the Swap Provider has been obtained or is not required.

## 17.2 Additional Right of Modification

Notwithstanding the provisions of this Condition 17 (*Modification and Waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders or, subject to Condition 17.2.6(c) below, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions, the Trust Documents, the Notes or any other Transaction Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

- 17.2.1 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*:
- (a) the Issuer (or the Servicer on its behalf) certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (b) in the case of any modification to a Transaction Document proposed by any of the Servicer, the Collection Account Bank or the Issuer, in order for the Servicer, Collection Account Bank and/or the Account Bank (i) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (ii) to avoid taking action which it or the Issuer would otherwise be required to take to enable the relevant Transaction Party to continue performing such role (including, without limitation, posting collateral or advancing funds):
    - (A) the Servicer, the Collection Account Bank or the Issuer, as the case may be, certifies in writing to the Trustee or (in the case of certification delivered by the Servicer or the Collection Account Bank) the Issuer that such modification is necessary for the purposes described in paragraph (b)(i) and/or (ii) above (and in

the case of a certification provided to the Issuer, the Issuer shall confirm to the Trustee that it has received the same from the Servicer or the Collection Account Bank as the case may be);

(B) either:

- (i) the Servicer, the Collection Account Bank or the Issuer, as the case may be, obtains a Ratings Confirmation from each of the Rating Agencies in relation to such modification (or certifies in writing to the Trustee or (in the case of certification delivered by the Servicer or the Collection Account Bank) the Issuer that it has been unable to obtain confirmation Ratings Confirmation from each of the Rating Agencies, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies that such modification would not result in a (x) downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency and (y) any Rating Agency placing any Notes on rating watch negative (or equivalent) and delivers a copy of each such Ratings Confirmation to the Issuer and the Trustee; or
- (ii) the Issuer (or the Servicer on its behalf) certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and each Rating Agency has provided a Ratings Confirmation; and

(C) the Servicer or the Issuer, as the case may be, pays all costs and expenses (including legal fees) incurred by the Issuer and the Trustee in connection with such modification;

17.2.2 for the purpose of complying with any changes in the requirements of the UK Securitisation Regulation, after the Closing Date including, but not limited to, risk retention, transparency and/or investor due diligence) or any other risk retention legislation or regulations or official guidance in relation thereto, *provided that* the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

17.2.3 for the purpose of enabling the Notes to be (or to remain) listed on Euronext Dublin, *provided that* the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; and

17.2.4 for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), *provided that* the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(the certificate to be provided by the Issuer or the relevant Transaction Party and signed by two directors and/or authorised signatories, as the case may be, pursuant to Condition 17.2.1 to 17.2.4 above being a “**Modification Certificate**”),

17.2.5 for the purpose of changing the reference rate in respect of the Class A Notes to an alternative reference rate (including where such reference rate may remain linked to SONIA but may be calculated in a different manner) (any such reference rate, an “**Alternative Reference Rate**”) and making such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) to facilitate such change (a “**Reference Rate Modification**”), *provided that* the Issuer (or the Servicer on its behalf), certifies to the Trustee in writing (such certificate to be signed by two directors and/or authorised signatories, as the case may be, a “**Reference Rate Modification Certificate**”) that:



- (a) such Reference Rate Modification is being undertaken in order to, so far as reasonably and commercially practicable, preserve what would have been the expected Note Rate applicable to each Class of Notes had no Reference Rate Modification been effected;
- (b) such Reference Rate Modification is being undertaken due to:
  - (i) an alternative manner of calculating SONIA-based reference rate is introduced and is becoming a standard means of calculating interest in the publicly listed asset backed floating rate notes market;
  - (ii) a material disruption to SONIA, a material change in the methodology of calculating SONIA (as determined by the Servicer acting reasonably) or SONIA ceasing to exist or be published;
  - (iii) the insolvency or cessation of business of the administrator of SONIA (in circumstances where no successor Servicer has been appointed);
  - (iv) a public statement by the SONIA administrator that it will cease publishing SONIA permanently or indefinitely (in circumstances where no successor SONIA Servicer has been appointed that will continue publication of SONIA) with effect from a date no later than 6 months after the proposed effective date of such Reference Rate Modification;
  - (v) a public statement by the supervisor of the SONIA administrator that SONIA has been or will be permanently or indefinitely discontinued or will be changed in a material manner with effect from a date no later than 6 months after the proposed effective date of such Reference Rate Modification;
  - (vi) a public statement by the supervisor of the SONIA administrator that means SONIA will be prohibited from being used or that its use is subject to restrictions or adverse consequences with effect from a date no later than 6 months after the proposed effective date of such Reference Rate Modification;
  - (vii) the reasonable expectation of the Issuer (or the Servicer on its behalf) that any of the events specified in sub-paragraphs (a) to (vi) above will occur or exist within six months of the proposed effective date of such Reference Rate Modification; and
- (c) such Alternative Reference Rate is:
  - (i) a reference rate published, endorsed, approved or recognised by the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Reference Rates (which, for the avoidance of doubt, may be an alternative reference rate together with a specified adjustment factor which may increase or decrease the relevant alternative reference rate);
  - (ii) a reference rate utilised in a material number of publicly-listed new issues of Sterling-denominated asset backed floating rate notes prior to the effective date of such Reference Rate Modification; or
  - (iii) such other reference rate as the Servicer (on behalf of the Issuer) reasonably determines, *provided that* this option may only be used if the Issuer certifies to the Trustee that, in the reasonable opinion of the Issuer, neither Condition 17.2.5(c)(i) nor Condition 17.2.5(c)(ii) are applicable and/ or practicable in the context of the

Transaction, and sets out the rationale in the Reference Rate Modification Certificate for choosing the Alternative Reference Rate,

and in each case, the change to the Alternative Reference Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholders.

For the avoidance of doubt, the Issuer (or the Servicer on its behalf) may propose an Alternative Reference Rate on more than one occasion *provided that* the conditions set out in this Condition 17.2.5 are satisfied;

- (d) and provided further that either:
- (i) the Issuer has obtained a Ratings Confirmation from each of the Rating Agencies in relation to the proposed benchmark rate modification (or certifies in the Reference Rate Modification Certificate that it has been unable to obtain a Ratings Confirmation from each Rating Agency, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that the proposed benchmark rate modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent) and, if relevant, it has provided a copy of any Ratings Confirmation to the Trustee with the Reference Rate Modification Certificate; or
  - (ii) the Issuer, or the Servicer on behalf of the Issuer, certifies in the Reference Rate Modification Certificate that it has given the Rating Agencies at least 10 Business Days prior written notice of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent).

In the case of a Reference Rate Modification, such written notice shall include details of the adjustment which the Issuer proposes to make (if any) to the margin payable on each Class of Notes which are the subject of the Reference Rate Modification in order to, so far as reasonably and commercially practicable, preserve what would have been the expected Note Rate applicable to each such Class of Notes had no such Reference Rate Modification been effected (the “**Note Rate Maintenance Adjustment**” which, for the avoidance of doubt, may effect an increase or a decrease to the margin or may be set at zero), *provided that*:

- (A) in the event that the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Reference Rates, has published, endorsed, approved or recognised a note rate maintenance adjustment mechanism which could be used in the context of a transition from the Relevant Reference Rate to the Alternative Reference Rate, then the Issuer shall propose that note rate maintenance adjustment mechanism as the Note Rate Maintenance Adjustment, or otherwise the Issuer shall set out in the notice the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Reference Rate Modification; or
- (B) in the event that it has become generally accepted market practice in the Sterling-denominated asset backed floating rate notes market to use a particular note rate maintenance adjustment mechanism in the context of a transition from the Relevant Reference Rate to the Alternative Reference Rate, then the Issuer shall propose that note rate maintenance adjustment mechanism as the Note Rate Maintenance Adjustment, or

otherwise the Issuer shall set out in the notice the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Reference Rate Modification; or

- 17.2.6 for the purpose of changing the reference rate that then applies in respect of the Swap Agreement to an alternative reference rate as is necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) and the Swap Provider solely as a consequence of a Reference Rate Modification and solely for the purpose of aligning the reference rate of the Swap Agreement to the reference rate of the Notes following such Reference Rate Modification (a “**Swap Rate Modification**”), *provided that* the Servicer, on behalf of the Issuer, certifies to the Trustee in writing that such modification is required solely for such purpose and it has been drafted solely to such effect (such certificate being a “**Swap Rate Modification Certificate**”),

*provided that* in the case of any modification made pursuant to Conditions 17.2.1 to 17.2.6 above:

- (a) at least 30 calendar days’ prior written notice of any such proposed modification has been given to the Trustee and the Agent Bank, and the Issuer pays (or arranges for the payment of) all fees, costs and expenses (including legal fees) incurred by the Trustee and the other Transaction Parties in connection with such modification;
- (b) the Modification Certificate, Reference Rate Modification Certificate or Swap Rate Modification Certificate, as applicable, in relation to such modification shall be provided to the Trustee both at the time the Trustee is 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 has been obtained;
- (d) other than in the case of a modification pursuant to Condition 17.2.1(b), either:
  - (i) the Issuer obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate, the Reference Rate Modification Certificate or Swap Rate Modification Certificate, as applicable, that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or
  - (ii) the Issuer (or the Servicer on its behalf) certifies in the Modification Certificate, Reference Rate Modification Certificate or Swap Rate Modification Certificate, as applicable, that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and
- (e) the Issuer has provided at least 30 calendar days’ notice to the Noteholders of each Class of the proposed modification in accordance with the Notices Condition and, if practicable, by publication on Bloomberg on the “Company News” screen relating to the Notes and Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class then outstanding have not contacted the Issuer and the Trustee 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 and the Trustee that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent, of the aggregate Principal Amount Outstanding of the Most Senior Class then outstanding have notified the Issuer and the Trustee 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 then outstanding is passed in favour of such modification in accordance with Condition 16 (*Meetings of Noteholders*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

Other than where specifically provided in this Condition 17.2 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 17.2 (*Additional Right of Modification*), the 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 this Condition 17.2 (*Additional Right of Modification*) 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) in all cases, the Trustee and the Agents shall not be obliged to agree to any modification which, in the sole opinion of the Trustee or the Agents (as applicable) would have the effect of (i) exposing the Trustee or the Agents 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 protections, of the Trustee or the Agents in the Transaction Documents and/or these Conditions.

### 17.3 Notification of modification

Any modification to the Transaction Documents or these Conditions shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (i) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (ii) the Secured Creditors; and
- (iii) the Noteholders, in accordance with the Notices Condition.

### 17.4 Uncertainty

Notwithstanding any provision of the Conditions, if in an Agent's sole opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation provided for by the terms of a Reference Rate Modification, the relevant Agent shall promptly notify the Issuer thereof and the Issuer shall direct the relevant Agent in writing as to which alternative course of action to adopt. If the relevant Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the relevant Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

### 17.5 Replacement Account Bank Agreement

Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, the Trustee may enter into a replacement Account Bank Agreement without the consent of the Noteholders provided that the requirements of clause 11.7 of the Account Bank Agreement are satisfied.

17.6 Waiver

In addition, the Trustee may, without the consent of the Noteholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class of outstanding Notes will not be materially prejudiced by such waiver.

17.7 Restriction on power to waive

The Trustee shall not exercise any powers conferred upon it by Condition 17.5 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of outstanding Notes, but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Basic Terms Modification unless the holders of each class of outstanding Notes has, by Extraordinary Resolution, so authorised its exercise.

17.8 Notification

Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

17.9 Binding Nature

Any authorisation, waiver, determination or modification referred to in Condition 17.1 (*Modification*), Condition 17.2 (*Addition Right of Modification*) or Condition 17.4 (*Waiver*) shall be binding on the Noteholders and the other Secured Creditors.

**18. NON-RESPONSIVE RATING AGENCY**

18.1 In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Trustee shall be entitled but not obliged to take into account (and may rely without further enquiry and without liability on) any Ratings Confirmation.

18.2 If a Ratings 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 Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and:

- (a) (A) one Rating Agency (such Rating Agency, a “**Non-Responsive Rating Agency**”) indicates that it does not consider such Ratings Confirmation necessary in the circumstances or that it does not, as a matter of practice or policy provide such Ratings Confirmation or (B) within 30 days of delivery of such request, no Ratings Confirmation is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and
- (b) one Rating Agency gives such Ratings Confirmation or response based on the same facts,

then such condition to receive a Ratings Confirmation from each Rating Agency shall be modified so that there shall be no requirement for the Ratings Confirmation from the Non-Responsive Rating Agency if the Issuer (or the Servicer on its behalf) provides to the Trustee a certificate (upon which the Trustee can rely

without further investigation and without liability to any person) certifying and confirming that the events in one of paragraphs (a)(A) or (B) and the event in subparagraph (b) above have occurred, the Issuer having sent a written request to each Rating Agency.

## **19. PRESCRIPTION**

### **19.1 Principal**

Claims for principal in respect of Notes shall become void where application for payment is made more than ten years after the due date therefor.

### **19.2 Interest**

Claims for interest in respect of Notes, shall become void where application for payment is made more than five years after the due date therefor.

## **20. REPLACEMENT OF NOTES**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Euronext Dublin requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

## **21. TRUSTEE AND AGENTS**

### **21.1 Trustee's right to Indemnity**

Under the Transaction Documents, the Trustee is entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

### **21.2 Trustee not responsible for loss or for monitoring**

The Trustee is not responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee (as applicable). The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

### **21.3 Regard to classes of Noteholders**

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will (except where expressly provided otherwise):

- (a) have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
- (b) in the event of a conflict of interests of holders of different classes have regard only to the interests of the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking class of Notes nor, prior to the redemption in full of the Notes, to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments.

#### 21.4 Paying Agents solely agents of Issuer

In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

#### 21.5 Initial Paying Agents

The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Agent.

