

WARWICK FINANCE RESIDENTIAL MORTGAGES NUMBER TWO PLC

(Incorporated in England and Wales with limited liability, registered number 9548685)

Class of Notes	Initial Principal Amount	Issue Price	Interest rate (payable before the Step-Up Date)	Interest Rate (payable from and including the Step-Up Date)	Ratings Moody's /S&P	Final Maturity Date
Class A	£1,241,400,000	99.31%	1.50% margin above Three-Month Sterling LIBOR	2.25% margin above Three-Month Sterling LIBOR	Aaa(sf) / AAA(sf)	21 September 2049
Class B	£89,200,000	95.25%	1.60% margin above Three-Month Sterling LIBOR	2.80% margin above Three-Month Sterling LIBOR	Aa1(sf) / AA(sf)	21 September 2049
Class C	£66,000,000	93.82%	1.80% margin above Three-Month Sterling LIBOR	3.30% margin above Three-Month Sterling LIBOR	A1(sf) / A+(sf)	21 September 2049
Class D	£57,800,000	92.03%	2.00% margin above Three-Month Sterling LIBOR	4.00% margin above Three-Month Sterling LIBOR	Baa2(sf) / A(sf)	21 September 2049
Class E	£46,200,000	89.90%	2.20% margin above Three-Month Sterling LIBOR	4.75% margin above Three-Month Sterling LIBOR	Ba2(sf) / BBB-(sf)	21 September 2049
Class F	£56,100,000	88.82%	2.50% margin above Three-Month Sterling LIBOR	5.25% margin above Three-Month Sterling LIBOR	B3(sf) / BB(sf)	21 September 2049
Principal Residual Certificates	N/A	N/A	N/A	N/A	N/A	N/A
Revenue Residual Certificates	N/A	N/A	N/A	N/A	N/A	N/A

The Step-Up Date is the Interest Payment Date occurring in June 2020

From the Step-Up Date, the Portfolio Option Holder has the right to exercise a termination option in relation to the Portfolio which would lead to an early redemption of the Notes.

"Issue Date"	The Issuer will issue the Notes in the classes set out above on or about 25 September 2015 (the " Closing Date ").
"Stand alone/programme issuance"	Stand alone issuance.
"Underlying Assets"	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans originated by Platform Funding Limited (the "PFL") and GMAC-RFC Limited (now called Paratus AMC Limited) ("GMAC" or "GMAC-RFC") (together the "Originators") sold by Platform Funding Limited (the "PFL"), Mortgage Agency Services Number Four Limited ("MAS4"), Mortgage Agency Services Number Five Limited ("MAS5" and together with PFL and MAS4 the "Sellers") and secured over residential properties located in England and Wales, Scotland and Northern Ireland (the "Portfolio") which will be purchased by the Issuer on the Closing Date.</p> <p>See the sections entitled "<i>Transaction Overview – Portfolio and Servicing</i>", "<i>The Loans</i>" and "<i>Characteristics of the Portfolio</i>" for further details.</p>
"Credit Enhancement"	<ul style="list-style-type: none"> ● the subordination of the Notes and the Principal Residual Certificates; ● the availability of the General Reserve Fund (subject to certain Cumulative Default Triggers); ● the Liquidity Reserve Fund (subject to certain Cumulative Default Triggers); and ● excess Available Revenue Receipts. <p>See the sections entitled "<i>Transaction Overview – Credit Structure and Cashflow</i>" and "<i>Credit Structure</i>" for further details.</p>
"Liquidity Support"	<ul style="list-style-type: none"> ● The availability of the General Reserve Fund and the availability of the Liquidity Reserve Fund on and from the Closing Date (subject to certain Cumulative Default Triggers). ● Subject to certain Cumulative Default Triggers, the application in certain circumstances of Principal Receipts toward certain interest payments due under the Notes. ● Interest due and payable on the Most Senior Class of Notes outstanding will not be deferred. Interest due and payable on the other classes of Notes may be deferred in accordance with the Conditions. Any payments due on the Principal Residual Certificates are subordinated to payments of principal on the Notes. Any payments due on the Revenue Residual Certificates are subordinated to payments of revenue on the Notes. <p>See the sections entitled "<i>Transaction Overview – Credit Structure and Cashflow</i>" and "<i>Credit Structure</i>" for further details.</p>
"Redemption Provisions"	Information on any optional and mandatory redemption of the Notes is summarised on page 74 (<i>Transaction Overview – Summary of the Terms and Conditions of the Notes and the Residual Certificates</i>) and set out in full in Condition 7 (<i>Redemption</i>) of the terms and conditions of the Notes (the " Conditions ").
"Credit Rating Agencies"	Moody's Investors Service Limited (" Moody's ") and Standard & Poor's Credit Market Service Europe Limited (" Standard & Poor's " or " S&P " and together with Moody's the " Rating Agencies "). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (the " CRA Regulation ").
"Credit Ratings"	Ratings are expected to be assigned to the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes as set out above on or before the Closing Date. The Principal Residual Certificates and the Revenue Residual Certificates will not be rated. The assignment of a rating to each Class of Notes is not a recommendation to invest in such Class of Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
"Listing"	This document comprises a prospectus (the " Prospectus ") for the purpose of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the " Prospectus Directive ") and its relevant implementing measures in England and Wales. This Prospectus has been approved by the Financial Conduct Authority (the " FCA ") as competent authority under the Prospectus Directive.

Application has been made to the Financial Conduct Authority (the "FCA") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for each Class of Notes to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for each Class of Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive"). The Principal Residual Certificates and the Revenue Residual Certificates will not be admitted to the Official List of the UK Listing Authority nor will they be admitted to trading on the London Stock Exchange's Regulated Market and this document is not an offering document for potential investors in Principal Residual Certificates and Revenue Residual Certificates.

"Obligations"	The Notes and the Residual Certificates will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity named in the Prospectus.
"Retention Undertaking"	Each Seller will, in accordance with Article 405 paragraph (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 th June 2013 on prudential requirements for credit institutions and investment firms (the "CRR") and amending Regulation (EU) No 648/2012, Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Managers Directive ("AIFMR"), and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "Solvency II Delegated Act"), to the extent the regulations above continue to apply and in each case as they are interpreted and applied on the Closing Date (and in the case of AIFMR taking into account Article 56 of the AIFMR), retain a net economic interest of at least 5 per cent. of the nominal value of the securitised exposures sold by it to the Issuer for the purposes of the securitisation. As at the Closing Date, such interest will comprise not less than 5 per cent. of randomly selected exposures which would otherwise have been securitised by the relevant Seller in the transaction effected by the Issuer, as required by such on-balance sheet retention (the "Retention Requirement"). Any change in the manner in which the interest is held will be notified to the Noteholders. The criteria against which the randomly selected securitised exposures have been retained by each Seller as of the Closing Date is described in the section entitled "Certain Regulatory Disclosures". Each prospective Noteholder should ensure that it complies with the implementing provisions of the CRR, AIFMR and the Solvency II Delegated Act as applicable in its relevant jurisdiction. See section entitled "Certain Regulatory Disclosures".
"Residual Certificates"	In addition to the Notes, the Issuer will issue Principal Residual Certificates and Revenue Residual Certificates (together, the "Residual Certificates") to the Sellers on the Closing Date. The Principal Residual Certificates constitute part of the consideration provided by the Issuer for the purchase of the Portfolio (representing the right to receive Principal Residual Payments in respect of the Portfolio). The Revenue Residual Certificates constitute part of the consideration provided by the Issuer for the purchase of the Portfolio (representing the right to receive Revenue Residual Payments in respect of the Portfolio). The Residual Certificates will be sold by the Sellers to one or more third parties on the Closing Date. See the section entitled "Terms and Conditions of the Residual Certificates" for further details.
"Significant Investor"	The Co-operative Bank p.l.c. (the "Co-operative Bank", "Co-op" or the "Bank") will, on the Closing Date, purchase up to 80 per cent. of the Class A Notes and may retain or at a later date sell some or all of those Notes in the secondary market at variable prices (which may, in turn, affect the liquidity and price of the Notes and/or Certificates in the secondary market). The Co-op may sell the Notes in individually negotiated transactions at variable prices in the secondary market. In holding some or all of the Class A Notes, Co-op may have a majority holding and therefore be able to pass, or hold a sufficient minority to block, Noteholder resolutions. Also, on the Closing Date, the Sellers will receive the Certificates as partial consideration for the sale of the Portfolio. The Sellers will, on the Closing Date, sell those Certificates to one or more purchasers, but the number of purchasers is expected to be limited. Therefore, significant concentrations of holdings of the Notes and the Certificates are likely to occur.
"Volcker Rule"	The Issuer is of the view that it is not now, and immediately following the issuance of the Notes and the application of the proceeds thereof it will not be, a "covered fund" as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". Although other exclusions may be available to the Issuer, this view is based on the exemption provided in Section 3 (c)(5)(C) of the Investment Company Act.

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

ARRANGER

Bank of America Merrill Lynch

LEAD MANAGER	LEAD MANAGER	LEAD MANAGER	LEAD MANAGER
Bank of America Merrill Lynch	Citigroup	Morgan Stanley	The Royal Bank of Scotland
(in respect of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and the Residual Certificates)	(in respect of the Class A Notes and the Class B Notes)	(in respect of the Class A Notes, Class B Notes, Class C Notes and the Class D Notes)	(in respect of the Class A Notes and the Class B Notes)

The date of this Prospectus is 22 September 2015.

CONTENTS

	Page
IMPORTANT NOTICE	1
STRUCTURE DIAGRAMS	5
TRANSACTION OVERVIEW – TRANSACTION PARTIES	8
RISK FACTORS	12
TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING	57
TRANSACTION OVERVIEW – SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES	70
RIGHTS OF NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS	77
TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW	89
TRANSACTION OVERVIEW – TRIGGERS TABLES	102
TRANSACTION OVERVIEW – FEES	107
CERTAIN REGULATORY DISCLOSURES	111
WEIGHTED AVERAGE LIVES OF THE NOTES	113
EARLY REDEMPTION OF THE NOTES	115
USE OF PROCEEDS	120
RATINGS	121
THE ISSUER	122
HOLDINGS	124
THE CO-OPERATIVE BANK P.L.C.	125
PLATFORM FUNDING LIMITED	135
PLATFORM HOME LOANS LIMITED	136
GMAC-RFC	137
MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED	138
MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED	139
CITI ACCOUNT BANK	140
BNPP ACCOUNT BANK	141
THE NOTE TRUSTEE AND SECURITY TRUSTEE	142
STRUCTURED FINANCE MANAGEMENT LIMITED	143
WESTERN MORTGAGE SERVICES LIMITED	144
HOMELoAN MANAGEMENT LIMITED	145
THE LIQUIDATION AGENT	146
THE LOANS	147
CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO	163
SUMMARY OF THE KEY TRANSACTION DOCUMENTS	172
CREDIT STRUCTURE	205
CASHFLOWS	211
DESCRIPTION OF THE GLOBAL NOTES AND GLOBAL RESIDUAL CERTIFICATES	223
TERMS AND CONDITIONS OF THE NOTES	228
TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES	258
UNITED KINGDOM TAXATION	276
THE FOREIGN ACCOUNT TAX COMPLIANCE ACT	279
SUBSCRIPTION AND SALE	280
TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS	282
GENERAL INFORMATION	283

INDEX OF DEFINED TERMS	285
IMPORTANT NOTICE	292

IMPORTANT NOTICE

THE NOTES AND THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF THE ISSUER ONLY. NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ORIGINATORS, THE CO-OPERATIVE BANK P.L.C., THE ARRANGER, THE JOINT LEAD MANAGERS, THE SERVICER, THE BACK-UP SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER FACILITATOR, THE REPLACEMENT CASH MANAGER FACILITATOR, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE LIQUIDATION AGENT, THE CO-OPERATIVE BANK (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES OR THE RESIDUAL CERTIFICATES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE ORIGINATORS, THE ARRANGER, THE JOINT LEAD MANAGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE BACK-UP SERVICER FACILITATOR, THE REPLACEMENT CASH MANAGER FACILITATOR, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE LIQUIDATION AGENT, OR BY ANY PERSON OTHER THAN THE ISSUER.

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

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

THIS PRELIMINARY PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLERS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE JOINT LEAD MANAGERS OR THE ARRANGER OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE RESIDUAL CERTIFICATES, AND NONE OF THEM MAKE ANY REPRESENTATION, WARRANTY OR OTHER ASSURANCE, EXPRESSED OR IMPLIED, TO ANY INVESTORS IN THE RESIDUAL CERTIFICATES (AND NOTHING CONTAINED HEREIN IS, OR SHALL BE RELIED UPON AS, A REPRESENTATION, WHETHER AS TO THE PAST, THE PRESENT OR THE FUTURE).