### 22. SUBSTITUTION

#### 22.1 Substitution of Issuer

Subject to Condition 22.2 (*Conditions of Substitution*), the Trustee may, without the consent of the Noteholders of any Class or any other Secured Creditor, agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition 22 (*Substitution*)) as the principal debtor under this Trust Deed, the Notes of each Class and the other Transaction Documents of a Substituted Obligor.

#### 22.2 Conditions of Substitution

The following further conditions shall apply to any substitution referred to in Condition 22.1 (*Substitution of Issuer*):

22.2.1 a supplemental trust deed is executed or an undertaking is given by the Substituted Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of this Trust Deed, the Notes and the other Transaction Documents with any consequential amendments which the Trustee may deem appropriate as fully as if the Substituted Obligor had been named in this Trust Deed, the Notes and the other Transaction Documents as the principal debtor in place of the Issuer (or of the previous substitute under this Condition 22 (*Substitution*));

22.2.2 two (2) Authorised Representatives of the Substituted Obligor (or other officers acceptable to the Trustee) shall certify to the Trustee which certificate the Trustee may rely upon absolutely and without further enquiry or liability) that all or substantially all of the assets of the Issuer shall have been transferred to the Substituted Obligor;

22.2.3 the Issuer and the Substituted Obligor shall execute and the Issuer will procure that any relevant party shall execute such other deeds, documents and instruments (if any), provide such information as the Trustee or any other Transaction Party may require (including without limitation satisfying each applicable Transaction Party's "Know Your Client" requirements) and comply with such other requirements as the Trustee may direct in the interests of the Noteholders;

22.2.4 two (2) Authorised Representatives of the Substituted Obligor (or other officers acceptable to the Trustee) shall certify to the Trustee, which certificate the Trustee may rely upon absolutely and without further enquiry or liability) that (i) all governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substituted Obligor of liability as principal debtor in respect of, and of its obligations under, the Notes have been obtained and (ii) such approvals and consents are at the time of substitution in full force and effect;

22.2.5 at any time whilst any of the Rated Notes remains Outstanding, a Rating Agency Confirmation shall have been received in respect thereof;

22.2.6 if two (2) Authorised Representatives of the Substituted Obligor (or other officers acceptable to the Trustee) shall certify that the Substituted Obligor is solvent at the time at which the relevant transaction is proposed to be effected (which certificate the Trustee may rely upon absolutely and

without further enquiry or liability) the Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the Substituted Obligor or to compare the same with those of the Issuer or the previous substitute under this Condition 22.2 (*Conditions of Substitution*) as applicable;

22.2.7 for so long as any Notes are listed on a stock exchange, compliance with the rules of such stock exchange (including, without limitation, provision of notice to such stock exchange and, where so required, publication of a supplemental prospectus); and

22.2.8 the Trustee shall have received (at the Issuer's expense) written advice of legal counsel experienced in such matters to the effect that such substitution would not have a material adverse effect on the tax treatment of the Issuer or the tax consequences to the Noteholders and the Trustee shall be entitled to rely on any such written advice without further enquiry or liability.

### 22.3 Notice of Substitution of Issuer

Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.

### 22.4 Change of Law

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes and/or any of the Transaction Documents *provided that* such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of outstanding Notes, *provided that* the Rating Agencies are notified. For the avoidance of doubt, a Transaction Document cannot be amended without the agreement of all the parties thereto.

### 22.5 No indemnity

No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

## 23. NOTICES

### 23.1 Valid Notices

For so long as the relevant Notes are in global form, any notice to Noteholders shall be validly given to the relevant Noteholders if sent to the Clearing Systems for communication by them to the holders of the relevant class of Notes and shall be deemed to be given on the date on which it was so sent. If Definitive Certificates are issued, any notice to the holders thereof shall be validly given if sent by first class mail to them at their respective addresses in the Register (or the first named of joint holders) and notice shall be deemed to have been given on the second Business Day after the date of mailing. So long as the relevant Notes are admitted to trading and listed on the official list of Euronext Dublin any notice shall also be published in accordance with the relevant guidelines of Euronext Dublin, and any notice so published shall be deemed to have been given on the date of publication.

### 23.2 Other Methods

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

## 24. GOVERNING LAW AND JURISDICTION



24.1 Governing law

The Transaction Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by English law.

24.2 Jurisdiction

The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes 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 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 Transaction Documents may be brought in such Courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such Courts.

## SOME IMPORTANT LEGAL AND REGULATORY CONSIDERATIONS

### *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 or Newcastle Building Society makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment on the Closing Date or at any time in the future.

Investors should note in particular that the Basel Committee on Banking Supervision (“**BCBS**”) has approved a series of significant changes to the Basel framework for prudential regulation (such changes being referred to by the BCBS as Basel III, and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and Basel IV in respect of reforms finalised on or following that date). The Basel III/IV reforms, which include revisions to the credit risk framework in general and the securitisation framework in particular, may result in increased regulatory capital and/or other prudential requirements in respect of securitisation positions. The BCBS continues to work on new policy initiatives. National implementation of the Basel III/IV reforms may vary those reforms and/or their timing. It should also be noted that changes to prudential requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe.

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.

### *UK Securitisation Regulation and its application to the Notes*

The UK Securitisation Regulation applies in the UK from 11pm (London time) on 31 December 2020 following the end of the transition period relating to the UK’s withdrawal from the EU (note that the UK is also no longer part of the EEA). The UK Securitisation Regulation largely mirrors (with some adjustments) the EU Securitisation Regulation as it applied in the EU at the end of 2020 (meaning that the amendments that took effect in the EU from 9 April 2021 are not part of the UK regime). The application of the UK Securitisation Regulation is also subject to the temporary transitional relief being available in certain areas. The UK Securitisation Regulation regime is currently subject to a review, which is likely to result in further changes being introduced in the UK in due course. Therefore, some divergence between EU and UK regimes exists already and the risk of more divergence in the future between EU and UK regimes cannot be ruled out. Certain UK and European-regulated institutional investors, including credit institutions, investment firms, authorised alternative investment fund managers, insurance and reinsurance undertakings, certain undertakings for the collective investment of transferable securities (“**UCITs**”) and certain regulated pension funds (institutions for occupational retirement provision), are required to comply under Article 5 of the UK Securitisation Regulation or Article 5 of the EU Securitisation Regulation, as applicable, with certain due diligence requirements prior to holding a securitisation position and on an ongoing basis while holding the position.

Among other things, prior to holding a securitisation position, such institutional investors are required to verify under their respective UK or EU regime certain matters with respect to compliance of the relevant transaction parties with credit granting standards, risk retention and transparency requirements and, on transactions notified as STS, compliance of that transaction with the STS requirements. If the relevant UK or European-regulated institutional investor elects to acquire or holds the Notes having failed to comply with one or more of these requirements, as applicable to them under their respective EU or UK regime, this may result in the imposition of a penal capital charge on the Notes for institutional investors subject to regulatory capital requirements or a requirement to take a corrective action, in the case of a certain type of regulated fund investors.

Aspects of the requirements of the UK Securitisation Regulation and the EU Securitisation Regulation and what is or will be required to demonstrate compliance to relevant national regulators remain unclear. It should be noted that under the UK Securitisation Regulation regime certain temporary transitional relief may be available until 31 March 2022 for the purposes of compliance with the UK institutional investor due diligence requirements. Prospective investors should therefore make themselves aware of the requirements applicable to them in their respective jurisdictions and are required to independently assess and determine the sufficiency of the information described in this Prospectus generally for the purposes of complying with such due diligence requirements under the UK Securitisation Regulation or the EU Securitisation Regulation (including any corresponding national measures which may be relevant).

Various parties to the securitisation transaction described in this Prospectus (including the Retention Holder and the Issuer) are also subject to the requirements of the UK Securitisation Regulation. However, some uncertainty remains in relation to the interpretation of some of these requirements and what is or will be required to demonstrate compliance to the relevant UK regulators. Prospective investors should note that there can be no assurance that undertakings relating to compliance with the UK Securitisation Regulation, the information in this Prospectus or information to be made available to investors in accordance with such undertakings or otherwise will be adequate for any prospective institutional investors to comply with their due diligence obligations under the UK Securitisation Regulation.

Prospective investors should also note that the Transaction is not being structured so as to ensure compliance by any person with any requirement of the EU Securitisation Regulation, and none of the Issuer, the Seller, the Trustee, the Lead Manager, the Arranger, the Retention Holder or any other Transaction Party makes any representation that any such information described above or elsewhere in this Prospectus is will be sufficient for such purposes.

Prospective investors in the Notes are responsible for analysing their own regulatory position, and should consult their own advisers in this respect.

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

The UK Securitisation Regulation (and Regulation (EU) No 575/2013 as it forms part of UK domestic law by virtue of the EUWA, including any applicable regulations, rules, guidance or other implementing measures of the FCA, the Bank of England or the PRA (or their successor) in relation thereto (“**UK CRR**”)) includes provisions that implement the revised securitisation framework developed by BCBS (with adjustments) and provides, among other things, for harmonised foundation criteria and procedures applicable to securitisations seeking designation as an STS securitisation.

The STS securitisation designation impacts on the potential ability of the Notes to achieve better or more flexible regulatory treatment from the perspective of the applicable UK regulatory regimes, such as the prudential regulation of UK CRR firms and UK Solvency II firms, and from the perspective of the UK EMIR regime.

The Notes are not intended to be designated as an STS securitisation for the purposes of the UK Securitisation Regulation or the EU Securitisation Regulation. Prospective investors are themselves responsible for analysing their own regulatory position, and should consult their own advisers in this respect and should consider (and where appropriate, take independent advice on) the consequence from a regulatory perspective of the Notes not being considered an STS securitisation in the UK or the EU, including (but not limited to) that the lack of such designation may negatively affect the regulatory position of, and the capital charges on, the Notes and, in addition, have a negative effect on the price and liquidity of the Notes in the secondary market.

#### ***EMIR – European Market Infrastructure Regulation***

As noted above, the Notes will have the benefit of one or more derivative instruments; namely the Fixed Rate Swap Transaction. In this regard, it should be noted that the derivatives markets are subject to extensive regulation in a number of jurisdictions, including in the UK pursuant to Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK EMIR**”) as amended from time to time, and in the U.S. under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

UK EMIR (as amended from time to time) prescribes a number of regulatory requirements for counterparties to derivatives contracts including (a) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the “**Clearing Obligation**”), (b) collateral exchange, daily valuation and other risk mitigation requirements for OTC derivatives contracts not subject to clearing (the “**Risk Mitigation Requirements**”) and (c) certain reporting requirements. In general, an application of such regulatory requirements in respect of a derivative instrument will depend on the classification of the counterparties to such derivative transactions.

The Issuer is currently a “non-financial counterparty” for the purposes of UK EMIR that is not subject to the Clearing Obligation or the collateral exchange obligation and daily valuation obligation under the Risk Mitigation Requirements, although a future change in its status as a non-financial counterparty or the requirements of UK EMIR cannot be ruled out. Such circumstances may result in the application of the Clearing Obligation or (more likely) the collateral exchange obligation and daily valuation obligation under the Risk Mitigation Requirements, as it seems unlikely that the Fixed Rate Swap Transaction would be a relevant type of OTC derivative contract that would be subject to the Clearing Obligation under UK EMIR to date.

Prospective investors should note that there is some uncertainty with respect to the ability of the Issuer to comply with the Clearing Obligation and the collateral exchange obligation were they to be applicable, which may (x) lead to regulatory sanctions, (y) adversely affect the ability of the Issuer or defined to continue to be party to the Fixed Rate Swap Transaction (possibly resulting in a restructuring or termination of the Fixed Rate Swap Transaction) or to enter into Fixed Rate Swap Transaction and/or (z) significantly increase the cost of such arrangements, thereby negatively affecting the ability of the Issuer or defined to hedge certain risks.

As a result, the amounts available to the Issuer to meet its obligations may be reduced, which may in turn result in investors receiving less interest or principal than expected

### ***CRA Regulations***

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (i) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (ii) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the Rating Agencies rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

The Issuer is not obliged on or following a revision by a Rating Agency of its rating criteria or rating methodology to take steps to amend any of the Transaction Documents in order to maintain the then current rating by that Rating Agency of a Class of Notes. However, the Trustee may, and, in certain circumstances and subject to certain conditions being met, will, be obliged to, agree to such amendments (if so proposed) without the consent of Noteholders (see “*Risks relating to Changes to the Structure and the Documents – Conflict between Noteholders and other Secured Creditors*”, “*Risks relating to Changes to the Structure and the Documents*” and Condition 16.6 (*Meetings of Noteholders, modifications and waiver*)) or with the consent of Noteholders provided by way of an Extraordinary Resolution (see Condition 16 (*Meetings of Noteholders, modifications and waiver*)).

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

Section 941 of the Dodd-Frank Act of 2010 amended the Exchange Act to generally require the “securitizer” of a “securitisation transaction” to retain at least 5 per cent. of the “credit risk” of “securitized assets”, as such terms are defined for the purposes of that statute, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules provide that the securitizer of an asset-backed securitisation is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the securitized assets for purposes of compliance with the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding certain foreign-related transactions. Such foreign-related transactions must meet certain requirements, including that: (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the “ABS interests” (as defined in Section 2 of the U.S. Risk Retention Rules) are issued) of all classes of ABS interests issued in the securitisation transaction are sold or transferred to, or for the account or benefit of, U.S. persons (as defined in the U.S. Risk Retention Rules, “**Risk Retention U.S. Persons**”); (3) neither the sponsor nor the Issuer of the 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.

The Portfolio will be comprised of mortgage loans and their related security, all of which are originated by the Seller, a Building Society established in England. See the section entitled “*The Seller and the Servicer*”.

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 Arranger that it is a Risk Retention U.S. Person. Prospective investors should note that the definition of “U.S. person” in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of “U.S. person” under Regulation S, and that persons who are not “U.S. persons” under Regulation S may be U.S. persons under the U.S. Risk Retention Rules. The definition of “U.S. person” in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to paragraphs (b) and (h), which are different than comparable provisions from Regulation S.

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

- any natural person resident in the United States;
- any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States;
- any estate of which any executor or Servicer is a U.S. person (as defined under any other clause of this definition);
- any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);

- any agency or branch of a foreign entity located in the United States;
- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- any partnership, corporation, limited liability company, or other organisation or entity if:
  - (i) organised or incorporated under the laws of any foreign jurisdiction; and
  - (ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act.

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

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding certain foreign-related transactions will be available. The Seller, the Issuer, and the Lead Manager and the Arranger have agreed that none of the Lead Manager, the Arranger or any person who controls any of them or any director, officer, employee, agent or affiliate of the Lead Manager or the Arranger shall have any responsibility for determining the proper characterisation of potential investors, and none of the Lead Manager or the Arranger or any person who controls them or any director, officer, employee, agent or affiliate of the Lead Manager accepts any liability or responsibility whatsoever for any such determination. The Seller may not be successful in limiting investment by Risk Retention U.S. Persons to no more than 10 per cent. This may result from misidentification of Risk Retention U.S. Person investors as non-Risk Retention U.S. Person investors, or may result from market movements or other matters that affect the calculation of the 10 per cent. value on the Closing Date.

Furthermore, there can be no assurance that the requirement to request the Seller to give its prior written consent 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 will be complied with or will be made by such Risk Retention U.S. Persons. In addition, no assurance can be given as to whether a failure by the Seller to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) may give rise to regulatory action which may adversely affect the Notes or the market value of the Notes. Furthermore, the impact of the U.S. Risk Retention Rules on the securitisation market generally is uncertain, and a failure by the Seller to comply with the U.S. Risk Retention Rules could therefore negatively affect the market value and secondary market liquidity of the Notes.

None of the Lead Manager or the Arranger or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes as to whether the transactions described in this Prospectus comply as a matter of fact with the U.S. Risk Retention Rules on the Issue Date or at any time in the future. Investors should consult their own advisors as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

#### ***Financial Services Compensation Scheme***

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.

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

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

## CERTAIN REGULATORY CONSIDERATIONS IN RESPECT OF THE LOANS

### *Regulation of buy-to-let mortgage loans*

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

- (a) a Regulated Mortgage Contract – as defined by Article 61 of the Regulated Activities Order (see “*Regulated Mortgage Contracts*” above for further information);
- (b) regulated by the CCA as a regulated credit agreement – as defined by Article 60B of the Regulated Activities Order (see “*Potential application of consumer credit regulation*” above for further information on the continued application of some provisions of the CCA);
- (c) regulated as a consumer buy-to-let mortgage contract under the consumer buy-to-let regime – as defined by the Mortgage Credit Directive Order 2015; or
- (d) unregulated;

Under Article 72I of the Regulated Activities Order, any consumer buy-to-let mortgage business carried on by a registered consumer buy-to-let mortgage firm is excluded from the scope of the definition of a regulated mortgage contract and instead the mortgages are regulated by part 3 of the Mortgage Credit Directive Order 2015 (SI 2015/910). Such buy-to-let mortgages must provide that the land subject to the mortgage cannot at any time be occupied as a dwelling by the borrower or by a related person, and is to be occupied as a dwelling on the basis of a rental agreement.

Many buy-to-let mortgage loans will be unregulated because they do not meet the criteria for a Regulated Credit Agreement, Regulated Mortgage Contract or Consumer Buy-to-Let Loan. The Portfolio comprises Loans that the Seller believes are either unregulated buy-to-let Loans or Consumer Buy-to-Let Loans. Some regulated activities apply to unregulated buy-to-let mortgage loans, the relevant activities in respect of the Loans being debt administration and debt collection (such activity includes for example contacting borrowers in arrears via letter, telephone and/or SMS; discussing the reason for arrears with the borrowers and seeking to agree a suitable repayment plan with borrowers). The Servicer has permission for the regulated activity of debt administration and debt collection. The Servicer may outsource to, sub-contract to, or otherwise engage the services of a regulated firm with the permission of debt collection. The Issuer is excluded from the regulated activities of debt administration and debt collection in respect of any unregulated loan, Consumer Buy-to-Let Loan or Regulated Credit Agreement.

The Seller believes that the Loans are either unregulated buy-to-let Loans or Consumer Buy-to-Let Loans. The Seller has given warranties in the Mortgage Sale Agreement that, so far as it is aware, no agreement for any Loan is in whole or in part a Regulated Credit Agreement or a Regulated Mortgage Contract. If any of the Loans are in fact Regulated Credit Agreements or Regulated Mortgage Contracts, then breach of the relevant regulations could give rise to a number of consequences (as applicable), including but not limited to: unenforceability of the Loans, interest payable under the Loans being irrecoverable for certain periods of time, or borrowers being entitled to claim damages for losses suffered and being entitled to set off the amount of their claims against the amount owing by the borrower under the Loans, all of which may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

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

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the “**1999 Regulations**”), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the “**UTCCR**”), apply to agreements made between 1 July 1995 and 30 September 2015 and affect some of the Loans. The Consumer Rights Act 2015 has revoked the UTCCR as from 1 October 2015.

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



The UTCCR will not affect terms which define the main subject matter of the contract, such as the Borrower's obligation to repay the principal (*provided that* these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing 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 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 is the Competition and Markets Authority (the "CMA") from 1 April 2014. The qualifying body in relation to regulated mortgage contracts and mortgage loans originated by lenders authorised under FSMA was the FSA before 1 April 2013 and is the FCA from 1 April 2013. The lead enforcement body was and is responsible for enforcing the UTCCR in relation to other mortgage loans.

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

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the Administration Services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. 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. In January 2012, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts", which largely reiterated and clarified its previous guidance. This guidance sets out the FCA's interpretation of Schedule 2 to the 1999 Regulations (which gives an indicative and non-exhaustive list of terms which may be regarded as unfair), explaining that terms which allow a firm to unilaterally vary the terms of its contract are less likely to be unfair if, *inter alia*, (i) there is a valid reason which is specified in the contract, or (ii) in relation to variations to interest rates and other charges specifically, the term provides that the variation will be for a "valid reason" (which may not be specified in the contract) and the contract provides for the firm to give the consumer notice at the earliest opportunity thereafter and the consumer is free to dissolve the contract immediately. The guidance states that FCA might consider a valid reason for changing an interest rate to be one which allows the lender: (a) to respond proportionately to changes in general law or decisions of the Financial Ombudsman Service; (b) to meet new regulatory requirements; (c) to reflect new industry guidance and codes of practice which raise standards of consumer protection; (d) to respond proportionately to changes in the Bank of England base rate, other specified market rates or indices or tax rates; or (e) to reflect other legitimate cost increases or reductions associated with providing a particular product or service. As of 1 April 2013, the FCA has power to enforce the UTCCR in relation to Regulated Mortgage Contracts originated by lenders authorised under the FSMA.

The May 2005, January 2007 and January 2012 guidance (the "**Previous Guidance**") were removed from the FCA's website because they no longer reflect the FCA's current view on unfair contract terms. In July 2015, the CMA issued a guidance note on unfair contract terms in the CRA, which applies to any contracts entered into on or after 1 October 2015. However, the July 2015 guidance makes it clear that the CRA generally carries forward rather than

changes the substance of the protections provided to consumers under earlier legislation and the Previous Guidance. As such, even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, in respect of loans originated before 1 October 2015, the Previous Guidance remains the most specific guidance on this topic.

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

CRA 2015 came into force on 1 October 2015 and contains provisions which repeal and replace the Unfair Terms in Consumer Contracts Regulations 1999 with a regime under Part 2 of that Act. The regime under the CRA 2015 is substantially similar to that under the UTCCR but differs in certain detail and is extended in certain respects both in scope and content. In particular, the CRA 2015 contains a list of terms which may be regarded as unfair, which is substantially similar to that applicable under the UTCCR but slightly reworded and with the addition of three new categories. To avoid assessment for fairness as being the main subject matter of the contract or relating to appropriateness of consideration, a term will, in addition to being “transparent” (which adopts the current concept of plain and intelligible language), also need to meet a new requirement to be “prominent”. For this purpose, a term is prominent if it is brought to the consumer’s attention in such a way that an average consumer would be aware of the term (for this purpose, “average consumer” means a consumer who is reasonably well-informed, observant and circumspect).

Terms falling within the list of potential unfair terms may be assessed for fairness whether or not they relate to the main subject matter of the contract or the adequacy of consideration. Further, a term will not escape assessment for fairness on the basis that it has been individually negotiated. More generally, the CRA 2015 applies to notices as well as terms. Written terms must be legible. Terms in secondary contracts (i.e., ones which affect the rights and obligations of the consumer and trader under the main contract, but excluding a contract settling a claim under the main contract) may be reviewed for fairness even if the secondary contracts is not itself a consumer contract. There will be an express duty on a court to consider the fairness of terms in a consumer contract even if the parties to the case do not raise it as an issue, *provided that* the court has sufficient legal and factual information to allow it to do so. No assurance can be given that the changes in regulation of unfair terms under the CRA 2015 and the courts’ interpretation of the unfair terms provisions in that Act (together with the guidance issued under the CRA 2015 by the Competition and Markets Authority or by the Financial Conduct Authority which is intended to be used to assist regulatory bodies such as the Financial Ombudsman Service, financial services firms, consumers and the courts with the interpretation of the unfair terms regime) will not have a material adverse effect on the Seller, the Issuer and their respective businesses and operations.

On 19 December 2018, the FCA published finalised guidance: “Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015” (FG18/7), outlining factors firms should consider under the CRA when drafting and reviewing variation terms in their consumer contracts. This follows developments in case law, including at the Court of Justice of the EU. The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA has stated that the guidance should be read with the material already in the unfair contract terms library on the FCA website and will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts they issue which contain variation terms. The provisions in the CRA governing unfair contractual terms came into force on 1 October 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 and the Competition and Markets Authority (the “CMA”) published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the “CMA Guidance”). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be “effectively the same as those of the UTCCR”. The document further notes that “the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs”. In general, there is little reported case law on the UTCCR and/or the CRA and the interpretation of each is open to some doubt. The extremely broad and general wording of the CRA makes any assessment of the fairness of

terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Notes. 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 Issuer and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans.

The guidance issued by the FSA (and as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future. For example, in March 2015 the FCA withdrew some unfair contract terms material from its website, and further material was withdrawn in May 2016. Guidance withdrawn by the FCA relating to unfair contract terms should not be relied on as it may no longer reflect the FCA's view on unfair terms.

No assurance can be given that any such changes in guidance on the UTCCR and the CRA, or reform of the UTCCR and the CRA, will not have a material adverse effect on the Seller, the Issuer, the Servicer or its businesses and operations.

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

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 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 may be cancellable under these regulations if the Borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under these regulations, the Borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the Borrower receives the last of the prescribed information.

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

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

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

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

Under FSMA, the Financial Ombudsman Service 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 Financial Ombudsman Service's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code, the "CML Code" issued by the Council of Mortgage Lenders, occurring before the Mortgage Regulation Date may be dealt with by the Financial Ombudsman Service.

Complaints brought before the Financial Ombudsman Service 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 Financial Ombudsman Service. As the Financial Ombudsman Service is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining Borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service 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 Council adopted a directive on unfair business-to-consumer commercial practices (the “**Unfair Practices Directive**”). The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 (“**CPUTRs**”). The CPUTRs came into effect on 26 May, 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market.

Under the CPUTRs a commercial practice is to be regarded as unfair and prohibited if it is:

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

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Loans, the Seller or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment and, as discussed further below, in certain circumstances the Consumer Protection (Amendment) Regulations 2014 may provide consumers with a right to unwind agreements. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator.

On 14 March 2013, the EU Commission published the results of its review on the application of the Unfair Practices Directive. The EU Commission did not propose extending the directive but noted a need for intensified national enforcement and greater co-operation in cross-border enforcement and stated its intention to consider further how it can play a more active role in enforcement and to continue to perform in-depth reviews of how the directive works in practice.

The Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014. The legislation gives consumers a direct right of action including a right to unwind agreements within 90 days of entering into the contract if a misleading or aggressive practice under the CPUTR was a significant factor in the consumer’s decision to enter into the contract. The amendments to CPUTR also extend the regime so that it covers misleading and aggressive demands for payment. The legislation applies to demands for payment for restricted-use credit (where the credit must be used to finance a particular transaction) where the misleading or aggressive commercial practice:

- (a) began before 1 October 2014 and continues after that date – however, a consumer will only be able to exercise his new direct rights of action if a contract is entered into, or payments are made, after the date the legislation comes into force; and
- (b) occurs on or after 1 October 2014.

No assurance can be given that the CPUTRs or the legislation under them will not adversely affect the ability of the Issuer to make payments to Noteholders.

### ***Regulatory Developments Regarding Fairness***

In July 2019, the FCA and the Competition and Markets Authority (the CMA) entered into a memorandum of understanding in relation to consumer protection (the MoU) which replaced the original memorandum of understanding entered into between the FCA and the CMA on 12 January 2016. The MoU states that the FCA will consider fairness within the meaning of the CRA and the UTCCR, of standard terms, and within the meaning of the CRA of negotiated terms, in financial services contracts entered into by authorised firms or appointed representatives and within the meaning of the Consumer Protection from Unfair Trading Regulations 2008 (the CPUTR), of commercial practices in financial services and claims management services of an authorised firm or appointed representative. In the MoU 'authorised' includes having an interim permission and a 'relevant permission' includes an interim permission.