THE DISTRIBUTION OF THIS PRELIMINARY PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE SELLERS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ORIGINATORS, THE JOINT LEAD MANAGERS OR THE ARRANGER THAT THIS PRELIMINARY PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PRELIMINARY PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE UK LISTING AUTHORITY, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER, THE SELLERS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER OR THE JOINT LEAD MANAGERS WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PRELIMINARY PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PRELIMINARY PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PRELIMINARY PROSPECTUS COMES ARE REQUIRED BY THE ISSUER, THE ARRANGER AND THE JOINT LEAD MANAGERS TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

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

THE CO-OPERATIVE BANK P.L.C. ("**CO-OPERATIVE BANK**") AND EACH OTHER OR SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF THE NOTES AS SET FORTH THEREIN AND DESCRIBED IN THIS PRELIMINARY PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

NONE OF THE ISSUER, THE ARRANGER, THE JOINT LEAD MANAGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PRELIMINARY PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS PRELIMINARY PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. ANY INFORMATION SOURCED FROM THIRD PARTIES CONTAINED IN THIS PRELIMINARY PROSPECTUS HAS BEEN ACCURATELY REPRODUCED (AND IS CLEARLY SOURCED WHERE IT APPEARS IN THIS PRELIMINARY 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.

THE CO-OPERATIVE BANK P.L.C. ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE CO-OPERATIVE BANK P.L.C.*", "*CERTAIN REGULATORY DISCLOSURES*", "*THE LOANS*", "*CHARACTERISTICS OF THE PORTFOLIO*" AND "*CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET*" AND IN PARAGRAPHS 2, 4, 5, 6, 7 AND 8 OF THE SECTION HEADED "*WESTERN MORTGAGE SERVICES LIMITED*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CO-OPERATIVE BANK P.L.C. (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS (OR, IN THE CASE OF THE SECTION HEADED "*WESTERN MORTGAGE SERVICES LIMITED*", THE SPECIFIC PARAGRAPHS OF THAT SECTION) REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CO-OPERATIVE BANK AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PRELIMINARY PROSPECTUS (OTHER THAN IN THE SECTIONS (OR, IN THE CASE OF THE SECTION HEADED "*WESTERN MORTGAGE SERVICES LIMITED*", THE SPECIFIC PARAGRAPHS

OF THAT SECTION) REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

PLATFORM FUNDING LIMITED, PLATFORM HOME LOANS LIMITED, MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED, MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED, CITIBANK, N.A., LONDON BRANCH, BNP PARIBAS, LONDON BRANCH, STRUCTURED FINANCE MANAGEMENT LIMITED, WESTERN MORTGAGE SERVICES LIMITED, HOMELOAN MANAGEMENT LIMITED, U.S. BANK TRUSTEES LIMITED AND PRICEWATERHOUSECOOPERS LLP ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*PLATFORM FUNDING LIMITED*", THE SECTION HEADED "*PLATFORM HOME LOANS LIMITED*", THE SECTION HEADED "*MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED*", THE SECTION HEADED "*MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED*", THE SECTION HEADED "*CITI ACCOUNT BANK*", THE SECTION HEADED "*BNPP ACCOUNT BANK*", THE SECTION HEADED "*STRUCTURED FINANCE MANAGEMENT LIMITED*", PARAGRAPHS 1 AND 3 OF THE SECTION HEADED "*WESTERN MORTGAGE SERVICES LIMITED*", THE SECTION HEADED "*HOMELoAN MANAGEMENT LIMITED*", THE SECTION HEADED "*THE NOTE TRUSTEE AND SECURITY TRUSTEE*" AND THE SECTION HEADED "*THE LIQUIDATION AGENT*" RESPECTIVELY. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF CITIBANK, N.A., LONDON BRANCH, BNP PARIBAS, LONDON BRANCH, STRUCTURED FINANCE MANAGEMENT LIMITED, WESTERN MORTGAGE SERVICES LIMITED, U.S. BANK TRUSTEES LIMITED AND PRICEWATERHOUSECOOPERS LLP (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS (OR, IN THE CASE OF WESTERN MORTGAGE SERVICES LIMITED, THE PARAGRAPHS) REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

PLATFORM FUNDING LIMITED, MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED, MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*CERTAIN REGULATORY DISCLOSURES*".

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY PLATFORM FUNDING LIMITED, PLATFORM HOME LOANS LIMITED, MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED, MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED, CITIBANK, N.A., LONDON BRANCH, BNP PARIBAS, LONDON BRANCH, STRUCTURED FINANCE MANAGEMENT LIMITED, AND WESTERN MORTGAGE SERVICES LIMITED, HOMELOAN MANAGEMENT LIMITED, U.S. BANK TRUSTEES LIMITED AND PRICEWATERHOUSE COOPERS LLP AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PRELIMINARY PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PRELIMINARY PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE SELLERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE ORIGINATORS, THE ARRANGER, THE JOINT LEAD MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PRELIMINARY PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE SELLERS OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PRELIMINARY PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE JOINT LEAD MANAGERS OR THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE JOINT LEAD MANAGERS, THE NOTE TRUSTEE OR THE SECURITY

TRUSTEE HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE JOINT LEAD MANAGERS OR THE ARRANGER MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PRELIMINARY PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PRELIMINARY PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THIS PRELIMINARY PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLERS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE JOINT LEAD MANAGERS OR THE ARRANGER OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PRELIMINARY PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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

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

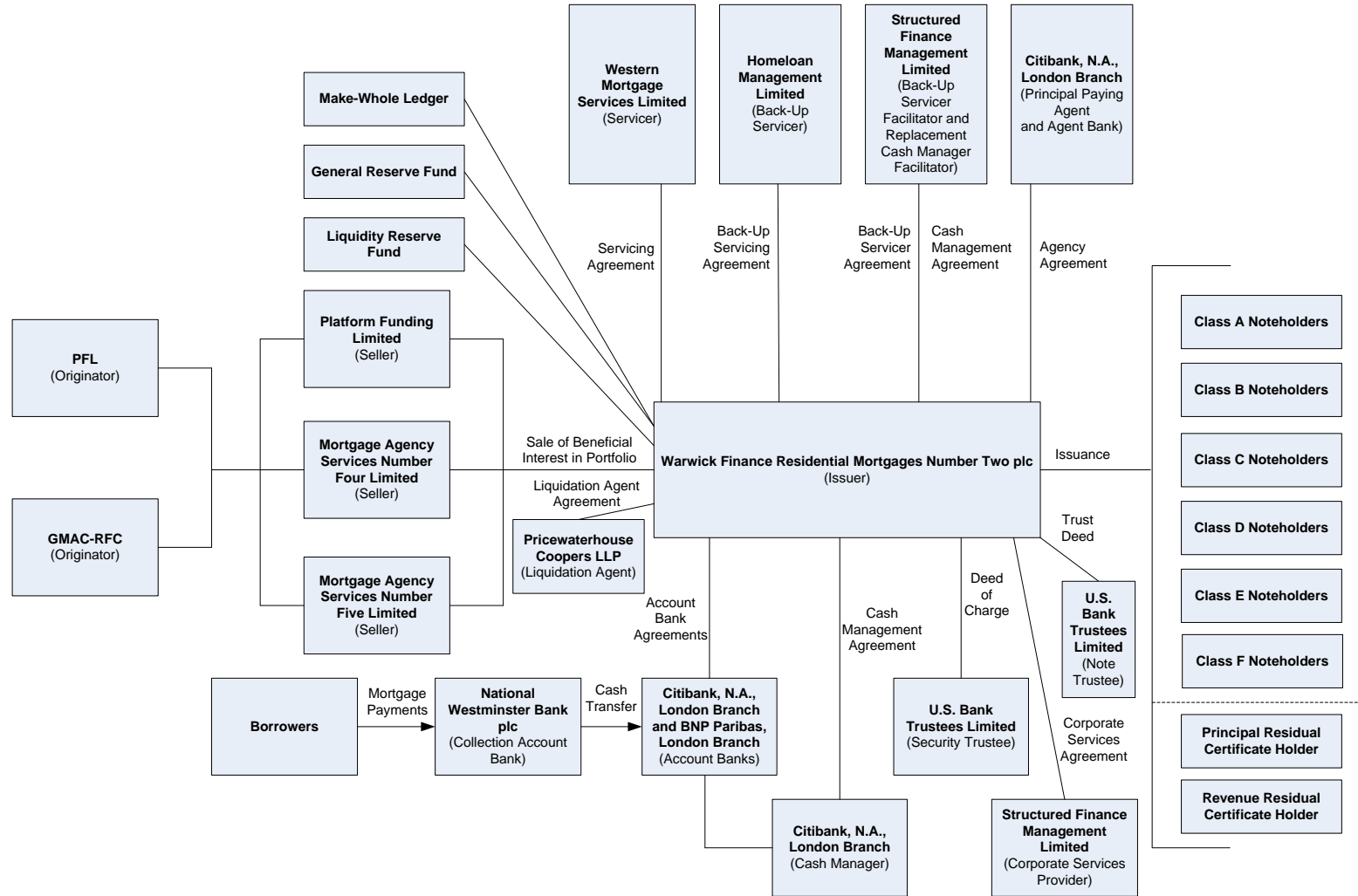
IN THIS PRELIMINARY PROSPECTUS ALL REFERENCES TO THE FINANCIAL CONDUCT AUTHORITY OR FCA ARE TO THE UNITED KINGDOM FINANCIAL CONDUCT AUTHORITY AND ALL REFERENCES TO THE PRUDENTIAL REGULATION AUTHORITY OR PRA ARE TO THE UNITED KINGDOM PRUDENTIAL REGULATION AUTHORITY WHICH IN EACH CASE BEFORE 1 APRIL 2013 WAS KNOWN AS THE FINANCIAL SERVICES AUTHORITY OR FSA.

Forward-Looking Statements

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Preliminary Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "**may**", "**will**", "**could**", "**believes**", "**expects**", "**anticipates**", "**continues**", "**intends**", "**plans**" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Note Trustee, the Security Trustee, the Arranger or the Joint Lead Managers has attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, the Note Trustee, the Security Trustee, the Arranger or the Joint Lead Managers assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated.

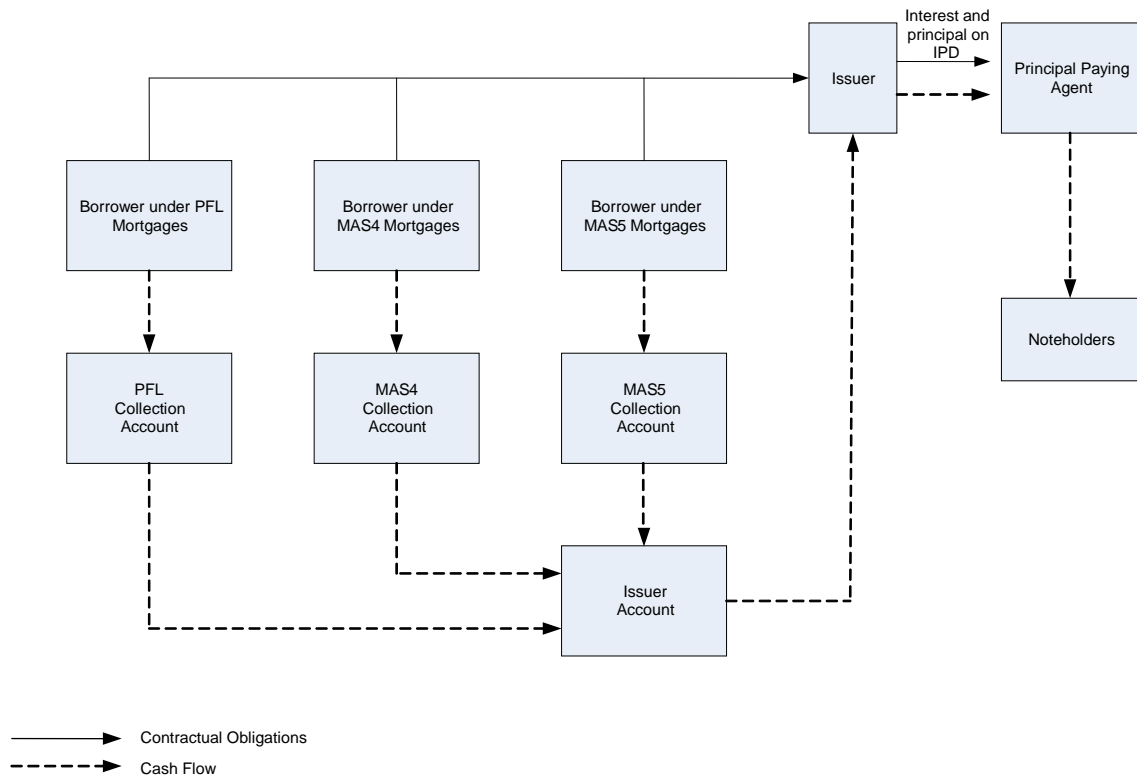
STRUCTURE DIAGRAMS
DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