The FCA's consideration of fairness under the CRA, UTCCR and CPUTR will include contracts for:

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

MCOB rules for Regulated Mortgage Contracts require that, (a) charges for a payment shortfall can be objectively justified as equal to or lower than a reasonable calculation of the cost of the additional administration required as a result of the customer having a payment shortfall, and (b) from 15 December 2016, when a payment is made which is not sufficient to cover a payment shortfall and the firm is deciding how to allocate the payment between (i) the current month's periodic instalment of capital or interest (or both), (ii) the payment shortfall; and (iii) interest or charges resulting from the payment shortfall, the firm must set the order of priority in a way that will minimise the amount of the payment shortfall once the payment has been allocated. In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and the level of the charge may not be reviewable for fairness under the UTCCR, *provided that* they are written in plain and intelligible language and are adequately drawn to the borrower's attention. However, an early repayment charge may be assessable for fairness under the UTCCR on other grounds.

### ***Repossessions***

Since November 2008 there has been in place a pre-action protocol for repossessions based on mortgage or home purchase plan arrears in respect of residential property in England and Wales which sets out the steps that judges will expect any lender to take before starting a claim. The protocol is addressed to residential mortgage lenders and may have adverse effects in markets experiencing above average levels of possession claims.

Pursuant to MCOB 13, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA indicated that it did not expect each forbearance option to be explored at every stage of interaction with the borrower, it is clear that the rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. As a result, the rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more 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 which involve a borrower which experiences payment difficulties.

The Mortgage Repossession (Protection of Tenants etc.) Act 2010 (the "**Repossession Act**") came into force in October 2010. The Repossession Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order. The Repossession Act may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

The Coronavirus Act 2020 put temporary measures in place in England that provided that where landlords issued notices seeking possession, in the period from 26 March 2020 to 28 August 2020, the notice period had to be for three months. The Coronavirus Act 2020 (Residential Tenancies: Protection from Eviction) (Amendment) (England) Regulations 2020 came into force on 29 August 2020 (the "**English Regulations**") and required landlords to provide tenants with six months' notice in all bar those cases raising other serious issues such as, but not limited to, those involving, (in certain circumstances): anti-social behaviour (including rioting), domestic abuse, fraud and rent arrears to the value of over six months' rent. From 1 June 2021, notice periods must be at least 4 months in most cases, including where the tenant has less than 4 months' rent arrears. From 1 August 2021, the notice period for cases where there are less than 4 months of unpaid rent further reduced to 2 months' notice. Notice periods for the most serious cases, as set out above, are lower with most requiring 2 or 4 weeks' notice. The notice period for 'serious arrears' is 4 weeks' notice and the threshold for what constitutes 'serious arrears' is 'arrears equivalent to 4 or more months' rent.

Further, from 27 March 2020, any possession claims in the system or about to go into the system were affected by a 90 day suspension of possession hearings and orders, such suspension of possession hearings and orders was extended until 23 August 2020 on 25 June 2020 and was extended by a further four weeks until 20 September 2020 on 21 August 2020. New CPR Practice Direction 55C ("**PD 55C**") is in force from 20 September 2020 until 30 November 2021. PD 55C sets out the steps required to reactivate stayed possession claims, as well as procedural changes applying both to existing possession claims and the issue of new claims. Different requirements apply under PD 55C depending on when the relevant possession claim was first issued.

In Wales, new regulations have been made under Schedule 29 to the Coronavirus Act 2020, that temporarily extend the minimum notice periods landlords must give to tenants with assured and assured shorthold tenancies. A six month notice period applied to notices issued between 24 July 2020 and 28 September 2020 under section 8 of the Housing Act 1988, except those that specified grounds 7A or 14 (relating to anti-social behaviour). A three month notice period continued to apply to notices that specified grounds 7A or 14. A six month notice period applied to notices issued on or after 24 July 2020 under section 21 of the Housing Act 1988. Schedule 29 is temporarily amended so that a landlord serving a notice on or after 24 July will be required to provide extended notice during the remainder of relevant period, which, in accordance with the Coronavirus Act 2020 (Residential Tenancies: Extension of Period of Protection from Eviction) (No. 3) (Wales) Regulations 2021, currently ends on 31 December 2021. The relevant period may be extended by the Welsh Ministers beyond 31 December 2021 using the power set out in paragraph 1(2) of Schedule 29.

Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may serve notice to the tenant to obtain vacant possession of the Property, in which case 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 Loan. However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgages) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Loan.

There can be no assurance that any delay in starting and/or completing repossession actions by the Seller would not result in the amounts recovered being less than if the Seller did not allow any such delays (which may ultimately affect the ability of the Issuer to make payments of interest and principal on the Notes when due). The protocol, the Repossession Act and MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

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

No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments, 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 in full when due on the Notes.

## TAX TREATMENT ON THE NOTES

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest (as that term is understood in United Kingdom tax law) in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may not be binding on HMRC and may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of 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. The statements below assume that there will be no substitution of the Issuer pursuant to Condition 22 (Substitution) of the Notes or otherwise and does not consider the tax consequences of any such substitution.*

### Interest on the Notes

#### *Withholding tax on payments of interest on the Notes*

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007.

Euronext Dublin is a recognised stock exchange. The Notes will be "listed on a recognised stock exchange" for this purpose if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in European Economic Area states and are admitted to trading on Euronext Dublin. Provided therefore, that the Notes carry a right to interest and are and remain so listed on the Official List and are admitted to trading on the Regulated Market of Euronext Dublin, interest on the Notes will be payable without deduction of or withholding on account of United Kingdom income tax.

In all cases falling outside the exemption described above, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

#### *FATCA Withholding*

Pursuant to certain provisions of the Code, 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 expects to be treated as a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with



the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

Newcastle Building Society (in its capacity as the “**Initial Note Purchaser**”) has, pursuant to a subscription agreement dated on or about the date hereof amongst the Issuer, the Seller, the Retention Holder, the Lead Manager and the Arranger (the “**Subscription Agreement**”), agreed with the Issuer (subject to certain conditions) to subscribe and pay for £250,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes and £32,700,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes as at the date hereof.

The Issuer and Newcastle Building Society have each agreed to indemnify the Arranger and the Lead Manager against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

No action has been taken by the Issuer, the Lead Manager or Newcastle Building Society, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

### **United Kingdom**

In relation to the Notes, each of the Arranger and the Lead Manager has represented and agreed 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 Arranger, the Lead Manager, the Seller and the Issuer has acknowledged that, save for having obtained the approval of the Central Bank of Ireland of the Prospectus as a prospectus in accordance with the requirement of the EU Prospectus Regulation and implementing measures in Ireland, having applied for the admission of the Notes to the official list of Euronext Dublin and admission to trading on its regulated market, no further action has been or will be taken in any jurisdiction by the Lead Manager, the Arranger, the Seller or the Issuer 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.

### **United States**

In relation to the Notes, the Arranger and the Lead Manager have represented and agreed that:

- (a) it understands that the Notes have not been and will not be registered under the Securities Act or any state securities laws or “blue sky” laws and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or a transaction not subject to, such registration requirements. Accordingly, the Notes are being offered or sold outside the United States to persons other than U.S. persons (as defined in and pursuant to Regulation S of the Securities Act) in offshore transactions in reliance on Regulation S;
- (b) it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (the “**Distribution Compliance Period**”) within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in accordance with Rule 903 or 904 of Regulation S, and it will have sent to each affiliate, distributor, dealer or other person receiving a selling commission, fee or other remuneration (if any) to which it sells the Notes during the Distribution Compliance Period a confirmation or other notice setting forth the

restrictions on offers and sales of the Notes within the United States or to, or for the account of, U.S. persons (as defined in Regulation S); and

- (c) it understands that until the expiration of the Distribution Compliance Period, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

## **Ireland**

In relation to the Notes, each of the Arranger and the Lead Manager has represented and agreed that it has not offered, sold, placed or underwritten and that it will not offer, sell, place or underwrite the Notes, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of:

- (a) European Union (Markets in Financial Instruments) Regulations 2017 of Ireland, as amended, (the “**MiFID Regulations**”) including, without limitation, Regulation 5 (Requirement for authorisation (and certain provisions concerning MTFs and OTFs)) thereof and in connection with the MiFID Regulations, any applicable codes of conduct or rules and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland, Regulation (EU) No 600/2014, as amended, and any delegated or implementing acts adopted thereunder and the provisions of the Investor Compensation Act 1998 of Ireland, as amended;
- (b) Companies Act 2014 of Ireland (as amended, the “**Companies Act**”), the Central Bank Acts 1942 to 2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 of Ireland, as amended;
- (c) European Union Prospectus Regulations 2019 and any rules issued by the Central Bank of Ireland under Section 1363 of the Companies Act;
- (d) Market Abuse Regulation (EU/596/2014), as amended, the Market Abuse Directive on criminal sanctions for market abuse (Directive 2014/57/EU), the European Union (Market Abuse) Regulations 2016 of Ireland, as amended, (S.I. No 349 of 2016) and any Irish market abuse law as defined in those Regulations and the Companies Act 2014 of Ireland, as amended, and any rules made or guidance issued by the Central Bank of Ireland in connection with the foregoing, including any rules or guidelines issued by the Central Bank of Ireland under Section 1370 of the Companies Act 2014 of Ireland, as amended.

## **Prohibition of Sales to Retail Investors in the European Economic Area**

Each of the Arranger and the Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA.

For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of directive (EU) 2016/97 (known as the Insurance Distribution Directive) as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the EU Prospectus Regulation;
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes; and

- (c) the expression “**EU Prospectus Regulation**” means Regulation (EU) 2017/1129).

### **Prohibition of Sales to UK Retail Investors**

Each of the Arranger and the Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom.

For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;
  - (iii) not a qualified investor as defined in the UK Prospectus Regulation; and
  - (iv) the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

### **General**

Newcastle Building Society has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

### Offers and Sales

The Notes (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

### Investor Representations

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interest in the Notes, including Book-Entry Interests) during the initial syndication will be deemed to have represented and agreed as follows: it (1) is not a Risk Retention U.S. Person (2) is acquiring such Note, or a beneficial interest therein for its own account and not with a view to distribute such Notes and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10% Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules).

### Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States, *provided, that* the agreement of such purchaser is subject to any requirement of law that the
- (b) disposition of the purchaser's property shall at all times be and remain within its control;
- (c) unless the relevant legend set out below has been removed from the Notes, such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (d) the Issuer, the Registrar, the Arranger and Lead 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 AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED

IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.”

EACH PURCHASER OR HOLDER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED BY SUCH PURCHASE AND/OR HOLDING THAT (I) IT IS NOT AND IS NOT USING THE ASSETS OF A BENEFIT PLAN INVESTOR, AND SHALL NOT AT ANY TIME HOLD THIS NOTE FOR OR ON BEHALF OF A BENEFIT PLAN INVESTOR AND (II) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, (“**ERISA**”) OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”). THE TERM “**BENEFIT PLAN INVESTOR**” SHALL MEAN (1) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), WHICH IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN’S INVESTMENT IN THE ENTITY UNDER U.S. DEPARTMENT OF LABOR REGULATIONS § 2510.3-101 (29 C.F.R. § 2510-101) AS MODIFIED BY SECTION 3(42) OF ERISA.”

*Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## LISTING AND GENERAL INFORMATION

It is expected that the admission of the Notes to the Official List and the admission of the Notes to trading on Euronext Dublin's Regulated Market will be granted on or around 16 December 2021.

The Issuer's LEI number is 213800WM3S62QI5SVU46.

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since 30 September 2021 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer.

The auditors for the Issuer are Deloitte LLP. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales. No statutory or non-statutory accounts within the meaning of Sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any Financial Year of the Issuer have been prepared. So long as the Notes are admitted to trading on Euronext Dublin's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be filed with Euronext Dublin and shall be available at the Specified Office of the Principal Paying Agent in London.

The Issuer does not publish interim accounts.

Since 30 September 2021 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.

Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.

The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 13 December 2021.

The following Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

<b><u>Class of Notes</u></b>	<b><u>ISIN</u></b>	<b><u>Common Code</u></b>
Class A	XS2415445324	241544532
Class B	XS2415446132	241544613

From the date of this Prospectus and for so long as the Notes are listed on Euronext Dublin's Regulated Market, physical copies of the following documents may be inspected at the offices of the Issuer being at 1 Bartholomew Lane, London EC2N 2AX and on the website of EuroABS at <https://www.euroabs.com/IH.aspx?d=17422>:

- (i) the Memorandum and Articles of Association of each of the Issuer and Holdings;
- (ii) executed copies of the Transaction Documents (redacted, as appropriate).

The contents of the website, <https://www.euroabs.com/IH.aspx?d=17422>, are for information purposes only and do not form part of this Prospectus.

The Issuer confirms that the Portfolio backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

With respect to the regulatory reporting obligations of the Issuer under the UK Securitisation Regulation, please see the information under the sections entitled "*The Servicing Agreement*" and "*Cashflows and Cash Management*".

Information required to be made available prior to pricing to potential investors in the Notes pursuant to Article 7 of the UK Securitisation Regulation was made available by means of the website of EuroABS at <https://www.euroabs.com/IH.aspx?d=8307>.

The total expenses to be paid in relation to admission of the Notes to the Official List and trading on the Regulated Market of Euronext Dublin are estimated to be approximately €5,140.00 on the Closing Date and €3,000 annually thereafter.



## GLOSSARY

“**Account Bank**” means Citibank, N.A., London Branch acting in such capacity (or any successor or replacement duly appointed);

“**Account Bank Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Account Bank and the Trustee;

“**Account Bank Required Minimum Rating**” means the short-term and long-term rating requirements of the Rating Agencies specified in the table below, or such other ratings that are consistent with the then published criteria of the relevant Rating Agencies as being the minimum ratings that are required to support the then rating of the Class A Notes:

<u>Rating</u>	<u>S&amp;P</u>	<u>Moody’s</u>
Long-term.....	A	A3
Short-term .....	A1	N/A

“**Accrued Interest**” means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the monthly payment date immediately preceding the relevant date to (but excluding) the relevant date;

“**Additional Account**” means any account (in addition to the Transaction Account) in the name of the Issuer at the Account Bank, any Custodian or any other bank created after the Closing Date;

“**Additional Interest**” means interest accrued on Deferred Interest at the Rate of Interest applicable from time to time to the applicable Class of Notes.