Figure 1 – Transaction Structure



DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS

Figure 2 – Cashflow Structure



OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

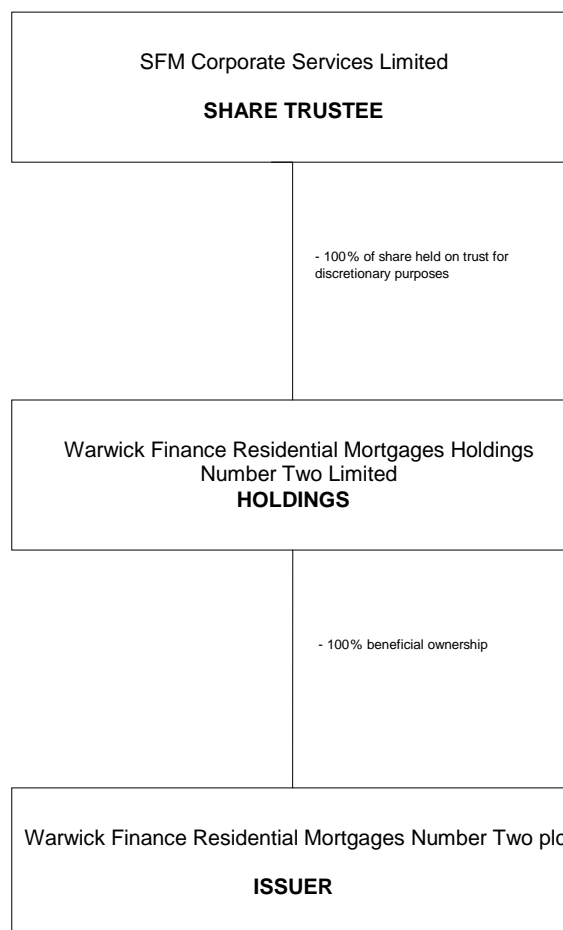


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly owned subsidiary of Holdings in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a trust the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings and the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Sellers or any member of the group of companies containing the Sellers.
- Holdings is not party to any Transaction Documents (other than the Master Definitions and Construction Schedule and the Corporate Services Agreement). Its role within the transaction is limited to holding the shares of the Issuer.

TRANSACTION OVERVIEW – TRANSACTION PARTIES

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

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

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

<u>Party</u>	<u>Name</u>	<u>Address</u>	<u>Document under which appointed/Further Information</u>
Issuer	Warwick Finance Residential Mortgages Number Two PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
Holdings	Warwick Finance Residential Mortgages Holdings Number Two Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
Sellers	Platform Funding Limited	Secretariat, Miller Street Tower, Miller Street, Manchester England M60 0AL	See the section entitled " <i>Platform Funding Limited</i> " for further information.
	Mortgage Agency Services Number Four Limited	Secretariat, Miller Street Tower, Miller Street, Manchester England M60 0AL	See the section entitled " <i>Mortgage Agency Services Number Four Limited</i> " for further information.
	Mortgage Agency Services Number Five Limited	Secretariat, Miller Street Tower, Miller Street, Manchester England M60 0AL	See the section entitled " <i>Mortgage Agency Services Number Five Limited</i> " for further information.
Servicer	Western Mortgage Services Limited	17 Rochester Row, London SW1P 1QT	Servicing Agreement by the Issuer, the Sellers and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
Back-Up Servicer	Homeloan Management Limited	The Pavilions, Bridgwater Road, Bristol, Avon, BS13	Back-Up Servicing Agreement by the Issuer, the Sellers and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Back-Up Servicing Agreement</i> " for further

Party	Name	Address	Document under which appointed/Further Information
		8AE	information.
Cash Manager	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Cash Management Agreement by, <i>inter alios</i> , the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for further information.
Liquidation Agent	Pricewaterhouse- Coopers LLP	7 More London Riverside, London, SE1 2RT	Liquidation Agent Agreement. See the section entitled " <i>Summary of the Transaction Documents – Liquidation Agent Agreement</i> " for further information.
Account Banks	Citibank, N.A., London Branch ("Citi Account Bank")	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	The Citi Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The Citi Bank Account Agreement</i> " for further information.
	BNP Paribas Securities Services, London Branch ("BNPP Account Bank")	BNP Paribas Securities Services, 55 Moorgate, London EC2R 6PA	The BNPP Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The BNPP Bank Account Agreement</i> " for further information.
Security Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR	Deed of Charge. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Note Trustee ...	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR	Trust Deed. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Principal Paying Agent and Agent Bank	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Agency Agreement by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Back-Up Servicer Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Servicing Agreement by, <i>inter alios</i> , the Issuer, the Sellers and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
Replacement Cash Manager Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Cash Management Agreement by, <i>inter alios</i> , the Issuer, the Sellers and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for further information.
Registrar	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London,	In respect of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes, the Agency Agreement, by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further

Party	Name	Address	Document under which appointed/Further Information
		E14 5LB	information.
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings.
Share Trustee	SFM Corporate Services Limited	35 Great St. Helen's, London, EC3A 6AP	Share Trust Deed by the Share Trustee
Collection Account Bank	National Westminster Bank Plc (the " Collection Account Bank ")	135 Bishopsgate, London EC2M 3UR	From the Closing Date, the obligations of the Collection Account Bank may be transferred from the Collection Account Bank to the Co-operative Bank or another bank appointed by the Servicer.
Originators	Platform Funding Limited	Secretariat, Miller Street Tower, Miller Street, Manchester England M60 0AL	See the section entitled " <i>Platform Funding Limited</i> " for further information.
	GMAC-RFC Limited (now called Paratus AMC Limited) (" GMAC-RFC " or " GMAC ")	Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA	See the section entitled " <i>GMAC-RFC</i> " for further information. GMAC-RFC is not party to any Transaction Documents.
Arranger	Merrill Lynch International (" Bank of America Merrill Lynch ")	2 King Edward Street, London, EC1A 1HQ	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
Joint Lead Managers	Merrill Lynch International (" Bank of America Merrill Lynch ")	2 King Edward Street, London, EC1A 1HQ	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
	Morgan Stanley & co. International plc (" Morgan Stanley ")	25 Cabot Square, London E14 4QA	
	Citigroup Global Markets Limited (" Citigroup ")	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	
	The Royal Bank of Scotland plc	135 Bishopsgate London EC2M	

<u>Party</u>	<u>Name</u>	<u>Address</u>	<u>Document under which appointed/Further Information</u>
	("RBS")	3UR	

RISK FACTORS

The following is a description of the principal risks associated with an investment in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (together the "Notes"). These risk factors are material to an investment in the Notes and in the Issuer. Prospective Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholder, Class E Noteholders and Class F Noteholders (together the "Noteholders") should carefully read and consider all the information contained in this Prospectus, including the risk factors set out in this section, prior to making any investment decision.

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

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

Credit Structure

Liabilities Under the Notes and the Residual Certificates

The Notes and the Residual Certificates will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes or Residual Certificates shall be accepted by any of the Sellers, the Co-operative Bank, Holdings, the Originators, the Arranger, the Joint Lead Managers, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Servicer Facilitator, the Replacement Cash Manager Facilitator, the Corporate Services Provider, the Liquidation Agent, the Citi Account Bank, the BNPP Account Bank, the Principal Paying Agent, the Agent Bank, the Collection Account Bank, the Registrar, the Share Trustee, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and amounts due on the Residual Certificates and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio and any Rebate of Initial Consideration, interest earned on the Deposit Accounts, and the availability of each of the General Reserve Fund and the Liquidity Reserve Fund (subject to application in accordance with the relevant Priority of Payments and certain Cumulative Default Triggers). 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 the Residual Certificates and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes and the Residual Certificates under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders, the Certificateholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Property following service of a Note Acceleration Notice is described below (see further "*English law security and insolvency considerations*").

Limited recourse

The Notes and the Residual Certificates will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes and the Residual Certificates will be dependent upon the receipt by it in full of (a) principal, interest and fees from the Borrowers under the Loans and their Related Security in the Portfolio and any Rebate of Initial Consideration, (b) interest income on the Deposit Accounts, and (c) funds available in the General Reserve Fund and the Liquidity Reserve Fund (subject to application in accordance with the relevant Priority of Payments and certain Cumulative

Default Triggers). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the Security by the Security Trustee, if:

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

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

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 order of priority set out in the Deed of Charge shall be received and held by it as trustee for the Security Trustee and shall be paid over to the Security Trustee immediately upon receipt so that such amount can be applied in accordance with the order of priority set out in the Deed of Charge.

Deferral of interest payments on the Notes

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of any class of Notes (other than the Most Senior Class of Notes), after having paid or provided for items of higher priority in the applicable Priority of Payments, then that amount shall not be due and payable and the Issuer will be entitled under Condition 17 to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date and it shall not constitute an Event of Default. To the extent that there are insufficient funds on the following Interest Payment Date, the deferral of interest shall continue until the first date upon which the whole Principal Amount Outstanding in respect of the relevant class of Notes becomes due for redemption.

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 a Loan and its Related Security in order to discharge all amounts due and owing by the relevant Borrowers under its Loan, which may adversely affect payments on the Notes and the Certificateholders. This risk is mitigated to some extent in respect of the Notes by certain credit enhancement features which are described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

Liquidity risk

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers (if, for example such payment is made after the end of the Collection Period immediately preceding the Interest Payment Date). This risk is addressed in respect of the Notes by the provision of liquidity from alternative sources as described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such liquidity features, or that such liquidity features will protect the Noteholders from all risk of loss.

Subordination of the Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, the Principal Residual Certificates and the Revenue Residual Certificates

The Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes at all times; the Class C Notes are subordinated in right of payment of interest to the Class A Notes and the Class B Notes at all times; the Class D Notes are subordinated in right of payment of interest to the Class A Notes, the Class B Notes and the Class C Notes at all times, the Class E Notes are subordinated in right of payment of interest to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes at all times; and the Class F Notes are subordinated in right of payment of interest to the Class A Notes, the Class B Notes, the Class C Notes, Class D Notes and Class E Notes at all times.

The Principal Residual Certificates are subordinated in right of any payment to payments of principal on all of the Notes. The Revenue Residual Certificates are subordinated in right of any payment to payments of interest on all of the Notes.

The subordination of the Notes, the Principal Residual Certificates and the Revenue Residual Certificates are further set out in "*Cashflows — Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflows — Application of Amounts standing to the credit of the General Reserve Fund prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflows — Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflows — Application of Liquidity Reserve Fund prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows — Distribution of Available Principal Receipts, Available Revenue Receipts, Amounts standing to the credit of the General Reserve Fund, and Amounts standing to the credit of the Liquidity Reserve Fund Following the Service of a Note Acceleration Notice on the Issuer*".

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

Revenue and Principal Deficiency

If, on any Interest Payment Date, there are shortfalls in Available Revenue Receipts relative to the amount required to pay: (i) interest due on the Class A Notes, amounts ranking in priority to the payment of interest on the Class A Notes and amounts necessary to eliminate any debit balances on the Class A Principal Deficiency Sub-Ledger, (ii) interest due on the Class B Notes, amounts ranking in priority to the payment of interest on the Class B Notes and amounts necessary to eliminate any debit balances on the Class B Principal Deficiency Sub-Ledger, (iii) interest due on the Class C Notes, amounts ranking in priority to the payment of interest on the Class C Notes and amounts necessary to eliminate any debit balances on the Class C Principal Deficiency Sub-Ledger, (iv) interest due on the Class D Notes, amounts ranking in priority to the payment of interest on the Class D Notes and amounts necessary to eliminate any debit balances on the Class D Principal Deficiency Sub-Ledger, (v) interest due on the Class E Notes, amounts ranking in priority to the payment of interest on the Class E Notes and amounts necessary to eliminate any debit balances on the Class E Principal Deficiency Sub-Ledger and (vi) interest due on the Class F Notes, amounts ranking in priority to the payment of interest on the Class F Notes and amounts necessary to eliminate any debit balances on the Class F Principal Deficiency Sub-Ledger, then the Issuer (or the Cash Manager on its behalf) may apply (1) a drawing from the amounts standing to the credit of the General Reserve Fund in accordance with the General Reserve Fund Priority of Payments; (2) the Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments; and (3) a drawing from the amounts standing to the credit of the Liquidity Reserve Fund in accordance with the Liquidity Reserve Fund Priority of Payments, in each case subject to any applicable Cumulative Default Triggers. If Available Principal Receipts (if any) or a drawing from the Liquidity Reserve Fund are applied to cure a shortfall in Available Revenue Receipts relative to such payments, the consequences set out in the following paragraph may result.

Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio and application of any Principal Receipts or drawing from the Liquidity Reserve Fund to meet any items listed above will be recorded (a) first, to the Principal Residual Certificate Principal Deficiency Sub-Ledger up to a maximum of the PRC Overcollateralisation Amount less the aggregate amount of all Residual Payments that have been made in respect of Principal Residual Certificates since the Closing Date; (b) second, to the Class F Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class F Notes then outstanding; (c) third, to the Class E Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class E Notes then outstanding; (d) fourth, to the Class D Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class D Notes

then outstanding; (e) fifth, to the Class C Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class C Notes then outstanding; (f) sixth, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class B Notes then outstanding; and (g) seventh, to the Class A Principal Deficiency Sub-Ledger up to an amount equal to the 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 (subject to certain Cumulative Default Triggers) amounts standing to the credit of the General Reserve Fund. Available Revenue Receipts and amounts standing to the credit of the General Reserve Fund will be applied, after meeting prior ranking obligations as set out under the relevant Priority of Payments, (in relation to Available Revenue Receipts) in accordance with the Revenue Priority of Payments and (in relation to amounts standing to the credit of the General Reserve Fund) (subject to certain Cumulative Default Triggers) in accordance with the General Reserve Priority of Payments (respectively), as a credit to the Principal Deficiency Ledger. Further, where amounts standing to the credit of the Liquidity Reserve Fund Ledger that are Liquidity Reserve Fund Excess Amounts released for application as Available Principal Receipts, the Issuer will make a corresponding debit entry on the Liquidity Reserve Fund Ledger. Where a credit entry is made on the Principal Deficiency Ledger, such credit shall be applied to: first the Class A Principal Deficiency Sub-Ledger, second the Class B Principal Deficiency Sub-Ledger, third the Class C Principal Deficiency Sub-Ledger, fourth the Class D Principal Deficiency Sub-Ledger, fifth the Class E Principal Deficiency Sub-Ledger, and sixth the Class F 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 such Class of 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 Class A Principal Deficiency Sub-Ledger, Class B Principal Deficiency Sub-Ledger, Class C Principal Deficiency Sub-Ledger, Class D Principal Deficiency Sub-Ledger, Class E Principal Deficiency Sub-Ledger, or Class F Principal Deficiency Sub-Ledger.

Interest Rate Risk

The Loans in the Portfolio are subject to variable interest rates while the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR.

The Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR, while the Portfolio contains Loans that are subject to interest rates calculated by reference to either the London Interbank Offered Rate ("**LIBOR**"), the Bank of England's base rate or a variable interest rate that is based on the Bank of England's base rate.

Where a mortgage rate is calculated by reference to LIBOR, the calculations are only carried out periodically and may not be carried out at the same time as the calculations that determine the amount of interest payable on the Notes or the Revenue Residual Certificates. For more information please see the section titled "*The Loans – The Portfolio – Interest Rate Types*". In relation to Loans in the Portfolio to which a standard variable rate applies, the Servicer will be required to set the Issuer Standard Variable Rate at the same level as the standard variable rate which applies to similar Loans beneficially owned by the various Sellers outside the Portfolio. However, if, on any Rate Fixing Date, the Standard Variable Rate applicable to the Sellers is less than Average Three-Month Sterling LIBOR *plus* two per cent., then after 30 days from that Rate Fixing Date, the Servicer will be required to set the Issuer Standard Variable Rate at Average Three-Month Sterling LIBOR *plus* two per cent., subject to an appropriate notice to the Borrowers. This means that there may be a delay before the Issuer starts receiving interest at the adjusted rate to take into account the minimum level.

For more information please see the section titled "*The Loans – Setting of Interest Rates on the Loans*".

As at the date of this Prospectus, the Issuer has not entered into any interest rate swap or other hedging transaction, and as a result there is no hedge in respect of the risk of any variances in the interest charged on any Loans which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors.

"**Three-Month Sterling LIBOR**" means the London Interbank Offered Rate for three-month Sterling deposits as displayed on Reuters Screen page LIBOR01.

Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption

The yield to maturity on the Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Notes (as applicable). prepayments on the Loans may result from a Borrower choosing to repay early, refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under any applicable insurance policies. In addition, repurchases of Loans required to be made under the Mortgage Sale Agreements in certain circumstances and application of Make-Whole Amounts as part of the Remediation Project will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes 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. In addition, if the relevant Seller is required to repurchase a Loan or Loans under a Mortgage Account and its or their Related Security because, for example, one of the Loans does not comply with the Loan Warranties and this causes a material adverse effect on the value of that Loan, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Available Principal Receipts will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (to the extent not used to credit the Liquidity Reserve Fund) (see "*Cashflows*" below).

At any time on or after the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Notes (the "**Clean-Up Call**"). Furthermore, as described in detail in the section entitled "*Early Redemption of the Notes*", Loans may be sold pursuant to a Portfolio Option or Market Portfolio Sale and the Notes will be redeemed in full on the Interest Payment Date on which the Loans are sold.

In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax.

The redemption of the notes pursuant to the Clean-Up Call, the exercise of the Portfolio Option, the exercise of a Market Portfolio Sale, or pursuant to a change in tax law may lead to a reduction in the average weighted life of the Notes.

Following the occurrence of an Event of Default, service of a Note Acceleration Notice and enforcement of the Security, there is no assurance that the Issuer will have sufficient funds to redeem the Notes in full.

Further, in very limited circumstances, an Interest-only Loan may be changed to a repayment or part-repayment loan in order to control or manage the repayment of capital shortfalls at the time of the final repayment. This may change the profile of the Loans forming part of the Portfolio as at the Closing Date and, in some cases where the maturity date of the Loan is extended and the Loan converted from interest-only to a repayment or part-repayment loan to allow a Borrower to manage repayments of capital, significantly extend the time it takes to recover the principal amounts in relation to a Loan.

Ratings of the Notes

The ratings address the likelihood of full and timely payment to the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders, Class E Noteholders or Class F Noteholders (as applicable) of all payments of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes (as applicable). The Principal Residual Certificates and Revenue Residual Certificates will not be rated by the Rating Agencies.

The expected ratings of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes to be assigned on the Closing Date are set out in "*Ratings*", below. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including without limitation, a reduction in the credit rating of the Citi Account Bank, the BNPP Account Bank and/or the Collection Account Bank or the servicer rating of the Back-Up Servicer and/or the Cash Manager) in the future so warrant. See also "*Change of Counterparties*" below.

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

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

As highlighted above, the ratings assigned to the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes by each Rating Agency are based on, amongst other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Back-Up Servicer and the Account Banks. 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, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F 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, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes (as applicable) 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 European Central Bank and the Bank of England.

Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by Moody's and S&P, which are credit rating agencies established in the European Community and registered under the CRA Regulation.

Market Disruption

The Rates of Interest in respect of the Notes for the relevant Interest Period shall be the aggregate of (I) the Relevant Margin and (II) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)). Condition 5.3 (*Rate of Interest and Step-up Margins*) contains provisions for the calculation of such underlying rates, in respect of the Notes, based on rates given by various market information sources and Condition 5.3 (*Rate of Interest and Step-up Margins*) contains an alternative method of calculating the underlying rate should any of those market information sources, including the Relevant Screen Rate, be unavailable. The market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

LIBOR and Reference Banks

If the Relevant Screen Rate is not available (as described in "*Market Disruption*" above) there can be no guarantee that the Agent Bank shall be able to appoint one or more Reference Banks to provide Reference Quotations, in order to determine the Reference Rate in respect of the Notes. Certain financial institutions that have historically acted as Reference Banks, have indicated that they will not currently provide LIBOR quotations and there can be no assurance that they will agree to do so in the future. No Reference Banks have been appointed at the date of this Prospectus. The Agent Bank has covenanted in the Conditions to use reasonable endeavours to appoint Reference Banks if the Relevant Screen Rate is not available, but there can be no assurance that it will be able to do so.

If the Relevant Screen Rate is not available and the Issuer is unable to appoint one or more Reference Banks to provide quotations or otherwise obtain quotations, the Rate of Interest in respect of such Interest Payment Date (the "**Reference Rate**") shall be determined, pursuant to Condition 5.3 (*Rate of Interest and Step-Up Margin*), to be the most recent Reference Rate that was determined by reference to the Relevant Screen Rate or through quotations provided by one or more Reference Banks. To the extent interest amounts in respect of the Notes are determined by reference to a previously calculated Reference Rate, Noteholders may be adversely affected (including where the Bank of England Base Rate has risen since the date of calculation of such Reference Rate). In such circumstances, the Agent Bank shall not have any obligation to determine the Rate of Interest on any other basis.

Ratings confirmation in relation to the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F 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 Note Trustee, or as the case may be, the Security Trustee will not have an adverse effect on the then current rating of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and/or Class F Notes (a "**Ratings Confirmation**").

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Note Trustee or as the case may be, the Security Trustee will not have an adverse effect on the then current rating of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and/or Class F Notes does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or not prejudicial to, the relevant Class of Noteholders. While entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the relevant Class of 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 relevant Class of Noteholders), the Issuer, the Note Trustee, the Security Trustee or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the relevant Class of Noteholders), the Issuer, the Note Trustee, the Security 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 nature of the request, 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 will 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 Note Trustee and the Security Trustee are not obliged to act in certain circumstances

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding

of the Most Senior Class of Notes then outstanding (or if no Notes remain outstanding, of not less than 25 per cent. in number of the Most Senior Class of Residual Certificates then outstanding) or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes (or if no Notes remain outstanding, of the holders of the Most Senior Class of Residual Certificates) shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give a Note Acceleration Notice to the Issuer that (in the case of the Noteholders) all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest thereon or (in the case of the Certificateholders) all Residual Payments pursuant to the Residual Certificates shall immediately become due and payable, as applicable, as provided in the Trust Deed.

The Note Trustee may, at any time, at its discretion and without notice, take such proceedings (including lodging an appeal in any proceedings), actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Residual Certificates or the Trust Deed (including the Conditions or the Residual Certificates Conditions) or any of the other Transaction Documents to which it is a party or, for as long as any Notes or Residual Certificates are outstanding, direct the Security Trustee to enforce the Security in accordance with the terms of the Deed of Charge. However the Note Trustee and the Security Trustee (as applicable) will not be bound to take any such proceedings, action or steps, and the Security Trustee will not be bound to act on any such direction or instruction, unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking Class or Classes of Noteholders or Certificateholders (including the provisions set out in Clause 13 (*Action, Proceedings and Indemnification*) and Schedule 3 and Schedule 4 to the Trust Deed), the Note Trustee shall have been so directed (or the Note Trustee shall have been directed to direct the Security Trustee) by an Extraordinary Resolution of the holder of the Most Senior Class of Notes or directed in writing by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if all of the Notes have been redeemed, it has been directed to do so by an Extraordinary Resolution of the Most Senior Class of Certificateholders or in writing by the holders of at least 25 per cent. in number of the Most Senior Class of Residual Certificates; and
- (b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to its satisfaction.

See further "*Terms and Conditions of the Notes – Condition 11 (Enforcement)*" and "*Terms and Conditions of the Residual Certificates – Condition 10 (Enforcement)*" below.

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

In relation to the undertakings to be given by each Seller to the Issuer in the relevant Mortgage Sale Agreement in accordance with the Article 405 of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Delegated Act regarding the material (5%) net economic interest to be retained by the Sellers and certain requirements as to providing investor information in connection with the CRR and AIFMR, neither the Note Trustee nor the Security Trustee shall be under any obligation to monitor the compliance by the Sellers with such undertakings or to investigate any matter which is the subject of such undertaking and shall not be under any obligation to take any action in relation to non-compliance with such undertaking unless and until the Note Trustee or Security Trustee has received actual written notice of the same from any party to a Relevant Document, in which event the only obligation of the Note Trustee and Security Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Note Trustee and Security Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the Most Senior Class.

Meetings of Noteholders, Modification and Waivers

The Conditions and the Residual Certificates Conditions contain provisions for calling meetings of Noteholders and Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Certificateholders including Noteholders

and Certificateholders who did not attend and vote at the relevant meeting and Noteholders and Certificateholders who voted in a manner contrary to the majority. The Conditions and the Residual Certificates Conditions provide that other than an Extraordinary Resolution in relation to a Basic Terms Modification, an Extraordinary Resolution or Ordinary Resolution passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and the Certificateholders irrespective of the effect it has upon them. An Extraordinary Resolution or Ordinary Resolution passed by any Class of Noteholders which is not the Most Senior Class of Noteholders or the Certificateholders shall be ineffective unless sanctioned by an Extraordinary Resolution of the Most Senior Class.

The Conditions and the Residual Certificates Conditions also provide that (i) the Note Trustee may agree, from time to time and at any time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents, and without the consent or sanction of the Noteholders or Certificateholders or any other Secured Creditors and (ii) the Security Trustee will agree, upon the written instructions of the Note Trustee so long as there are any Notes or Residual Certificates outstanding, or, if there are no Notes or Residual Certificates outstanding may agree with the written consent of the Secured Creditors which are a party to the relevant Transaction Document, to: (a) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes, the Residual Certificates Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the holders of the Most Senior Class; or (b) any modification which, in the Note Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error, provided that the Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Note Trustee or the Security Trustee, as applicable, to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights, powers, authorities, indemnification or protections, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions and/or the Residual Certificates Conditions. The Note Trustee may also, without the consent of the Noteholders or the Certificateholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders or the Certificateholders (and if in the Note Trustee's sole opinion there is a conflict between the interests of any Classes of Notes or any Classes of Residual Certificates, it will have regard solely to the interests of the Most Senior Class), determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such. See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver and Substitution)*" and "*Terms and Conditions of the Residual Certificates – Condition 11 (Meetings of Noteholders and Certificateholders, Modification, Waiver and Substitution)*" below.

The Conditions also provide that the Issuer, Servicer and/or the Cash Manager (each a "**Requesting Party**") may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Notes or Residual Certificates remain outstanding) direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect the closure of the Collection Accounts held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be the Co-operative Bank) as the replacement collection account bank (the "**Replacement Collection Account Bank**"), the opening of one or more replacement collection accounts with the Replacement Collection Account Bank (which may each be used to collect direct debit payments in respect of one or more Sellers and/or other payments in respect of loans not in the Portfolio) (each a "**Replacement Collection Account**"), the transfer of any monies from the Collection Account to a Replacement Collection Account and the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account) (the "**Transaction Amendments**"), irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any Certificateholder, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall be obliged to enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or the Certificateholders or any other Secured Creditors if the Amendment Conditions are satisfied. "**Amendment Conditions**", means:

- (i) the Replacement Collection Account Bank meets the Collection Account Rating Agency Required Ratings;

- (ii) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that Moody's and any other Rating Agency not included in the definition of Collection Account Rating Agency Required Ratings have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objections thereto;
- (iii) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and
- (iv) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (i) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or the Security Trustee or (ii) exposing the Note Trustee or the Security Trustee to any liability which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

Neither the Note Trustee nor the Security Trustee are required to consider the interests of any other person in entering into (or, where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them is entitled to rely absolutely and without liability and without further investigation on any confirmation provided to it in connection with the Transaction Amendments and is not required to monitor or investigate whether the Issuer, Servicer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be) is acting in a commercially reasonable manner. Neither the Note Trustee nor the Security Trustee shall be responsible for any liability that may be occasioned to any person by acting in accordance with the relevant provisions of the Transaction Documents based on any written notification or confirmation it receives from the Issuer, Servicer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be).

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

The Conditions also provide that the Issuer may, at any time during the term of the Trust Deed, request that the Note Trustee in making any modification or requests that the Note Trustee directs the Security Trustee to make a modification (other than in respect of a Basic Terms Modification) to the Conditions or any other Transaction Document to which the Note Trustee or the Security Trustee is a party or in relation to which the Security Trustee holds security that the Issuer considers necessary (in summary):

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies;
- (b) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 51(1) of the AIFMR, Article 17 of the AIFMD and Article 254(2) of the Solvency II Delegated Act, after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on the London Stock Exchange
- (d) for the purposes of enabling the Issuer or a Transaction Party to comply with certain sections of the U.S. Internal Revenue Code of 1986, agreements relating thereto, FATCA, and similar tax laws; or
- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards relating thereto,

in each case provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee (as applicable);
- (B) the Issuer or Servicer on its behalf certifies to the Note Trustee and the Security Trustee (as applicable) that the drafting changes meet the criteria above (upon which certificate the Note Trustee and the Security Trustee (as applicable) may rely absolutely without further enquiry or liability to any person for so doing);
- (C) the prior written consent of each Secured Creditor (other than any Noteholder and Certificateholder) which is party to the Relevant Document has been obtained
- (D) either:
 - (1) the Issuer (or the Servicer on its behalf) obtains from each of the Rating Agencies written confirmation (or where not practicable, oral confirmation) that such modification would not 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); or
 - (2) the Issuer (or the Servicer on its behalf) 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 the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent)
- (E) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class and the Certificateholders of each Class (in accordance with the Conditions) of the proposed modification; and
- (F) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or, if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates then outstanding have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or, if no Notes are outstanding, Certificateholders representing at least 10 per cent. in number of the Most Senior Class of Residual Certificates have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders or Certificateholders of the Most Senior Class of Notes or Most Senior Class of Residual Certificates then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*) or Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*), as applicable.

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes or Certificateholder's holding of the Residual Certificates.

Where such Noteholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*), then the Note Trustee shall be obliged to agree to the modification and such modification will be made.

Other than where specifically provided in Condition 12.15 (*Additional Right of Modification*) or Residual Certificates 11.14 (*Additional Right of Modification*), as applicable, or any Relevant Document:

- (a) when implementing any modification pursuant to Condition 12.15 (*Additional Right of Modification*) or Residual Certificates Condition 11.14 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee or the Security Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and absolutely and without further investigation or liability on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 12.15 (*Additional Right of Modification*) or Residual Certificates Condition 11.14 (*Additional Right of Modification*), as applicable, and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) the Note Trustee (or as the case may be, the Security Trustee) shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or the Conditions.

The full requirements in relation to the modifications discussed above are set out in Condition 12.15 (*Additional Right of Modification*) and Residual Certificates Condition 11.14 (*Additional Right of Modification*).

There can be no assurance that the effect of such modifications to the Relevant Documents will not adversely affect the interests of the holders of one or more or all Classes of Notes.

Rights of Noteholders, Certificateholders and Secured Creditors

Conflict between Noteholders, Certificateholders and the other Secured Creditors

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

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

If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the holders of the Revenue Residual Certificateholders on one hand and the interests of the Principal Residual Certificateholders on the other hand, then the Note Trustee is required to have regard only to the interests of the Principal Residual Certificateholders (for so long as there are any Principal Residual Certificates outstanding).

In having regard to the interests of the Noteholders or Certificateholders, the Security Trustee shall be entitled to rely solely on a confirmation from the Note Trustee as to whether, in the opinion of the Note Trustee, any matter, action or omission is or is not in the interests of or is or is not materially prejudicial to the interests of any Class of Noteholder or Class of Certificateholders.

Where the Security Trustee is required to have regard to the interests of any Secured Creditor (other than the Noteholders and the Certificateholders), the Security Trustee may consult with that Secured Creditor as to whether, in the opinion of that Secured Creditor, any matter, action or omission is or is not in the interests of, or is or is not materially prejudicial to the interests of that Secured Creditor.

In performing its duties as Security Trustee, the Security Trustee will take instructions from the Note Trustee for as long as any of the Notes or Residual Certificates remain outstanding and will not be required to take into account the interests of any Issuer, Secured Creditor other than the Noteholders or the Certificateholders. If there are no Notes or Residual Certificates outstanding the Security Trustee, in performing its duties as Security Trustee, will take instructions from the Secured Creditors acting together.

If any of the Notes or Residual Certificates of any Class are held by or on behalf of or for the benefit of any of the Sellers or Co-op, any holding company of any of them or any other subsidiary of any such holding company (the "**Relevant Persons**"), in each case as beneficial owner, those Notes or Residual Certificates of such Class will (unless and until ceasing to be so held) be deemed not to remain outstanding. However:

- (a) in relation to a matter relating to a Basic Terms Modification, the Relevant Class of Notes or, as applicable, Relevant Class of Residual Certificates shall be deemed to remain outstanding;
- (b) if (i) all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons (the "**Relevant Class of Notes**") and (ii) there is no other Class of Notes or Residual Certificates ranking *pari passu* with, or junior to, the Relevant Class of Notes where one or more Relevant Persons are not the beneficial owners of all the Notes of such Class or all the Residual Certificates of such Class (as the case may be), the Notes held by or on behalf of or for the benefit of the Relevant Persons shall be deemed to remain outstanding; and
- (c) if (i) all of the Residual Certificates of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons (the "**Relevant Class of Residual Certificates**") and (ii) there is no other Class of Residual Certificates ranking *pari passu* with, or junior to, the Relevant Class of Residual Certificates where one or more Relevant Persons are not the beneficial owners of all the Residual Certificates, the Residual Certificates held by or on behalf of or for the benefit of the Relevant Persons shall be deemed to remain outstanding.

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

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

Absence of secondary market

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 exist as at the date of this Prospectus or in the future, in particular as a result of any restructuring of sovereign debt by countries in the Eurozone. 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 forth under "*Subscription and Sale*" and "*Transfer and Selling Restrictions*". To the extent that a secondary market exists, it may not continue for the life of the Notes or it may not provide Noteholders with liquidity of investment with the result that a Noteholder may not be able to find a buyer to buy its

notes readily or at prices that will enable the Noteholder to realise a desired yield. Any investor in the Notes must be prepared to hold their Notes until their Final Maturity Date.

Significant Investor

The Co-operative Bank p.l.c. (the "**Co-operative Bank**" or "**Co-op**") will, on the Closing Date, purchase up to 80 per cent. of the Class A Notes and may retain or at a later date sell some or all of those Notes in the secondary market at variable prices (which may, in turn, affect the liquidity and price of the Notes and/or Residual Certificates in the secondary market). The Co-op may sell the Notes in individually negotiated transactions at variable prices in the secondary market. In retaining some or all of the Class A Notes, Co-op may have a majority holding and hold a sufficient amount to block the passing of Basic Terms Modifications (see "*Rights of Noteholders, Certificateholders and Secured Creditors*" for further information).

Also, on the Closing Date, the Sellers will receive the Residual Certificates as partial consideration for the sale of the Mortgage Portfolio. The Sellers will, on the Closing Date, sell those Residual Certificates to one or more purchasers, but the number of purchasers is expected to be limited.

If the Notes are at any time held by or on behalf of the Sellers, the Co-operative Bank, any holding company of any of them or any other subsidiary of any such holding company, they will have voting rights in relation to Basic Terms Modifications and their interests may not be aligned with those of other Noteholders.

Therefore, significant concentrations of holding of Notes and Residual Certificates is likely to occur.

The Mortgages

Each Seller to Initially Retain Legal Title to the Loans and risks relating to set-off

The sale by each Seller to the Issuer of the English Loans and Northern Irish Loans and their Related Security (until legal title is conveyed) takes effect in equity only. The sale by the relevant Seller to the Issuer of the Scottish Loans and their Related Security is given effect to by a Scots law governed declaration of trust by the relevant Seller by which the beneficial interest in such Scottish Loans and their Related Security is held on trust by the relevant Seller for the benefit of the Issuer (the "**Scottish Declaration of Trust**"). The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales. In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the relevant Seller until certain trigger events occur under the terms of the relevant Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents — Mortgage Sale Agreement*", below). Until such time, the assignment by the relevant Seller to the Issuer of the English Loans and Northern Irish Loans and their Related Security takes effect in equity only whereas in respect of the Scottish Loans and their Related Security held on trust pursuant to the Scottish Declaration of Trust by the relevant Seller in favour of the Issuer, the Issuer will hold a beneficial interest only. The Issuer has not and will not apply to the Land Registry or Northern Ireland Land Registry or the Registry of Deeds, Belfast to register or record its equitable interest in the English Mortgages or Northern Irish Mortgages (as applicable) and may not in any event apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the "**Registers of Scotland**") to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust.

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

Further, prior to the insolvency of the relevant Seller, unless (i) notice of the assignment was given to a Borrower who is a creditor of the relevant Seller in the context of the English Loans and Northern Irish Loans and their Related Security, and (ii) an assignation of the Scottish Loans and their Related Security

is effected by the relevant Seller to the Issuer and notice thereof is then given to a Borrower who is a creditor of the relevant Seller, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the relevant Seller under the relevant Loan. These rights may occur in relation to transactions or deposits made between Borrowers and the relevant Seller and 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 or assignation is given to the Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given. For the purposes of this Prospectus, references herein to "set-off" shall be construed to include analogous rights in Scotland.