“**Additional Termination Event**” has the meaning given to that term in the Swap Agreement.

“**Administration Services**” or “**Services**” means the services to be provided by the Servicer set out in the Servicing Agreement including in schedule 1 (*The Services*) thereto and the services to be provided under the replacement servicing agreement, as the case may be;

“**Affiliate**” means, in relation to any person (A) a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company; or (B) any other person that controls, is controlled by, or is under common control with, such person. For purposes of this definition “**control**” of a person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by contract or otherwise, and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing.

“**Agency Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

“**Agent Bank**” means Citibank, N.A., London Branch in its capacity as agent bank pursuant to the Agency Agreement (or any successor duly appointed);

“**Agents**” means the Agent Bank and the Paying Agents and the Registrar (or any successors duly appointed) and “**Agent**” means any one of them;

“**Alternative Reference Rate**” has the meaning given to it in Condition 17.2.5.

“**Anti-Money Laundering Laws**” means all applicable financial record keeping and reporting requirements and applicable anti-money laundering statutes in the UK and of all jurisdictions in which the relevant party or any of its

subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental or regulatory agency.

**“Applicable Law”** means:

- (a) all applicable laws, rules, regulations, ordinances, directives, treaties and statutes, authorisations, permits, licences, notices, instructions and decrees of any relevant regulatory authority or any judgment or judicial practice of any court and any other legally binding requirement of any regulatory authority or government authority having jurisdiction with respect to a Transaction Party; and
- (b) in the context of the Portfolio, any guidance and principles set out in the MCOB, only to the extent such guidance or principles do not conflict with any of the matters referred to in paragraph (a) above.

**“Appointee”** means any delegate, agent, nominee, custodian, attorney or manager appointed or employed by the Trustee pursuant to the provisions of the Trust Documents and other Transaction Documents;

**“Arranger”** means BNP Paribas;

**“Arrears of Interest”** means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Arrears, Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date;

**“Authorised Investment(s)”** means:

- (a) Sterling gilt-edged securities; and
- (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases such investments do not constitute securitisation positions and will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and either:

- (i) such investments (A) have a maturity date of 60 days or less and mature before the next following Interest Payment Date or within 60 days, whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 60 days, whichever is sooner, (C) are rated at least P-1 by Moody’s and A-1 by S&P and (D) are not the proceeds of or income from a Matured Authorised Investment which has yet to be paid into the Issuer Transaction Account in accordance with the Cash Management Agreement; or
- (ii) such investments (A) have a maturity date of 90 days or less and mature before the next following Interest Payment Date or within 90 days, whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 90 days, whichever is sooner, (C) are rated at least P-1 by Moody’s and A-1+ by S&P (and AA- (long term) by S&P if the investments have a long-term rating) and (D) are not the proceeds of or income from a Matured Authorised Investment which has yet to be paid into the Transaction Account in accordance with the Cash Management Agreement.

For the avoidance of doubt, investments consisting in whole or in part, actually or potentially of tranches or other asset backed securities, credit-linked rates, swaps or other derivatives instruments, synthetic securities or similar claims and/or where investments would be in a money market fund or would result in the recharacterisation of the Notes or any transaction as a “resecuritisation” or a “synthetic securitisation” as defined in Articles 4(63) and 242(11), respectively, of Regulation (EU) No 575/2013 as it forms part of UK domestic law by virtue of the EUWA or Article 2 of the UK Securitisation Regulation, such investments shall not qualify as “Authorised Investments”.

**“Authorised Signatory”** means, in relation to any Transaction Party, any person who is duly authorised and in respect of whom a certificate has been provided signed by a director or another duly authorised person of such Transaction Party setting out the name and signature of such person and confirming such person’s authority to act;

**“Available Principal Receipts”** means for any Interest Payment Date:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period; and
- (b) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (g) and (j) of the Pre Enforcement Revenue Priority of Payments on such Interest Payment Date,

less:

- (c) the amount of Principal Receipts to the extent comprised in paragraph (a) above used or to be used by the Issuer to purchase Further Advances made during the immediately preceding Collection Period;

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

- (a) Revenue Receipts received during the immediately preceding Collection Period, less amounts applied during such Collection Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):
  - (i) payments of certain insurance premiums;
  - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer’s account (including any amounts required to satisfy any of the obligations and/or liabilities incurred by the Collection Account Bank under the direct debit scheme), any other amounts due to the Collection Account Bank in respect of amounts which are credited to the Collection Account or the Sub-Collection Account but which are subsequently recalled or reversed as an unpaid sum and the Collection Account Bank’s fees and charges for the operation of the Collection Account and the Sub-Collection Account;
  - (iii) any amount received from a Borrower at any time (including upon redemption of the relevant Loan) for the express purpose of payment being made to a third party or the Seller for the provision of a service to that Borrower or the Seller,

(items within paragraphs (i), (ii) and (iii) being collectively referred to herein as **“Permitted Withdrawals”**), which amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the Collection Account;

- (b) interest payable to the Issuer on the Transaction Account and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Swap Agreement (other than (i) any amounts to be credited to any Swap Collateral Account; and (ii) any amount received by the Issuer in respect of Swap Tax Credits) on or in respect of such Interest Payment Date;
- (d) any Swap Collateral Account Surplus;
- (e) any amounts standing to the credit of the Liquidity Reserve Fund (but only to the extent (i) necessary after applying all other Available Revenue Receipts to pay any Revenue Deficiency on any Interest Payment Date and (ii) (without double counting) if the Liquidity Reserve Fund Excess Conditions are met, amounts credited to the Liquidity Reserve Fund exceed the Liquidity Reserve Required Amount);
- (f) other net income of the Issuer received during the immediately preceding Collection Period, excluding any interest, distributions or redemption or sale proceeds received in respect of amounts standing to the credit of

any Swap Collateral Account and without double counting the amounts described in paragraphs (a) to (e) above;

- (g) the amounts (if any) to be applied pursuant to paragraph (a) of the Pre-Enforcement Principal Priority of Payments representing any deficiency in the Available Revenue Receipts under paragraphs (a) to (f) above that is required to pay any Remaining Revenue Deficiency on any Interest Payment Date (up to an amount equal to the Available Principal Proceeds on such Interest Payment Date); and
- (h) amounts deemed to be Available Revenue Receipts in accordance with items (a) and (d) of the Pre Enforcement Principal Priority of Payments;

**“Bank of England Information”** means all documents and loan level data in relation to the Portfolio to be made available and/or prepared by the Servicer as required by the Bank of England for the purpose of the Bank of England’s Sterling Monetary Framework;

**“Basic Terms Modification”** means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any class, to modify the amount of principal or interest due on any date in respect of the Notes of any class or to alter the method of calculating the amount of, or date fixed for, any payment in respect of the Notes of any class, save that a Reference Rate Modification or Swap Rate Modification shall not constitute a Basic Terms Modification;
- (b) (except in accordance with Condition 22 (*Substitution*) and Clause 23 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to alter the priority of payment of interest or principal in respect of the Notes;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution of holders of the Most Senior Class then outstanding; or
- (f) to amend this definition;

**“Block Voting Instruction”** means, in relation to any Meeting, an English language document issued by the Registrar and dated in which:

- (a) it is certified that on the date thereof, Notes 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 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 ceasing with the agreement of the Principal Paying Agent to be so blocked and the giving of notice by the Principal Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes has instructed the Principal Paying Agent that the vote(s) attributable to the Notes 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 or any adjourned 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 so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid

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 Registrar to cast the votes attributable to the Notes 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 Registrar 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;

“**Book Entry Interests**” means a record of the beneficial interests in the Global Notes maintained by each of Euroclear and Clearstream, Luxembourg;

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

“**Buildings Insurance Policies**” means all buildings insurance policies relating to Properties taken out (a) in the name of the relevant Borrower and (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property and each a “**Building Insurance Policy**”.

“**Breach of Duty**” means in relation to any person (other than the Trustee, the Cash Manager, the Custodian, the Agents and the Account Bank), a wilful default, fraud, illegal dealing, negligence or material breach of any agreement or breach of trust by such person and in relation to the Trustee, the Agents, the Custodian, the Cash Manager and the Account Bank means a wilful default, fraud or gross negligence by the Trustee, the Agents or the Account Bank;

“**Building Societies Act**” means the Building Societies Act 1986;

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments in London and “**Business Days**” shall be construed accordingly;

“**Calculated Principal Receipts**” has the meaning given to it in Condition 8.11 (*Determinations and Reconciliation*).

“**Calculated Revenue Receipts**” has the meaning given to it in Condition 8.11 (*Determinations and Reconciliation*).

“**Calculation Date**” means in relation to an Interest Payment Date, the fourth Business Day prior to such Interest Payment Date;

“**Capital Balance**” means in respect of a Loan at any date the principal balance of that Loan;

“**Capitalised Arrears**” means, in relation to any Loan, at any date, amounts (excluding Arrears of Interest or amounts comprising Capitalised Expenses) which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;

“**Capitalised Expenses**” means for any Loan at any date, expenses which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;

“**Capitalised Interest**” means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);

“**Cash Management Agreement**” means the cash management agreement so named entered into on or about the Closing Date between the Cash Manager, the Issuer and the Trustee and/or any successor or replacement Cash Management Agreement entered into by the Issuer from time to time;

“**Cash Management Services**” means the services to be provided to the Issuer by the Cash Manager pursuant to the Cash Management Agreement.

“**Cash Manager**” means Citibank, N.A., London Branch or such other person as may from time to time be appointed as cash manager pursuant to the Cash Management Agreement;

“**Cash Manager Report**” means the report in the form set out in Schedule 3 (*Form of Cash Manager Report*) to the Cash Management Agreement prepared by the Cash Manager no later than each Cash Manager Reporting Date ;

“**Cash Manager Reporting Date**” means two Business Days prior to the 25<sup>th</sup> calendar day of each month;

“**Cash Manager Termination Event**” has the meaning given to it in Clause 11.1 (*Cash Manager Termination Events*) of the Cash Management Agreement;

“**Cash Manager Website**” means the website of the Cash Manager available at <https://sf.citidirect.com/>;

“**CCA**” means the Consumer Credit Act 1974 (as amended).

“**Certificate of Title**” means a solicitor’s, licensed conveyancer’s or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the pro forma set out in the Standard Documentation;

“**CET1 Ratio**” means the ratio (expressed as a percentage) of Common Equity Tier 1 as at such date to the Risk Weighted Assets as at the same date, in each case calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis.

“**Charged Accounts**” means the Issuer Accounts (including the Swap Collateral Accounts) and any bank or other account in which the Issuer may at any time acquire a benefit and over which the Issuer has created an encumbrance in favour of the Trustee pursuant to the Deed of Charge;

“**Charged Property**” means all the property of the Issuer which is subject to the Security;

“**Class**” means each or any of the Class A Notes and the Class B Notes as the case may be, or to the respective holders thereof.

“**Class A Global Note**” means the global note representing the Class A Notes;

“**Class A Noteholders**” means the persons who for the time being are holders of the Class A Notes;

“**Class A Notes**” means the £250,000,000 Class A mortgage backed floating rate notes due May 2052;

“**Class A Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger relating to the Class A Notes;

“**Class B Global Note**” means the global note representing the Class B Notes;

“**Class B Noteholders**” means the persons who for the time being are holders of the Class B Notes;

“**Class B Notes**” means the £32,700,000 Class B mortgage backed zero rate notes due May 2052;

“**Class B Principal Deficiency Sub-Ledger**” means the sub-ledger of the Principal Deficiency Ledger relating to the Class B Notes;

“**Clean-Up Call Option**” has the meaning given to it in Conditions 9.3 (*Optional Redemption in whole*).

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

“**Clearstream, Luxembourg**” means Clearstream Banking, S.A., with offices at 42 Avenue J.F. Kennedy L-1855 Luxembourg;

“**Closing Date**” means 17 December 2021, or such other date as the Issuer, the Arranger and the Seller may agree;

“**Code**” means the US Internal Revenue Code of 1986.

“**Collection Account**” means an account or accounts in the name of the Seller held with the Collection Account Bank;

“**Collection Account Bank**” means Barclays Bank PLC acting in its capacity as the bank at which the Collection Account and the Sub-Collection Account are maintained;

“**Collection Accounts Declaration of Trust**” means the deed entered into on or about the Closing Date, between (inter alios) the Issuer, the Trustee and the Seller whereby the Seller declared a trust over the Collection Account and the Sub-Collection Account (including all amounts standing to the credit of the Collection Account and the Sub-Collection Account, as applicable) in favour of the Issuer and itself;

“**Collection Period**” means the quarterly period commencing on (and including) a Collection Period Start Date and ending on (but excluding) the immediately following Collection Period Start Date, except that the first Collection Period will commence on (and exclude) the Cut-off Date and end on (and exclude) the Collection Period Start Date falling in February 2022;

“**Collection Period Start Date**” means the first calendar day of February, May, August and November in each year, and the first Collection Period Start Date will be 1 December 2021;

“**Common Equity Tier 1**” means, as at any date, the sum of all amounts that constitute common equity tier 1 capital of the Seller as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations but without taking into account any transitional, phasing-in or similar provisions

“**Common Safekeeper**” means a common safekeeper for Euroclear and Clearstream, Luxembourg.

“**Common Terms**” means the common terms scheduled to the Incorporated Terms Memorandum.

“**Compounded Daily SONIA**” means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) which will be calculated by the Agent Bank as at the Interest Determination Date in question, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 per cent. being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_{i-p\text{LBD}} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

“**Condition(s)**” means, in relation to the Notes, the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in the section entitled “*Terms and Conditions of the Notes*” as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly;

“**Consideration**” means £282,701,570.97 which is paid by the Issuer to the Seller on the Closing Date in partial consideration of the Seller’s sale to the Issuer of the Loans and their Related Security comprising the Portfolio;

“**Corporate Services Agreement**” means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, Holdings and the Issuer;

“**Corporate Services Provider**” means Intertrust Management Limited or such other person or persons for the time being acting as corporate services provider to the Issuer and Holdings pursuant to the Corporate Services Agreement;

“**COVID-19**” means the novel coronavirus.

“**CRD**” means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended.

“**CRD IV**” means the legislative package consisting of the CRD and the CRR.

“**CRR**” means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended.

“**CTA 2010**” means Corporation Tax Act 2010.

“**Current Balance**” of any Loan means, on any date, the aggregate balance of the amounts charged to the Borrower’s account in respect of a Loan at such date (but avoiding double counting) including:

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

*less* any repayment or payment (including, if permitted, by way of set off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

“**Custodian**” means any party acting as custodian pursuant to any Custody Agreement from time to time;

“**Custody Agreement**” means any agreement entered into by the Issuer pursuant to which the Issuer appoints a custodian either (i) to hold any Swap Collateral posted under the Fixed Rate Swap Transaction to the extent such Swap Collateral is in the form of securities or (ii) to hold any Authorised Investments;

“**Cut-off Date**” means 30 November 2021.

“**d**” means the number of calendar days in the relevant Interest Period.

“**do**” means the number of London Banking Days in the relevant Interest Period.

“**Daily Loan Amount**” has the meaning given to such term in the Servicing Agreement.

“**Day Count Fraction**” means, in respect of an Interest Period, the actual number of days in such period divided by 365 (or 366 days if the relevant calculation is being made in respect of an Interest Period ending in a leap year);



**“Deed of Charge”** means the deed so named entered into on or about the Closing Date between, amongst others, the Issuer and the Trustee;

**“Deferred Consideration”** means the consideration due and payable to the Seller pursuant to the Mortgage Sale Agreement in respect of the sale of the Portfolio, which shall be an amount equal to the amount remaining after making payment of (as applicable):

- (a) the items described in (a) to (k) inclusive of the Pre-Enforcement Revenue Priority of Payments on each Interest Payment Date; or
- (b) the items described in (a) to (k) inclusive of the Post-Enforcement Priority of Payments;

**“Deferred Interest”** shall have the meaning given to such term in Condition 8.10(a) (*Interest Accrual*);

**“Definitive Certificates”** means certificates evidencing definitive notes in registered form representing one or more Notes of a Class in or substantially in the form set out in Part 2 of Schedule 1 (*Form of Definitive Certificate*) of the Trust Deed.

**“Delivery Amount”** has the meaning given to it in the relevant Swap Credit Support Annex.

**“Determination Period”** means each Collection Period.

**“Direct Debit”** means a payment made pursuant to the Direct Debiting Scheme.

**“Direct Debiting Mandate”** means each mandate documenting a Direct Debit.

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

**“Early Repayment Charge”** means any charge or fee which a Borrower is required to pay in accordance with the Mortgage Conditions applicable to the relevant Loan in the event that that Borrower repays all or part of the relevant Loan before a specified date (other than, for the avoidance of doubt, any redemption fees).

**“Early Termination Date”** has the meaning given to that term in the Swap Agreement.

**“Electronic Instruction”** has the meaning given to that term in the Account Bank Agreement.

**“Electronic Resolution”** has the meaning given to it in the Trust Deed.

**“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;

**“Enforcement Event”** means the delivery of an Enforcement Notice in accordance with Condition 13 (Events of Default).

**“Enforcement Notice”** means a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default*) which declares the Notes to be immediately due and payable;

**“Enforcement Procedures”** means the procedures for the enforcement of Mortgages relating to Loans in the Portfolio undertaken by the Servicer from time to time in accordance with the Servicing Procedures, as may be varied or amended from time to time.

**“EUWA”** the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) as amended, varied, superseded or substituted from time to time;

**“ERISA”** means the US Employee Retirement Income Security Act of 1974, as amended.

“**ESMA**” means the European Securities and Markets Authority.

“**EU**” means the European Union.

“**EU Insolvency Regulation**” means Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings.

“**euro**” or “**€**” means the lawful currency of member states of the EU that adopt the single currency introduced in accordance with the Treaty;

“**Euroclear**” means Euroclear Bank S.A./N.V., with offices in 1 Boulevard du Roi Albert II B-1210 Brussels, Belgium, and any successor to such business;

“**Euronext Dublin**” means the Irish Stock Exchange plc trading as Euronext Dublin;

“**Event of Default**” means any one of the events specified in Condition 13 (*Events of Default*);

“**Exchange Date**” means the first day following the expiry of forty days after the Closing Date;

“**Extraordinary Resolution**” means in respect of the holders of any Class of Notes and/or Certificates:

- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and the Conditions by at least 75 per cent. of Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll (calculated on the basis of the aggregate Principal Amount Outstanding of the relevant Class of Notes held by such Eligible Persons);
- (b) a resolution in writing signed by or on behalf of the Noteholders of at least 75 per cent. in aggregate Principal Amount Outstanding of the 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 relevant class of 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 Trustee) by or on behalf of the Noteholders holding of at least 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes;

“**FATCA**” means Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (or any amended or successor provisions), any regulations or official guidance promulgated thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction (or any regulations or official guidance promulgated with respect to such an intergovernmental agreement or implementing legislation) or any agreement with the US Internal Revenue Service in connection with these provisions;

“**FCA**” means the UK Financial Conduct Authority as successor to the FSA, or any successor regulatory body or authority.

“**FCA Rules**” has the meaning given to that term in the Account Bank Agreement.

“**Final Discharge Date**” means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

“**Final Maturity Date**” means the Interest Payment Date falling in May 2052;

“**Financial Year**” means the 12-month period ending on 31 December of each year, provided that the first Financial Year ends on 31 December 2022.

“**First Interest Payment Date**” means the Interest Payment Date falling in February 2022;

“**Fixed Rate Swap Transaction**” means the fixed rate swap transaction relating to the Relevant Fixed Rate Loans dated on or about the Closing Date between the Issuer and the Swap Provider, as amended from time to time, and/or any replacement or successive swap transaction or transactions entered into by the Issuer from time to time;

“**FSMA**” means the Financial Services and Markets Act 2000;

“**Further Advance**” means, in relation to a Loan, any advance of further money after the Closing Date following a request from an existing Borrower following the making of the Loan which is secured by the same Property as the Loan where the Seller has a discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

“**Further Advance Conditions**” has the meaning given to it in clause 4.2 (*Further Advances*) of the Mortgage Sale Agreement.

“**Further Advance Purchase Date**” means the 25th calendar day of each month (or if such day is not a Business Day, the immediately following Business Day) after the last day of the calendar month in which a Further Advance is made.

“**Further Advance Purchase Price**” means purchase price for the relevant Further Advance being an amount equal to the Current Balance of the Further Advance on the Advance Date.

“**Further Advance Warranties**” means, in respect of Further Advances, the representations and warranties given by the Seller to the Issuer on the last calendar day of each month during which an Advance Date has occurred set out at paragraphs (b) to (k) (inclusive), (m), (n), (o), (w), (x), (y), (z), (bb), (cc), (dd), (ee) and (ff) in Schedule 1 (*Loan Warranties*) to the Mortgage Sale Agreement.

“**GBP**” means the lawful currency of the United Kingdom;

“**Global Note**” means a global note in registered form representing all or part of the Notes of a Class in or substantially in the form set out in Part 1 of Schedule 1 (*Form of Global Note*) of the Trust Deed.

“**HMRC**” means Her Majesty’s Revenue and Customs.

“**holder**” means the registered holder of a Note and the words “**holders**” and related expressions shall (where appropriate) be construed accordingly;

“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**Holdings**” means Tyne Funding No. 1 Holdings Limited;

“**i**” means a series of whole numbers from one to  $d_0$ , each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period to, but excluding, the last London Banking Day in such Interest Period.

“**ICSD**” means Euroclear and/or Clearstream, Luxembourg, as applicable.

“**IFRS**” means the International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time.

“**Illegality Event**” has the meaning given to it in Condition 9.5 (*Optional Redemption in whole upon the occurrence of an Illegality Event*).

“**Incorporated Terms Memorandum**” means the incorporated terms memorandum signed by, among others, the Issuer and the Seller for the purpose of identification on or about the Closing Date.;

“**Initial Advance**” means, in relation to a Loan, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, and it may include any fees (if capitalised);

“**Insolvency Act**” means the Insolvency Act 1986;

**“Insolvency Event”** means, with respect to any Person, the occurrence of any of the following:

- (a) such Person shall commence any case, proceeding or other action, or present a petition or make an application under any applicable Insolvency Law:
  - (i) relating to bankruptcy, insolvency, court protection, examinership, reorganisation or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganisation (other than a solvent reorganisation in the ordinary course of business), arrangement, adjustment, winding-up, examinership, liquidation, dissolution, court protection, composition, declaration or other similar relief with respect to it or its debts; or
  - (ii) seeking the appointment of a liquidator, receiver, administrative receiver, examiner, trustee in bankruptcy, custodian, administrator or other similar official for it or for all or any substantial part of its assets;
- (b) there shall be commenced, presented or made against such Person any case, proceeding or other action referred to in (a) above which is not dismissed by the relevant court, tribunal or authority within 21 days of its commencement;
- (c) there shall be commenced against such Person any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which is not dismissed within 21 days of its commencement; or
- (d) such Person ceasing or threatening to cease to carry on its business or stopping payment or threatening to stop payment of its debts or being, being deemed to be or becoming, unable to pay its debts within the meaning of section 123(1)(a) or (b) of the Insolvency Act 1986 as that section may be amended, (or as the case may be, any analogous provision in any applicable jurisdiction) or otherwise unable to pay its debts as they fall due or the value of its assets falling to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or such Person otherwise becoming insolvent or a moratorium is declared in relation to any indebtedness of such Person.

**“Insolvency Official”** means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes) provisional liquidator, Servicer, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

**“Insolvency Proceedings”** means any winding-up, dissolution or administration, including bank administration, bank insolvency, special administration, special administration (bank administration) or special administration (bank insolvency) (whether by court action or otherwise), of a company and will be construed so as to include any equivalent or analogous proceedings under the law of any jurisdiction including the seeking of liquidation, winding-up, reorganisation, dissolution, administration (whether by court action or otherwise), arrangement, adjustment, protection or relief of debtors;

**“Insurance Policies”** means the block contingent property damage insurance policy or replacement insurance contract or policy arranged by or on behalf of the Seller from time to time and in which the Seller has an interest relating to the Loans;

**“Interest Amount”** means in respect of a Note for any Interest Period the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by:

- (a) multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date by the relevant Note Rate; and

- (b) then multiplying the amount so calculated in paragraph (a) by the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

**“Interest Determination Ratio”** means (i) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports;

**“Interest Only Loan(s)”** means a Loan where the relevant Mortgage Conditions require that the Borrower makes monthly payments of interest but not of principal (ignoring, for these purposes, any temporary waiver or deferral of the payment of principal that may be granted to a Borrower from time to time) and when the Loan matures, the entire principal amount of the Loan is still outstanding and the Borrower must repay that amount in one lump sum.

**“Interest Payment Date”** means the 25th day of February, May, August and November in each year commencing on the First Interest Payment Date, *provided that* if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day;

**“Interest Period”** means the period from (and including) an Interest Payment Date (except in the case of the first Interest Period, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date;

**“ISDA”** means International Swaps and Derivatives Association, Inc;

**“ISDA Master Agreement”** means the ISDA 2002 Master Agreement published by the International Swaps and Derivatives Association, Inc;

**“Issuer”** means Tyne Funding No. 1 PLC, a public limited liability company incorporated in England and Wales (registered number 13653178), with its registered office at 1 Bartholomew Lane, London EC2N 2AX;

**“Issuer Accounts”** means the Transaction Account, any Swap Collateral Account, any Replacement Bank Account and any Additional Account(s) established or to be established pursuant to the Account Bank Agreement;

**“Issuer Covenants”** means the covenants of the Issuer as set out in Schedule 4 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

**“Issuer Insolvency Event”** means:

- (a) the Issuer is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or
- (b) a moratorium is declared in respect of any indebtedness of the Issuer; or
- (c) the commencement of negotiations with one or more creditors of the Issuer with a view to rescheduling any indebtedness of the Issuer other than in connection with any refinancing in the ordinary course of business; or
- (d) any corporate action, legal proceedings or other procedure or step is taken in relation to:
- (i) the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any part of its undertaking or assets except the application to the Court under paragraph 12 or the filing of notice of intention to appoint a Servicer under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
- (ii) an encumbrancer (excluding the Trustee or any Receiver) taking possession of the whole or (in the opinion of the Trustee) any substantial part of the undertaking or assets of the Issuer; or

- (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of the Issuer, a reorganisation of the Issuer, a conveyance to or assignment for the creditors of the Issuer generally or the making of an application to a court of competent jurisdiction for protection from the creditors of the Issuer generally other than in connection with any refinancing in the ordinary course of business; or
- (iv) any distress, execution, attachment, diligence or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of the Issuer (excluding by the Trustee or any Receiver); or
- (e) any procedure or step is taken, or any event occurs, analogous to those set out in (a) to (d) above, in any jurisdiction;

**“Issuer Security Power of Attorney”** means the power of attorney granted by the Issuer in favour of the Trustee under the Deed of Charge on the Closing Date;

**“Issuer Profit Amount”** means £1,000 on each Interest Payment Date to be credited to the Transaction Account and to be retained by the Issuer as profit in respect of the business of the Issuer;

**“Issuer Profit Ledger”** means the ledger of the Transaction Account so named and maintained by the Cash Manager in the books of the Issuer pursuant to the Cash Management Agreement to record Issuer Profit Amounts;

**“Issuer Variable Rate”** means any variable rate applicable to a Variable Rate Loan in the Portfolio;

**“Land Registry”** means the Land Registry of England and Wales;

**“Lead Manager”** means BNP Paribas;

**“Ledger”** means each of the following:

- (a) the Principal Ledger;
- (b) the Revenue Ledger;
- (c) the Liquidity Reserve Ledger;
- (d) the Principal Deficiency Ledger;
- (e) the Class A Principal Deficiency Sub-Ledger;
- (f) the Class B Principal Deficiency Sub-Ledger;
- (g) the Swap Collateral Ledger; and
- (h) the Issuer Profit Ledger.