Until notice of the assignment or assignation is given to 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 relevant Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the relevant Seller. However, the relevant Seller will undertake, pursuant to the relevant Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer.

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

Once notice has been given to the Borrowers of the assignment or assignation of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the relevant 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 such as a claim for damages under a Further Advance) will not be affected by that notice and will continue to exist.

For so long as the Issuer does not have legal title to the Loans and their Related Security, the relevant 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 relevant Loans and their Related Security and the Issuer will have power of attorney to act in the name of the relevant Seller.

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

As described above, the sale by the relevant Seller to the Issuer of the English Loans and their Related Security and Northern Irish Loans and their Related Security will be given effect by an assignment and the sale of the Scottish Loans and their Related Security will be given effect under the Scottish Declaration of Trust. As a result, legal title to the Loans and their Related Security sold by the relevant Seller to the Issuer will remain with the relevant Seller until the occurrence of certain trigger events under the terms of the relevant Mortgage Sale Agreement. As noted above, the Issuer will be subject to certain independent rights of set-off which have arisen prior to the date on which the relevant Borrower received notice of the sale to the Issuer. In addition, the rights of the Issuer may be subject to "transaction set-off", being the direct rights of the Borrowers against the relevant Seller, including rights of set-off which occur in relation to transactions made between the Borrowers and the relevant Seller which are connected to the relevant Loan.

The relevant Borrower may set off any claim for damages arising from the relevant Seller's breach of contract against the relevant 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 right of a Borrower to set-off for transaction set-off is not limited or crystallised as a result of notice of the assignments or assignations to the Issuer being given by the relevant Borrower.

The amount of any such claim against the relevant 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 relevant 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, he or she may have a claim in respect of other indirect losses arising from the relevant Seller's breach of contract where there are special circumstances communicated by the Borrower to the relevant 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, in Scotland, decree is obtained.

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.

Further Advances and Capital Costs

Capital Costs will (where applicable in accordance with the terms and conditions of the Loans) be added to the balance of the relevant Loan and will be funded out of the Retained Principal Receipts Ledger. Amounts standing to the credit of the Retained Principal Receipts Ledger not used for the funding of Capital Costs will be applied as Available Principal Receipts on each Interest Payment Date. On each Interest Payment Date, Available Principal Receipts will be used to replenish the Retained Principal Receipts Ledger up to the Retained Principal Required Amount, in priority to the redemption of the Notes, in accordance with the Pre-Acceleration Principal Priority of Payments. This may adversely affect the principal available for redemption of the Notes.

The Sellers no longer permit Further Advances.

Porting

If a Borrower ports a Loan comprised in the Portfolio prior to the occurrence of a Perfection Event, such Loan will be deemed to be redeemed and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the Interest Payment Date immediately following the Collection Period in which the Loan was ported. The yield to maturity of the Notes may be adversely affected by such redemptions.

Selection of the Portfolio

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Sellers as at 30 April 2015 (the "**Portfolio Reference Date**"). The Provisional Portfolio as at the Portfolio Reference Date comprised of 15,684 Loans with an aggregate Current Balance of £1,854,667,124.68. The portfolio that will be sold to the Issuer on the Closing Date will be randomly selected on the Closing Date Portfolio Selection Date from the Provisional Portfolio (the "**Closing Date Portfolio**"). The characteristics of the Closing Date Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, the random reduction in the size of the Portfolio, repayments and redemptions of Loans and the removal of any Loans from the Portfolio that do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date. Neither the Sellers nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Portfolio between the Portfolio Reference Date and the Closing Date. In addition to the Closing Date Portfolio, Mortgage Loans have been randomly selected from the Provisional Portfolio, representing no less than 5 per cent. of the nominal amount of the Closing Date Portfolio which will be held as at the Closing Date between the Sellers in compliance with Article 405 of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Delegated Act. This will affect the characteristics of the Loans in the Portfolio. However all loans held by the Sellers for the purposes of such compliance would have been eligible for the Closing Date Portfolio had they been randomly selected for inclusion.

Remediation Project

In respect of certain Mortgage Loans in the Provisional Date Portfolio, the conduct of the relevant Originator and/or Seller in the origination and servicing of those Mortgage Loans may not have been in accordance with certain regulatory requirements or Co-op's standards for customer treatment and/or certain provisions of the terms and conditions of the Mortgages may have been breached by the relevant

Originator and/or Seller (which are described fully in "*The Co-operative Bank P.L.C.*" and "*The Loans - Remediation Project*").

Of the 16,079 Sub-Accounts in the Provisional Portfolio, the Co-operative Bank has estimated that approximately 9,337 Sub-Accounts are or could be affected by one or more of the Conduct Issues. There can be no assurance that this estimate is accurate and investors should be aware that the actual number of Affected Borrowers in the Provisional Portfolio may differ from this estimate. Further, Loans will be randomly selected from the Provisional Portfolio to comprise the Closing Date Portfolio, and there can be no assurance that the relative proportion of Affected Borrowers to Loans in the Closing Date Portfolio will not be higher than the proportion in the Provisional Portfolio.

Each of the Sellers will seek to redress Affected Borrowers with outstanding Loans for such issues by reducing the mortgage balances of those Loans. In respect of any such Loans to Affected Borrowers who are not yet fully remediated comprised in the Closing Date Portfolio, the principal amount of such Loan may be reduced. The size of the provisions for the Conduct Issues in relation to the Loans included in the Provisional Portfolio is approximately £5.15 million. This amount represents 0.28% of the Current Balance of the Loans in the Provisional Portfolio. However, when Loans to be included in the Closing Date Portfolio are randomly selected from the Provisional Portfolio, this proportion may increase, decrease or remain the same, and the amount of rebate to the initial consideration to be provided by the Sellers for such amount to be deposited into the Make-Whole Ledger may remain the same or may need to be increased or decreased to reflect provisions on the Loans randomly selected for inclusion in the Closing Date Portfolio. The Cash Manager shall maintain a reserve ledger (the "**Make-Whole Ledger**") which will be funded on the Closing Date in an amount equal to the Projected Costs as at the Closing Date. In the event that the balance of the Make-Whole Ledger falls below the estimated remaining cost associated with such write-downs, the Sellers will, by way of Rebate of the Initial Consideration, pay to the Issuer an amount equal to the difference between the balance of the Make-Whole Ledger and the estimated remaining cost associated with such write-downs. Such amounts will be recorded to the credit of the Make-Whole Ledger. For more information see the section entitled "*The Loans - Remediation Project*".

There can be no assurance that the Sellers will be in a financial position to meet their obligations under such an indemnity. This risk is mitigated by the existence of the guarantee from the Co-operative Bank. However see "*Undertakings of the Sellers and guarantees from the Co-operative Bank*" below. Further, on the Make-Whole Ledger Discharge Date, the Make-Whole Ledger will be closed and any amounts standing to its credit paid to the Sellers as consideration for the Loans. The obligation of the Sellers to apply Rebates of the Initial Consideration will cease to have effect.

Any write-downs may therefore reduce the principal amount of the Loans in the Portfolio and affect the Issuer's ability to make payments due on the Notes or to redeem the Notes.

Undertakings of the Sellers and guarantees from The Co-operative Bank

The Sellers will give warranties to the Issuer in the relevant Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, such non-compliance causes a material adverse effect on the value of that Loan, and if the default (if capable of remedy) cannot be or is not cured within 90 days of the relevant Seller receiving notice of such non compliance, then the relevant Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property and their Related Security from the Issuer in accordance with the relevant Mortgage Sale Agreement. The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Sellers under the Mortgage Sale Agreements. If a Seller is required to repurchase a Loan pursuant to the terms of the relevant Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan at a repurchase price equal to its Current Balance *plus* any Accrued Interest.

The Co-operative Bank will also provide a guarantee to the Issuer in respect of the obligation of the Sellers to pay a Rebate of the Initial Consideration in relation to the Remediation Project described above in the event the balance of the Make-Whole Ledger falls below the estimated remaining costs associated with the write-down of the Loans.

The Co-operative Bank experienced extreme difficulty following its June 2013 announcement of a significant shortfall in common equity tier one capital ("CET1") of £1.5bn. Since then, significant elements of the uncertainty around the going concern status of the Co-operative Bank have been removed with the successful completion of the two capital raising exercises - the Liability Management Exercise in December 2013 and the equity capital raising in May 2014 together with the receipt of the Co-operative Group's £333m capital contribution. As at 31 December 2014 CET1 was 13%.

In December 2014, the PRA announced the results of the Bank of England Stress Tests and confirmed that the Co-operative Bank did not meet the required core equity capital threshold. As a result, the Co-operative Bank submitted a revised plan to the PRA which was accepted by it and runs from 2015 to 2019. The overarching strategy of the Co-operative Bank remains the same, however the Co-operative Bank has committed to an earlier deleverage of the Optimum portfolio than that contemplated by the original plan. This will have an impact on the Bank's income which will need to be offset by additional cost savings to enable the achievement of the cost income target by the end of the plan period.

On 6 May 2015, the Co-operative Bank successfully closed its securitisation of part of its non-core Optimum residential mortgage portfolio through the issuance of notes and residual certificates by Warwick Finance Residential Mortgages Number One Plc ("**Warwick Finance One**").

Warwick Finance One issued rated residential mortgage backed securities (RMBS) and residual certificates to investors which securities and certificates were backed by a portfolio of £1.5 billion residential mortgage loans. The successful completion of the transaction formed a key component of the Co-operative Bank's plan to accelerate the de-leveraging of its Non-core Assets in which the Optimum portfolio is included.

Consequently, the Co-operative Bank's CET1 ratio reached 14.9% as of 30 June 2015.

On 30 June 2015, the Co-operative Bank issued subordinated tier 2 notes in an aggregate principal amount of £250 million as a part of its revised business plan. The net proceeds of the issue of the notes by the Co-operative Bank will be used for general corporate purposes of the Co-operative Bank and will help the Co-operative Bank to comply with the regulatory requirements and the expectations of the FCA and PRA by further strengthening the Co-operative Bank's regulatory capital base.

The interim financial results for the first half of 2015 reflect the Bank's cost-reduction initiatives in addition to third party savings and branch rationalisation, reflecting cost savings relative to the prior year. Significant investment has also been made with a view to transforming the Bank's business into a simpler and more efficient retail bank. However, the Co-operative Bank's financial performance continues to be impacted by legacy issues and this is reflected in the Co-operative Bank's statutory loss before taxation for the first half year ending 30 June 2015 of £204.2 million.

Overall, the Co-operative Bank's turnaround plan (for itself and its subsidiaries (including the Sellers)) is still in its early stages and there are significant challenges in its execution, although much progress has been made over the 18 months up to 30 June 2015. The Co-operative Bank and its subsidiaries have a large number of remediation and redress programmes to implement along with substantial re-engineering of its operating model to reduce costs and improve efficiency and a very large and complex IT remediation project. A failure to successfully implement or a delay in implementing the Co-operative Bank's strategy and plans may adversely impact the business, operating results, financial condition, prospects, regulatory capital position of the Co-operative Bank and its subsidiaries, the ability of the Co-operative Bank to maintain its going concern status and the ability to comply with various regulatory requirements both in respect of capital and more generally.

The Bank's ability to implement its plan for itself and its subsidiaries is also influenced by external factors which may mean underpinning assumptions relating to economic or market conditions may be incorrect and negatively impact the plan (for example interest rates may not rise in accordance with assumptions underpinning the plan). Many of these are similar to those faced by other financial institutions, for example, deterioration in general economic conditions, instability of global financial markets (including the effect of macro political conditions in Europe) and the management of credit risk, interest rate risk, currency risk and market risk and risks from regulatory change and an increasing regulatory enforcement and litigious environment.

Along with other banking industry participants, the Co-operative Bank is participating in an active financial services industry wide dialogue with the FCA and the Financial Ombudsman Service to determine any possible wider impact of the decision of the UK Supreme Court in Plevin v Paragon, delivered in November 2014, on its historical sales of single and repeat premium PPI. The decision has a potential impact on a number of the Bank's customers who may have a claim for PPI mis-selling and treatment of prior claims. Due to this uncertainty it is not currently practicable to provide an estimate of any financial impact the Plevin decision could have and there can be no assurance that the outcome of this matter will not be material.

The crystallisation of any of the risks that the Co-operative Bank or the Sellers face could result in an adverse effect on the business, financial condition, operating results, reputation and prospects of the Co-operative Bank or the Sellers. In such circumstances, the Sellers may not be in a position to satisfy their undertakings described above, and the Co-operative Bank may not be in a position to perform on its guarantees described above.