**“Liabilities”** means, in respect of any person, any losses, fees, damages, costs, charges, awards, claims, demands, expenses, judgments, decrees, actions, proceedings or other liabilities whatsoever including properly incurred legal fees and any Taxes (excluding any amount: (a) of VAT or in respect of VAT which is recoverable by such person by way of input credit, repayment or refund; and (b) assessed on the income, gains or profits of such person) and penalties incurred by that person;

**“Liquidity Reserve Fund”** means the reserve fund established on the Closing Date which will be initially funded by the proceeds of the Subordinated Loan Agreement up to the Liquidity Reserve Required Amount and which will subsequently be funded from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments;

“**Liquidity Reserve Fund Excess**” means, on any Interest Payment Date, the amount by which the funds standing to the credit of the Liquidity Reserve Fund (after deducting any amounts to be applied to eliminate any Revenue Deficiency) exceed the Liquidity Reserve Required Amount.

“**Liquidity Reserve Fund Excess Conditions**” means each of the following conditions:

- (a) no Event of Default has occurred and is continuing; and
- (b) the Class A Principal Deficiency Sub Ledger will not have a debit balance on the next Interest Payment Date after applying all Available Revenue Receipts (excluding any such amounts under paragraph (e) or (g) of the definition thereof) on that Interest Payment Date.

“**Liquidity Reserve Required Amount**” will be (i) on the Closing Date £2,500,000 (being an amount equal to 1.0 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date), (ii) on each Interest Payment Date, the greater of (x) 1.0 per cent. of the Principal Amount Outstanding of the Class A Notes prior to the application of Available Principal Receipts on such Interest Payment Date, and (y) 0.5 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date, provided that if the Liquidity Reserve Fund Excess Conditions are not satisfied on the Calculation Date immediately preceding the relevant Interest Payment Date, the Liquidity Reserve Required Amount shall be such amount as determined on the immediately preceding Interest Payment Date and (iii) upon redemption of the Notes in full, zero;

“**Liquidity Reserve Ledger**” means the ledger of the Transaction Account so named and maintained by the Cash Manager in the books of the Issuer pursuant to the Cash Management Agreement to record amounts standing to the credit of the Liquidity Reserve Fund from time to time;

“**Loans**” means the Buy-to-Let loans in the Portfolio sold or to be sold (as applicable) to the Issuer by the Seller on or about the Closing Date pursuant to the Mortgage Sale Agreement including, where the context so requires, any further advance made by the Seller to a Borrower prior to the Closing Date and sold to the Issuer pursuant to the Mortgage Sale Agreement, each Further Advance sold or to be sold (as applicable) to the Issuer by the Seller after the Closing Date and any loan which is the subject of a Product Switch but excluding (for the avoidance of doubt) each loan and its Related Security redeemed or repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by it;

“**Loan Files**” means, in relation to a Loan, the file or files (including files kept in microfiche format or similar electronic data retrieval system) containing, among other things, correspondence between the Borrower and the Seller and including the mortgage documentation applicable to that Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to the extent available, the solicitor’s or licensed conveyancer’s Certificate of Title;

“**Loan Warranties**” means the representations and warranties given in relation to the Loans by the Seller to the Issuer as set out in Schedule 1 (*Loan Warranties*) to the Mortgage Sale Agreement;

“**London Banking Day**” means any day (other than a Saturday or Sunday or a public holiday) on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Losses**” means any losses arising in relation to a Loan in the Portfolio which causes a shortfall in the amount available to pay principal on the Notes;

“**Master Definitions Schedule**” means the master definitions schedule set out in Schedule 1 (*Master Definitions Schedule*) to the Incorporated Terms Memorandum;

“**Matured Authorised Investment**” means an Authorised Investment which has matured;

“**Meeting**” means a meeting of Noteholders of any class or classes (whether originally convened or resumed following an adjournment), which may be held either in person;

“**Minimum Amount**” means one penny;

“**Minimum Denomination**” means in respect of the Notes represented by the Global Notes and (if issued) the Definitive Certificates will be £ 100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £ 1,000;

“**Moody’s**” means Moody’s Investors Service Limited and includes any successor to its rating business;

“**Mortgage**” means a first ranking legal charge secured over freehold or leasehold Properties located in England or Wales;

“**Mortgage Account**” means all Loans secured on the same Property and thereby forming a single mortgage account with the Seller;

“**Mortgage Conditions**” means the terms and conditions applicable to a Loan and/or Mortgage as contained in the Seller’s “Mortgage Conditions” booklet applicable from time to time;

“**Mortgage Loan Agreement**” means in relation to any Loan, the agreement, facility letter or accepted offer of advance pursuant to which the monies secured by the relevant Mortgage were advanced to the Borrower (as varied from time to time in accordance with the applicable Mortgage Conditions and including any modifying agreement within the meaning of section 82 of the Consumer Credit Act 1974 insofar as it relates to that Loan);

“**Mortgage Sale Agreement**” means the agreement so named dated on or about the Closing Date between the Seller, the Issuer, the Trustee and the Servicer in relation to the sale of the Portfolio to the Issuer;

“**Mortgaged Property**” or “**Property**” means a freehold or leasehold property which is subject to a Mortgage and together, the “**Mortgaged Properties**” or “**Properties**”;

“**Most Senior Class**” means, the Class A Notes whilst they remain outstanding and thereafter the Class B Notes;

“**New Safekeeping Structure**” means the Notes will be deposited with one of Euroclear and/or Clearstream, Luxembourg as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper;

“**n<sub>i</sub>**” for any day “**i**”, means the number of calendar days from and including such day “**i**” up to but excluding the following Business Day;

“**Note Principal Payment**” means the principal amount redeemable in respect of each Note of a particular class, which shall be a proportion of the amount required as at that Interest Payment Date to be applied in redemption of such class of Notes on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such class of Notes rounded down to the nearest Minimum Amount; provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note;

“**Noteholder**” means the Class A Noteholders and the Class B Noteholders or, where the context otherwise requires, the holders of Notes of a particular class or classes, as the case may be;

“**Notes**” means the Class A Notes and the Class B Notes and “**Note**” means any of them whether represented by Definitive Certificates or the Global Notes;

“**Notices Condition**” means Condition 23 (*Notices*);

“**Notices Details**” means, in relation to any Agent, the provisions set out in Schedule 7 (*Notice Details*) of the Incorporated Terms Memorandum;

“**Ordinary Resolution**” means in respect of the holders of any Class of Notes:

- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and the Conditions by 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 (calculated on the basis of the aggregate Principal Amount Outstanding of the relevant Class of Notes held by such Eligible Persons);

- (b) a resolution in writing signed by or on behalf of the Noteholders a clear majority of the 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 relevant class of 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 Trustee) by or on behalf of the Noteholders holding a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes;

“**outstanding**” means, in relation to the Notes, all the Notes other than:

- (a) those which have been redeemed in full and cancelled in accordance with the Conditions;
- (b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to, or to the order of, the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
- (c) those which have been purchased and surrendered for cancellation as provided in Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and notice of the cancellation of which has been given to the Trustee;
- (d) those which have become void under the Conditions;
- (e) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and
- (f) any Global Note, to the extent that it shall have been exchanged for the related Definitive Certificates pursuant to the provisions contained therein and the Conditions;

*provided that* for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 17 (*Waiver and Authorisation and Determination*), Clause 18 (*Modifications*), Clause 12 (*Proceedings, Actions and Indemnification*) and Clause 24 (*New Trustee*) of the Trust Deed and Condition 13 (*Events of Default*), Condition 14 (*Enforcement*) and Condition 16 (*Meetings of Noteholders*) and the Provisions for Meetings of Noteholders; and
- (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any holding company of the Seller or any other subsidiary of such holding company (the “**Relevant Persons**”) where all of the Notes of any class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the “**Relevant Class of Notes**”) shall be deemed to remain outstanding except that, if there is any other class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more

Relevant Persons are not the beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

“**p**” means for any Interest Period, five Business Days.

“**Participants**” means persons that have accounts with Euroclear or Clearstream, Luxembourg;

“**Paying Agents**” means the Principal Paying Agent and any other paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement;

“**Perfection Trigger Event**” means each of the following events:

- (a) a Seller Insolvency Event;
- (b) a Severe Credit Quality Deterioration Event; or
- (c) the Seller defaults in the performance or observance of any of its other obligations under the Transaction Documents, including failure to repurchase any Loan under the Mortgage Sale Agreement, and such default continues unremedied for longer than the remedy period permitted by the relevant Transaction Documents;

“**Permitted Transfer**” means:

- (a) an amalgamation of the Seller and one or more other building societies under section 93 of the Building Societies Act; or
- (b) a transfer by the Seller of all or substantially all of its engagements (being 90 per cent. or more of the Issuer’s engagements including its obligations under the Trust Deed and the Agency Agreement) or (on terms which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders) any smaller part of its engagements, in both cases under section 94 of the Building Societies Act; or
- (c) a transfer by the Seller of its business to a company under sections 97 to 102D of the Building Societies Act (including any transfer of business to a subsidiary of another mutual society pursuant to section 97 of the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007) (the “**Funding and Mutual Societies Transfers Act**”) or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act); or
- (d) an alteration in the status of the Seller by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an institution authorised under the FSMA or to a body which is regulated on a similar basis to an institution authorised under the FSMA; or
- (e) any other reconstruction or amalgamation or transfer, in each case the terms of which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders.

“**Permitted Variation**” means any of the following variations of the financial terms and conditions of the Loan:

- (a) an addition or a release of a party to the Loan;
- (b) any variation agreed with a Borrower to control or manage arrears on the Loan;
- (c) any variation in the rate of interest payable (i) as a result of any variation in SVR or other applicable floating rates or (ii) where the terms of the Loan change the rate of interest payable by a Borrower on termination of an interest discount for a fixed period of time or the terms of the Loan otherwise change the interest rate payable;
- (d) any variation imposed by statute; and

(e) any variation of a Loan from Repayment Loan to an Interest Only Loan or *vice versa*.

**“Portfolio”** means the portfolio of Loans and Related Security sold by the Seller to the Issuer on the Closing Date, the particulars of which are set out in Exhibit 3 (*The Portfolio*) to the Mortgage Sale Agreement.

**“Post-Enforcement Priority of Payments”** means the provisions relating to the order of priority of payments from the Charged Accounts, set out in the Deed of Charge;

**“Potential Event of Default”** means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

**“Pre-Enforcement Principal Priority of Payments”** means the provision relating to the order of priority of payments from the Principal Ledger set out in Part 4 of Schedule 1 of the Cash Management Agreement;

**“Pre-Enforcement Revenue Priority of Payments”** means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Part 4 of Schedule 1 of the Cash Management Agreement;

**“Principal Amount Outstanding”** means, on any day:

- (a) in relation to a Note, the principal amount outstanding of that Note as at the Closing Date, less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and been paid) on or prior to that day;
- (b) in relation to a class, the aggregate of the amount in (a) 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 (a) in respect of all Notes outstanding, regardless of class;

**“Principal Deficiency Ledger”** means the Principal Deficiency Ledger comprising the Class A Principal Deficiency Sub-Ledger and the Class B Principal Deficiency Sub-Ledger maintained by the Cash Manager on behalf of the Issuer which records on it all deficiencies arising from Losses allocated to the Notes and Principal Receipts used to pay a Remaining Revenue Deficiency;

**“Principal Ledger”** means the ledger maintained by the Cash Manager on behalf of the Issuer which records all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the provisions of the Cash Management Agreement and in particular with the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);

**“Principal Paying Agent”** means Citibank, N.A., London Branch in its capacity as principal paying agent in accordance with the terms of the Agency Agreement (or any successor duly appointed);

**“Principal Receipts”** means (a) principal repayments under the Loans (b) payments in respect of Accrued Interest and Arrears of Interest as at the Closing Date, Capitalised Interest and Capitalised Expenses and Capitalised Arrears, (c) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, (e) and any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the Seller’s normal charging practices and repaid via a Borrower’s monthly instalment, *provided that* payments received in respect of any fees which have been allocated by the Seller (in accordance with its collection policies) as interest payments, shall not constitute Principal Receipts, (f) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date);

**“Priorities of Payments”** means the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments and the Post-Enforcement Priority of Payments;

**“Product Switch”** means any variation of the financial terms and conditions of a Loan other than a Permitted Variation;

**“Provisions for Meetings of Noteholders”** means the provisions contained in Schedule 4 (*Provisions for Meetings of Noteholders*) to the Trust Deed;

**“Prudent Mortgage Lender”** means the Seller and/or the Servicer, as applicable, acting in accordance with the standards of a reasonably prudent prime residential mortgage lender lending to borrowers in England or Wales.

**“Quarterly Investor Report”** means the quarterly investor report as required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation and the UK Article 7 Technical Standards (and which shall be provided in the form of the standardised template set out in Annex XII of the UK Article 7 RTS or as otherwise agreed between the Issuer and the Cash Manager) and made available through the Reporting Medium;

**“Quarterly Loan-by-Loan Report”** means the loan level report prepared by the Servicer on a quarterly basis containing the information required to be made available pursuant to Article 7(1)(a) of the UK Securitisation Regulation and the UK Article 7 Technical Standards and made available through the Reporting Medium.

**“Quarterly Reporting Date”** means the last calendar day of each month in which an Interest Payment Date falls (or if such day is not a Business Day, the immediately following Business Day) or such other date as is permitted in accordance with the UK Securitisation Regulation and the UK Article 7 Technical Standards;

**“Rated Notes”** means the Class A Notes.

**“Rating Agencies”** means Moody’s and S&P and **“Rating Agency”** means any of them;

**“Receiver”** means any receiver, manager, Servicer, receiver or manager, or administrative receiver appointed in respect of the Issuer by the Issuer at the request of the Trustee or by the Trustee in accordance with the provisions of the Deed of Charge;

**“Reconciliation Amount”** means in respect of any Collection Period, (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, *less* (ii) the calculated Principal Receipts in respect of such Collection Period, *plus* (iii) any Reconciliation Amount not applied in previous Collection Periods;

**“Register”** means the register on which the names and addresses of the holders of the Notes and the particulars of the Notes shall be entered and kept by the Issuer at the Specified Office of the Registrar;

**“Registrar”** means the party responsible for the registration of the Notes, which at the Closing Date is Citibank, N.A., London Branch acting in such capacity pursuant to the Agency Agreement (or any successor duly appointed);

**“Related Security”** means, in relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement including (without limitation):

- (a) the benefit of all affidavits, declarations, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, deeds of consent relating to the relevant Property) from occupiers and other persons having an interest in or rights in connection with the relevant Property;
- (b) each right of action of the Seller against any person (including, without limitation, any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the Loan; and
- (c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (including, the relevant Insurance Policies) deposited, charged, obtained, or held in connection with the Loan, Mortgage and/or Property and relevant Loan files;

**“Relevant Fixed Rate Loans”** means, for the purposes of calculating the notional amount under the Fixed Rate Swap Transaction, the Fixed Rate Loans in the Portfolio that do not have three or more monthly payments due and unpaid by a Borrower (as calculated, for each Interest Payment Date, at the end of the calendar month immediately preceding the Interest Payment Date);

**“Remaining Revenue Deficiency”** means for each Calculation Date, the extent, if any, by which Available Revenue Receipts are insufficient to pay or provide for payment of items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments after application by the Cash Manager (on behalf of the Issuer) of amounts standing to the credit of the Liquidity Reserve Fund;

**“Replacement Account Bank”** means any bank at which the Issuer holds a Replacement Bank Account which has at least the Account Bank Required Minimum Rating (or any successor duly appointed);

**“Replacement Account Bank Agreement”** means an agreement entered into pursuant to the Account Bank Agreement between the Issuer, the Trustee and a Replacement Account Bank in relation to the Replacement Bank Account;

**“Replacement Bank Account”** means an account of the Issuer with a Replacement Account Bank designated as such in accordance with the terms of the Account Bank Agreement;

**“Replacement Swap Premium”** means an amount received by the Issuer from a replacement Swap Provider, or an amount paid by the Issuer to a replacement Swap Provider, upon entry by the Issuer into a replacement Swap Agreement;

**“Reporting Medium”** means the website of EuroABS located at <https://www.euroabs.com/IH.aspx?d=8307>;

**“Return Amount”** has the meaning given to it in the Swap Credit Support Annex;

**“Revenue Deficiency”** means any deficit of Available Revenue Receipts to pay items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments, as determined by the Cash Manager on the relevant Calculation Date;

**“Revenue Ledger”** means the ledger maintained by the Cash Manager on behalf of the Issuer which records all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);

**“Revenue Receipts”** means (a) payments of interest including any early repayment fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed and (d) certain fees (which do not fall within paragraph (d) of the definition of “Principal Receipts”) which have been allocated by the Seller (in accordance with its collection policies) as interest payments and charged by the Servicer in respect of servicing the Loans, which have been charged and repaid by a means other than the Borrower’s monthly instalment;

**“Risk Retention Letter”** means the risk retention letter entered into between the Retention Holder, the Issuer, the Arranger, the Swap Provider and the Trustee on or around the Closing Date;

**“Risk Weighted Assets”** means, as at any date, the aggregate amount of the risk weighted assets of the Seller as at such date, as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations;

**“Secured Amounts”** means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes or the Transaction Documents;

**“Secured Creditors”** means the Trustee in its own capacity, any Receiver or any Appointee appointed by the Trustee, each in its own capacity, the Agent Bank, any Custodian, the Registrar, the Paying Agents, the Corporate Services Provider, the Servicer, the replacement Servicer (if appointed), the Servicer Facilitator, (and any replacement of the

Servicer or the Servicer Facilitator), the Cash Manager, the replacement Cash Manager, the Account Bank, the Swap Provider, the Subordinated Loan Provider, the Noteholders, the Retention Holder, the Seller (in respect of any Deferred Consideration) and any party named as such in a Transaction Document;

“**Security**” means the security granted by the Issuer to the Trustee under and pursuant to the Deed of Charge in favour of the Secured Creditors;

“**Seller**” means Newcastle Building Society acting in its capacity as seller of the Loans and their Related Security to the Issuer pursuant to the Mortgage Sale Agreement;

“**Seller Insolvency Event**” means each of the following:

- (a) the Seller becomes insolvent or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act (on the basis that the reference in such section to £ 750 was read as a reference to £10 million), Sections 123(1)(b), (d) and (e), and Section 123(1)(c) of the Insolvency Act (on the basis that the words “for a sum exceeding £ 10 million” were inserted after the words “extract registered bond” and “extract registered protest”) or applies for or consents to or suffers the appointment of a liquidator or receiver or Servicer or building society liquidator or building society special Servicer or similar officer over the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or a distress, execution or diligence or other process is enforced upon the whole or any substantial part of its undertaking or assets and is not discharged within 60 days); or
- (b) an order is made or an effective resolution is passed for the winding-up of the Seller, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction (a) with or by any of its subsidiaries or (b) the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the Most Senior Class; or
- (c) if the Seller (otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (ii) above), ceases or, through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or its mortgage administration business,

except in the case of the events described in paragraphs (a) to (c) above occurring for the purposes of or pursuant to a Permitted Transfer, as defined below.

“**Seller Security Power of Attorney**” means the power of attorney granted by the Seller in favour of the Issuer and the Trustee on the Closing Date in substantially the same form as that set out in the Mortgage Sale Agreement;

“**Seller Standard Variable Rate**” or “**SVR**” means any variable mortgage rate set by Newcastle Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market and, as at the Closing Date, is 3.96% per annum;

“**Sequential Order**” means, in respect of payments of interest and principal to be made to the Class A Notes and Class B Notes, firstly, to the Class A Notes and secondly, to the Class B Notes;

“**Servicer**” means Newcastle Building Society or such other person as may from time to time be appointed as Servicer of the relevant Loans in the Portfolio pursuant to the Servicing Agreement;

“**Servicer Facilitator**” means Intertrust Management Limited acting in its capacity as servicer facilitator pursuant to the Servicing Agreement (or any successor duly appointed);

“**Servicer Report**” means a servicer report to be provided by the Servicer no later than the tenth Business Day of each month (the “**Servicer Reporting Date**”) in accordance with the terms of the Servicing Agreement;

“**Servicing Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer Facilitator, the Servicer, the Seller and the Trustee, and/or any successor or replacement servicing agreement entered into by the Issuer from time to time;

**“Severe Credit Quality Deterioration Event”** means the Seller determines, as at any date, that its CET1 Ratio has fallen below 7%, where **“CET1 Ratio”** means the ratio (expressed as a percentage) of Common Equity Tier 1 as at such date to the Risk Weighted Assets as at the same date, in each case calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, **“Common Equity Tier 1”** means, as at any date, the sum of all amounts that constitute common equity tier 1 capital of the Seller as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations but without taking into account any transitional, phasing-in or similar provisions and **“Risk Weighted Assets”** means, as at any date, the aggregate amount of the risk weighted assets of the Seller as at such date, as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations;

**“Share Trustee”** means Intertrust Corporate Services Limited;

**“SONIA”** means the Sterling Overnight Index Average;

**“Specified Office”** means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with the Agency Agreement;

**“SPV Criteria”** means the criteria established from time to time by the Rating Agencies for a single purpose company in England and Wales (and the United Kingdom, for tax purposes) or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Condition 22 (*Substitution*)) is incorporated;

**“Standard Documentation”** means the standard documentation, a list of which is set out in Exhibit 1 (*Standard Documentation*) to the Mortgage Sale Agreement or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Prudent Mortgage Lender;

**“Step-Up Date”** means the Interest Payment Date falling in November 2026;

**“Sterling”** and **“£”** denote the lawful currency for the time being of the United Kingdom;

**“Sub-Collection Account”** means an agency account in the name of the Seller held with the Collection Account Bank;

**“Subordinated Loan”** means the loan made by Newcastle as the Subordinated Loan Provider to the Issuer pursuant to the Subordinated Loan Agreement;

**“Subordinated Loan Agreement”** means the subordinated loan agreement dated on or about the Closing Date and made between the Issuer as borrower, the Trustee and the Subordinated Loan Provider;

**“Subordinated Loan Provider”** means Newcastle Building Society;

**“Substituted Obligor”** means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

**“Swap Agreement”** means the swap agreement between the Issuer and the Swap Provider thereunder dated on or about the Closing Date, consisting of a 2002 ISDA Master Agreement together with a Schedule thereto, a credit support annex and a confirmation documenting the Fixed Rate Swap Transaction as such may be amended from time to time, and/or any successive or replacement swap agreement entered into by the Issuer from time to time;

**“Swap Collateral”** means any collateral in the form of cash and/or securities transferred by the Swap Provider to the Issuer on any date pursuant to the terms of the Swap Credit Support Annex (and any interest, income and/or distributions earned thereon);

**“Swap Collateral Account”** means any account in respect of cash described as such established in the name of the Issuer with the Account Bank pursuant to the Account Bank Agreement or any account in respect of securities described as such and established in the name of the Issuer with the Custodian pursuant to a Custody Agreement;

**“Swap Collateral Account Priority of Payments”** has the meaning given thereto in Clause 7.2(c) of the Cash Management Agreement;

**“Swap Collateral Account Surplus”** means, in respect of any Swap Collateral Account, any surplus amounts remaining after funds standing to the credit of such Swap Collateral Account have been applied in accordance with the relevant Swap Collateral Account Priority of Payments;

**“Swap Credit Support Annex”** means the credit support annex to the Swap Agreement;

**“Swap Provider”** means Lloyds Bank Corporate Markets plc and/or any successor or replacement swap provider from time to time;

**“Swap Provider Jurisdiction”** means the jurisdiction in which the Swap Provider is incorporated and/or subject to taxation;

**“Swap Subordinated Amount”** means any amount due to the Swap Provider in connection with an early termination of the Swap Agreement where such termination results from an Event of Default (as defined in the Swap Agreement) in respect of which the Swap Provider is the Defaulting Party (as defined in the Swap Agreement) or an Additional Termination Event (as defined in the Swap Agreement) resulting from a ratings downgrade of the Swap Provider, to the extent such amount is not satisfied out of amounts standing to the credit of the any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments;

**“Swap Tax Credit”** means any amounts relating to tax credits payable by the Issuer to the Swap Provider pursuant to the provisions of the ISDA Schedule to the Swap Agreement;

**“Tax”** means any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same wheresoever imposed) and **“Taxes”**, **“taxation”**, **“taxable”** and comparable expressions shall be construed accordingly;

**“Tax Authority”** means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty’s Revenue and Customs);

**“Tax Deduction”** means any deduction or withholding on account of Tax 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;

**“Title Deeds”** means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and all other documents which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

**“Transaction Account”** means the account in the name of the Issuer held at the Account Bank, or such additional or replacement bank account at such other Account Bank and/or other banks as may for the time being be in place with the prior consent of the Trustee, as such;

**“Transaction Documents”** means the Account Bank Agreement, the Servicing Agreement, the Agency Agreement, the Cash Management Agreement, the Collection Accounts Declaration of Trust, the Corporate Services Agreement, the Deed of Charge, the Swap Agreement, the Issuer Power of Attorney, the Incorporated Terms Memorandum, the Mortgage Sale Agreement, the Risk Retention Letter, the Seller Security Power of Attorney, the Trust Deed, the Subordinated Loan Agreement and any Custody Agreement, such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and any other document designated as such;



“**Transaction Party**” means any person who is a party to a Transaction Document and “**Transaction Parties**” means some or all of them;

“**Transparency Requirements**” means the reporting requirements of Article 7(1) of the EU Securitisation Regulation and Article 7(1) of the UK Securitisation Regulation;

“**Treaty**” means the Treaty establishing the European Community, as amended;

“**Trust Deed**” means the deed so named dated on or about the Closing Date between the Issuer and the Trustee and any document expressed to be supplemental to the Trust Deed;

“**Trust Documents**” means the Trust Deed and the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

“**Trustee**” means Citicorp Trustee Company Limited in its capacity as trustee under the terms of the Trust Documents, or such other person as may be appointed from time to time as Trustee (or co-Trustee) pursuant to the Trust Documents;

“**UK Article 7 ITS**” means the Commission Implementing Regulation (EU) 2020/1225 as it forms part of the UK domestic law by virtue of the EUWA, including any relevant legislation, instruments, rules, policy statements, guidance, transitional relief or other implementing measures of the FCA, the Bank of England, the PRA, the Pensions Regulator or other relevant UK regulator (or their successor) in relation thereto;

“**UK Article 7 RTS**” means the Commission Delegated Regulation (EU) 2020/1224 as it forms part of the UK domestic law by virtue of the EUWA, including any relevant legislation, instruments, rules, policy statements, guidance, transitional relief or other implementing measures of the FCA, the Bank of England, the PRA, the Pensions Regulator or other relevant UK regulator (or their successor) in relation thereto;

“**UK Article 7 Technical Standards**” means the UK Article 7 RTS and the UK Article 7 ITS;

“**Voting Certificate**” means an English language certificate issued by the Principal Paying Agent in which it is stated:

- (a) that on the date thereof the Notes and/or Certificates (not being the Notes 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 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 Principal 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 represented by such Voting Certificate; and

“**Written Resolution**” means a resolution in writing signed by or on behalf of all holders of Notes of the relevant class for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

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