Servicing and Third Party Risk

Issuer Reliance on Other 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 Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to an agreement (the "**Corporate Services Agreement**"), the Citi Account Bank has agreed to provide the Citi Deposit Account to the Issuer pursuant to a bank account agreement (the "**Citi Bank Account Agreement**"), the BNPP Account Bank has agreed to provide the BNPP Deposit Account to the Issuer pursuant to a bank account agreement (the "**BNPP Bank Account Agreement**"), the Servicer has agreed to service the Portfolio pursuant to a servicing agreement (the "**Servicing Agreement**"), the Back-Up Servicer has agreed to provide back-up services in relation to the Portfolio pursuant to a back-up agreement (the "**Back-up Servicing Agreement**"), the Back-Up Servicer Facilitator has agreed to provide back-up servicer facilitation services in relation to the Portfolio pursuant to the Back-up Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to a cash management agreement (the "**Cash Management Agreement**"), the Replacement Cash Manager Facilitator has agreed to provide Replacement Cash Manager facilitation services pursuant to the Cash Management Agreement, the Liquidation Agent has agreed to provide certain services in relation to the Market Portfolio Sale pursuant to a liquidation agent agreement (the "**Liquidation Agent Agreement**") and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to an agency agreement (the "**Agency Agreement**"). In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed without a sufficiently experienced substitute or any substitute being appointed in their place, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

Investors should also be aware that third parties on which the Issuer relies can be adversely impacted by the general economic climate. At the date of this Prospectus, global markets are negatively impacted by prevailing economic conditions, including by market perceptions regarding the ability of certain EU member states in the Eurozone to service their sovereign debt obligations. These prevailing economic conditions as well as future developments in the areas of underlying market concern, such as the ability of certain Eurozone sovereign members to service their debt, could continue to have material adverse impacts on financial markets throughout the world up to and beyond the maturity of the Notes. Moreover, the anticipation by the financial markets of these impacts could also have a material adverse effect on the business, financial condition and liquidity position of certain of the parties to the transaction, on which the Issuer relies. As a result, these factors affecting transaction parties specifically, as well as market conditions generally, could adversely affect the performance of the notes. In addition there can be no assurance that governmental or other actions will improve market conditions in the future.

The Servicer

Western Mortgage Services Limited ("**WMS**") will be appointed by the Issuer as Servicer to service the Loans. The Servicer will be entitled to sub-delegate all or a portion of the servicing services under the Servicing Agreement to one or more counterparties, subject to the terms set out in the Servicing Agreement including sub-delegation to any Seller or to the Co-operative Bank of the servicing of certain

Loans where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-servicer.

If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of a Note Acceleration Notice) the Issuer or (after delivery of a Note Acceleration Notice) the Security Trustee will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Issuer and the Sellers shall use their reasonable endeavours to appoint a new servicer in its place whose appointment is approved by the Security Trustee.

Whilst the Back-up Servicer is in place, there is no assurance it will be able to commence servicing in a timely manner following any removal of the Servicer (in particular if there is a default of the Servicer shortly after the Closing Date and the Back-up Servicer has not had sufficient time to undertake a full review of the requirements).

There can be no assurance that the Back-up Servicer will be able to perform its obligations under the Back-Up Servicing Agreement. In which case, there is no guarantee that a substitute servicer would be found, which could delay collection of payments on the Loans and ultimately could adversely affect payments on the Notes. Such risk is mitigated by the provisions of the Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, will assist the Issuer in appointing a substitute servicer.

There can be no assurance that a substitute servicer with sufficient experience of servicing the Loans would be found who would be willing and able to service the Loans on the terms, or substantially similar terms, set out in the Servicing Agreement. Further, it may be that the terms on which a substitute servicer may be appointed are substantially different from those set out in the Servicing Agreement and the terms may be such that the Noteholders may be adversely affected. In addition, as described below, any substitute servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the "FSMA") in order to service Loans that constitute Regulated Mortgage Contracts under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. See further "*Summary of the Key Transaction Documents – Servicing Agreement*".

The Co-operative Bank entered into a non-binding letter of intent dated 12 November 2014 with Capita Asset Services (UK Holding) Limited ("**Capita**") in relation to the proposed outsourcing of the Co-operative Bank's mortgage processing services for its entire residential mortgage portfolios.

The discussion and negotiations pursuant to the letter of intent resulted in Capita entering into an agreement under which it acquired one hundred per cent. of the shares in WMS from Britannia Treasury Services Limited (a subsidiary of The Co-operative Bank plc) on 1 August 2015. WMS simultaneously entered into a master services agreement with the Co-operative Bank and certain of the Co-operative Bank's subsidiaries, under which WMS will service the Bank's mortgage processing and administration operations. As a part of the transaction the Co-operative Bank's staff responsible for servicing the mortgage portfolios were transferred to Capita.

WMS will continue to service third party portfolios previously serviced by it, directly or indirectly, under the Co-operative Bank's ownership through different contractual arrangements including those with Warwick Finance One and Warwick Finance Residential Mortgages Number Two Plc.

There will be a period of integration of WMS' business with that of Capita, during which time there could be disruption caused to its servicing activities including servicing activities provided in respect of the Portfolio. Such disruption, if it occurs, may adversely affect the Servicer's ability to satisfy its servicing obligations under the Transaction Documents, including the collection of payments from Borrowers and the provision of the Servicer Report. This may affect timely payments in respect of the Notes.

However, there are various circumstances and transaction features that mitigate the risk posed by the acquisition of WMS by Capita. Firstly, WMS and Capita are experienced counterparties and it is expected

that adequate backup procedures, testing and other arrangements will have been made to mitigate the risk associated with potential service disruption; secondly, WMS uses an independent software platform and other related tools different to those of the Co-op and the Sellers (except some dependency in relation to an arrears management system hosted by the Co-op's platform) and therefore there is no expectation that there will be a sudden disruption caused due to IT issues; thirdly, in the event that there is a level of disruption sufficient to delay or prevent the provision by the Servicer of the Servicer Reports, the Cash Manager may use the available Servicer Reports in respect of the three most recent Collection Periods (or, where there are not Servicer Reports in respect of the three most recent Collection Periods, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments; and finally, in the event of a failure by the Servicer to collect payments from Borrowers, the General Reserve Fund and Liquidity Reserve Fund are available to the extent there is a shortfall in amounts due to Noteholders subject to application in accordance with the applicable Priority of Payments subject to certain Cumulative Default Triggers.

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 Collection Account Bank, the Citi Account Bank and the BNPP Account Bank) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the FCA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by Moody's and S&P. 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 ratings criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Document who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest on the Notes and/or the ratings of the Notes which are rated.

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

The Portfolio

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

Borrowers may default on their obligations under the Loans in the Portfolio. 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 (including with respect to any borrowers in Scotland as a result of any devolution of powers to the Scottish Parliament) and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies 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. A valuation was obtained by the relevant Seller or Originator on or about the time of origination of each Loan, and in certain circumstances, an

updated valuation of a Property may be obtained or determined by the relevant Seller, see "*The Loans — Valuations*".

In order to enforce a power of sale in respect of a mortgaged property, the relevant mortgagee or (in Scotland) heritable creditor must first obtain possession of the relevant property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will involve the mortgagee or heritable creditor assuming certain risks. In addition, once possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations to take reasonable care to obtain a proper price. If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Notes may be reduced. The Issuer's ability to make such payments may be reduced further if the powers of a mortgagee or heritable creditor in relation to obtaining possession of properties permitted by law, are restricted in the future.

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 may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward. This increase in Borrowers' monthly payments ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment speeds 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.

Declining property values

The value of the Related Security in respect of the Loans may be affected by, among other things, a decline in the residential property values in the United Kingdom. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security being significantly reduced, particularly in respect of those Loans which have a high LTV, 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. A downturn in the United Kingdom economy is likely to have a negative effect on the housing market. The fall in property prices resulting from a deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem any outstanding loan secured on such property. If the value of the Related Security backing the Loans is reduced this may ultimately result in losses to Noteholders if the Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

Interest Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis or on a combination of capital repayment and interest payment basis (see "*The Loans — Repayment Terms*" below). 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 recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. The Sellers do not verify or require proof that such repayment mechanism is in place and do not take security over any investment policies taken out by Borrowers.

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 (as defined in "*The Loans — Repayment Terms*" below) 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, PEPs, ISAs 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. In very limited circumstances, an Interest-only Loan may be changed to a repayment or part-repayment loan in order to control or manage the repayment of capital shortfalls. This may change the profile of the Loans forming part of the Portfolio as at the Closing Date and in some cases significantly extend the time it takes to recover the principal amounts in relation to a Loan.

Buy to Let Loans

Some of the Loans in the Portfolio are Buy to Let Loans in relation to which the Borrowers' ability to service such Loans is likely to depend on the Borrowers' ability to lease the relevant mortgaged properties on appropriate terms. There can be no assurance that each such mortgaged property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest and principal payment obligations in respect of the Loan. Upon enforcement of a Mortgage in respect of a mortgaged property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of the mortgaged property, in which case the Servicer will only be able to sell the mortgaged 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 mortgaged 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 Mortgage) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the mortgaged property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage. Under Scots law, a receiver cannot be appointed under a standard security (the Scottish equivalent to a legal mortgage) and the only enforcement which may be carried out under a standard security is a full enforcement of the security (i.e. it cannot be enforced selectively by, for instance, attaching to rental income).

Right to Buy Loans

The Portfolio includes Right to Buy Loans. Properties sold under the Right to Buy scheme of the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended) or the Housing (Northern Ireland) Order 1983 (as amended), as applicable, are sold by the landlord at a discount to market value calculated in accordance with the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended) or the Housing (Northern Ireland) Order 1983 (as amended) (as applicable). A purchaser under the scheme of the Housing Act 1985 must repay the whole of the discount if he or she disposes of the property within one year of acquiring it from the landlord, four-fifths if he or she does so within two years, three-fifths if within three years, two-fifths if within four years and one-fifth if within five years, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, in which case the purchaser must repay the whole of the discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one-third if within three years. A purchaser under the scheme of the Housing (Scotland) Act 1987 (as amended), must repay the whole of the discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one third if within three years. The landlord obtains (in England and Wales and Northern Ireland) a statutory charge or (in Scotland) a standard security over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended), or the Housing (Northern Ireland) Order 1983 (as amended) (as applicable), such statutory charge or standard security ranks in priority to other charges including that of any mortgage lenders except in certain circumstances. Such statutory charge or standard security shall automatically rank behind any charge on the related property in relation to (in England and Wales and Northern Ireland) monies advanced by an approved lending institution to the extent they are advanced for the purpose of enabling the purchaser to exercise his or her right to buy and (in Scotland) monies advanced for the purchase or improvement of the property. In England and Wales and Northern Ireland, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, the purchaser is required, before a sale or disposal of the property within 10 years of the date of purchase, to offer the property to the landlord or another social landlord at full market value and to allow up to eight weeks for acceptance of the offer. A mortgage lender selling the property as a

mortgagee in possession in such circumstances will also be obliged to grant such right of first refusal to the landlord or other social landlord.

In relation to each Right to Buy Loan:

- (a) in respect of the PFL Portfolio, as far as PFL is aware:
 - (i) PFL is an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing (NI) Order 1983 (as amended by the Housing (NI) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (NI) Order 2003) or, in Scotland, a recognised lending institution in terms of the Housing (Scotland) Act 1987;
 - (ii) the original advance or Further Advance was made to a person exercising the right to buy;
 - (iii) either the original advance (and, if relevant, any related Further Advance) was made for the sole purpose of enabling the recipient thereof to purchase or re-mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's (or, in Northern Ireland, the Northern Ireland Housing Executive) statutory charge or standard security has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge or standard security; and
 - (iv) where the Property comprises an ex-council flat, the minimum property value is £25,000 and the block contains no more than 6 floors; and
- (b) in respect of the MAS4 Portfolio or the MAS5 Portfolio, as far as either MAS4 or MAS5 (as applicable) is aware, either the Loan (and Further Advance, if applicable) was made for the sole purpose of enabling the recipient thereof to purchase or re mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's statutory charge has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge.

Non-conforming Loans

The Portfolio will include Loans to Borrowers who may previously have been subject to a county court judgment or the Scottish or Northern Irish equivalent, an individual voluntary arrangement or bankruptcy order, are self-employed or otherwise considered by banks and building societies to be non-prime borrowers (such borrowers, "**Non-Conforming Borrowers**"). Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

Other than as specified herein, the Loans have been underwritten generally in accordance with the underwriting standards described in the section entitled "*The Loans*" and "*Characteristics of the Portfolio*" below. Those underwriting standards consider, among other things, a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property. Those underwriting standards are used with a view, in part, to mitigate the risks in lending to Non-Conforming Borrowers.

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

Acquired Loans

Certain loans in the Portfolio were originated by GMAC-RFC where legal and beneficial title to such mortgage loans was sold to MAS4 or MAS5 under mortgage sale agreements dated between 2005 and 2007 (for further information please see the section titled "*The Loans – Title to the Portfolio*"). GMAC-RFC is not a subsidiary of nor is it otherwise connected to the Sellers or the Co-operative Bank.

Accordingly in relation to such Loans no Seller has direct knowledge as to whether a Loan Warranty which relates to the origination process of such acquired Loans is correct or not or it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. No Seller has undertaken its own independent investigation into such Loan Warranties. To the extent that a Loan Warranty is not expressed to be limited by reference to the awareness of a Seller, such Seller will be liable to repurchase a Mortgage Loan in relation to which there has been a breach of warranty even if the Seller is unaware of the breach.

Insurance Policies

The policies of the Sellers in relation to buildings insurance are described under "*The Loans — Buildings Insurance Policies*", below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable 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.

Searches, Investigations and Warranties in Relation to the Loans

The relevant Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security sold to the Issuer on the Closing Date (see "*Summary of the Key Transaction Documents — Mortgage Sale Agreements*" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, the Joint Lead Managers 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 warranties given in the relevant Mortgage Sale Agreement by the relevant 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 relevant Seller if any of the warranties made by the relevant Seller is breached or proves to be materially untrue as at the Closing Date, which breach is not remedied in accordance with the relevant Mortgage Sale Agreement and has a material adverse effect on the value of that Loan, will be to require the relevant Seller to repurchase any relevant Loan and its Related Security. Pursuant to the terms of the Mortgage Sale Agreements, the relevant Sellers may transfer their obligations and liabilities and assign their rights to the Co-operative Bank or one of its subsidiaries. In that event, the obligations, liabilities and rights of the relevant Seller will become the obligations, liabilities and rights of the entity acquiring them.

The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Sellers under the Mortgage Sale Agreements. If a Seller is required to repurchase a Loan pursuant to the terms of the relevant Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan on the relevant Monthly Pool Date at a repurchase price equal to its Current Balance *plus* any Accrued Interest determined as at such Monthly Pool Date. However, see the section entitled "*Undertakings of the Sellers and guarantees from the Co-operative Bank*" above.

Certain Regulatory considerations

FCA Regulation of Mortgage Business

The Financial Services and Markets Act 2000 (as amended) ("**FSMA**") regulates financial services in the United Kingdom. The FSMA states that no person may carry on a regulated activity in the United Kingdom, or purport to do so, unless he is an authorised person or an exempt person. Regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the date known as "**N(M)**").

On 1 April 2013, following amendments made to the FSMA by the Financial Services Act 2012 many functions of the Financial Services Authority were transferred to the Financial Conduct Authority (the "**FCA**") and the Prudential Regulation Authority (the "**PRA**"). Under the new structure the FCA has taken over, amongst other things, the Financial Services Authority's responsibility for the authorisation and supervision of persons carrying on specified regulated mortgage-related activities under the FSMA.

The PRA is responsible for the prudential supervision of deposit takers, insurers and a small number of significant investment firms. Depending on the scope of a firm's authorisation and permissions, firms involved in the residential mortgage market may be regulated by both authorities (in which case they will be known as dual-regulated firms) or by the FCA only. Firms authorised by the Financial Services Authority prior to 1 April 2013 had their authorisations transferred to the relevant authorities and did not need to apply for new authorisations.

The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) (the "**Regulated Activities Order**") provides that after the Mortgage Regulation Date (as defined in the Regulated Activities Order) the following four activities will be regulated activities under the FSMA: (a) entering into as lender, (b) in certain circumstances administering, (c) arranging, and (d) advising on a regulated mortgage contract. Agreeing to carry on any of these activities will also be a regulated activity.

A contract is a "**Regulated Mortgage Contract**" for the purposes of the Regulated Activities Order if it is originated after the Mortgage Regulation Date (as defined in the Regulated Activities Order), or originated prior to N(M) but varied after N(M) such that a new contract is entered into, and at the time it is entered into, (i) the contract is one under which the lender provides credit to an individual or to trustees, (ii) the contract provides for the repayment obligation of the borrower to be secured by a first legal mortgage (or Scottish first ranking standard security) or charge on land (other than timeshare accommodation) in the United Kingdom and (iii) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. Non-compliance with certain provisions of the FSMA may require a lender to seek a court order to enforce a regulated mortgage.

The Regulated Activities Order sets out certain exclusions to these provisions. Among other things, these exclusions state that a person who is not an authorised person does not carry on the regulated activity of administering a regulated mortgage contract where he (i) arranges for another person, being an authorised person with permission to carry on an activity of that kind, to administer the contract or (ii) administers the contract himself during a period of not more than one month beginning with the day on which any such arrangement comes to an end.

The Sellers and the Servicer each hold 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 the FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required FCA authorisation and permission. If such a servicing agreement terminates, however, the Issuer will have a period of not more than one month beginning with the day on which any such arrangement comes to an end in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FCA authorisation and permission. The Back-Up Servicer has the required FCA authorisation and permission to administer but there can be no assurance that it will be able to perform its obligations under the Back-Up Servicing Agreement.

The Issuer will not itself be an authorised person under the 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. In addition, on and after N(M), no variation has been or will be made to the Loans and no Further Advance or Product Switch has been or 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, if the Issuer would be required to be authorised under the FSMA to do so.

If the lender or any broker did not hold the required authorisation at the relevant time, the Regulated Mortgage Contract is unenforceable against the borrower except with the approval of a court. If the financial promotion was not issued or approved by an authorised person, the Regulated Mortgage Contract and any other "qualifying credit" is unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FCA's (and formerly, the FSA's) rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an FCA authorised person of a rule made under the FSMA. These rules include MCOB, and from 1 April 2014 includes the Consumer Credit sourcebook which transposed certain requirements and guidance previously made under the Consumer Credit Act 1974 (described below). The borrower may set-off the amount of the claim for such contravention against the amount owing by the borrower under the credit agreement or any other credit agreement he has taken with the authorised person (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.

In this context please see the sections "*The Co-operative Bank p.l.c. - Litigation, arbitration and regulatory proceedings in relation to the Co-operative Bank*" and "*The Loans – Remediation Project*".

In June 2010, the FSA made changes to MCOB which effectively convert previous guidance on the policies and procedures to be applied by authorised firms (such as the Sellers) with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under these rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FCA has indicated that it does not expect each forbearance option referred to in the rules to be explored at every stage of interaction with the borrower, it is clear that these rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions which the relevant loan may be subject to as a result, *inter alia*, of such loan being contained within a securitisation transaction. As a result, the rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the 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 that involve a borrower who experiences payment difficulties.

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 the regulatory structure, may adversely affect the Loans, the Sellers, the Issuer, the Servicer and their respective businesses and operations. For further details on possible changes to MCOB or the FSMA, see the section "*Proposed changes to United Kingdom and EU mortgage regulation*" below.

Product intervention rules

The FCA has the power to render unenforceable contracts made in contravention of its product intervention rules. The FCA has the power to make product intervention rules under section 137D of the FSMA, prohibiting authorised persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. The FCA is normally obliged to consult the public and prepare a cost-benefit analysis before making any rules but there is an exemption to this requirement, which allows the FCA to make temporary product intervention rules ("**TPIRs**") without consultation, if it considers that it is necessary or expedient to do so. TPIRs are intended to offer protection to consumers in the short term whilst either the FCA or the industry develop more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a product intervention rule (including a TPIR), the FCA's rules 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 FCA published a policy statement "*The FCA's use of temporary product intervention rules*" that applies from 1 April 2013 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 the rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as the potential scale of detriment in the market and potential scale of detriment to individual customers, whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment and whether the use of TPIRS will have any unintended consequences.

Consumer Credit Act 1974

In the United Kingdom, the OFT was historically responsible for the issue of licences under and the enforcement of the Consumer Credit Act 1974 ("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.

Consumer credit is regulated by the FCA under FSMA. A consumer credit agreement is governed by the CCA and consumer credit activity is regulated by the FCA where: (a) the borrower is or includes an individual, a partnership of up to three people or an unincorporated body which is not made up of corporates or partnerships; (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 does not exceed the financial limit, which is £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, a regulated mortgage contract under the FSMA is an exempt agreement under the CCA and subject instead to the rules and guidance in the FCA's Mortgages and Home Finance Conduct of Business Sourcebook).

Like the OFT licensing regime before it, the provision of consumer credit by a person can only be undertaken under the FCA regime where such a person is appropriately authorised by the FCA. Article 60B of the amended Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 provides that the activity of entering into a regulated credit agreement as lender or exercising or having the right to exercise the lender's rights and duties under the credit agreement requires FCA authorisation. However, section 55 of the Financial Services and Markets Act 2000 (Exemption Order) 2001 includes an exemption which exempts from authorisation under FSMA persons who acquire rights under regulated credit agreements (consumer credit loans) but do not actually make any such loans, provided that the person servicing or administering the loan is authorised by the FCA with permissions to undertake certain consumer credit related activities, such as debt collection or administration. The effect of this is that the Issuer will not require such authorisation as the Servicer will be authorised by the FCA with such permissions instead. However, any new extension of credit, whether through further advances or entirely new credit agreements, would be considered the extension of credit under Article 60B of the Regulated Activities Order unless another relevant exemption were to apply (in this regard, see below as to the general treatment of "buy to let" credit agreements).

Prior to 6 April 2008, the requirements of the CCA generally only applied to agreements with individuals for loans not exceeding £25,000 and which were not otherwise exempt. The financial limit for CCA regulation has now been removed for credit agreements made on or after 6 April 2008, except in respect of "buy to let" credit agreements entered into between 6 April 2008 and 31 October 2008 and any agreement which varies or supplements an existing agreement made before 6 April 2008 for the provision of credit exceeding £25,000, which either does not itself provide for further advancement of credit or is itself an exempt agreement under the CCA.

In general, "buy to let" credit agreements entered into on or after 31 October 2008 are typically treated as being exempt agreements under the CCA. This is due to the enactment of the Legislative Reform (Consumer Credit) Order 2008 ("**LRO**") that came into force on 31 October 2008. Article 3 of the LRO inserted a new Section 16C into the CCA, which exempts investment properties (i.e. buy-to-let properties) from most CCA regulation. This exemption applies to properties for which at the time the agreement is entered into any sums due under it are secured by a land mortgage (including, in Scotland, a standard security) and where less than 40 per cent. of the land is used, or is intended to be used, as or in connection with a dwelling by the borrower or a person connected to the borrower (including beneficiaries of a trust). This exemption has been replicated in Article 60D of the Regulated Activities Order for credit agreements entered into on or after 1 April 2014 (see "Changes to consumer credit regulation" below). Mortgages where the borrowers are individuals ("**Individual Mortgages**") relating to credit agreements entered into on or after 31 October 2008 and 1 April 2014 which satisfy the conditions set out under CCA Section 16(C) and Article 60D of the Regulated Activities Order respectively are

likely to be treated as exempt agreements under the CCA and FSMA but there is a risk if such conditions are not satisfied that such Individual Mortgages will be treated as regulated mortgage contracts under the FSMA or regulated credit agreements under the CCA. Non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance, which may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts are not to be regulated by the CCA. Certain regulations made in 2005 and 2008 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a separate Regulated Mortgage Contract. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) 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.

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

The Sellers will give warranties to the Issuer in the relevant Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, such non-compliance causes a material adverse effect on the value of that Loan, and if the default (if capable of remedy) cannot be or is not cured within 90 Business Days of the relevant Seller receiving notice of such non compliance, then the relevant 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 in accordance with the relevant Mortgage Sale Agreement.

Credit agreements that were entered into before N(M), but are subsequently changed such that a new contract is entered into on or after N(M), are regulated under the FSMA where they fall within the definition of "**Regulated Mortgage Contract**".

A court order under Section 126 of the CCA is necessary to enforce a land mortgage (including in Scotland, a standard security) securing a regulated credit agreement, or securing a regulated mortgage contract or a buy to let loan that would, apart from the relevant exemption, be a regulated credit agreement.

Unfair credit relationships

The Consumer Credit Act 2006 (the "**CCA 2006**"), which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008. The CCA 2006 contains a number of provisions which may affect the Individual Mortgages. In particular the CCA 2006 contains a power for a court to alter the terms of a credit agreement where it considers that the relationship between the creditor and the debtor arising out of the agreement is "unfair" because of one or more of the following:

- (a) any of the terms of the agreement or of any related agreement;
- (b) the way in which the creditor exercised or enforced any of his rights under the agreement or any related agreement; and
- (c) any other thing done (or not done) by, or on behalf of, the creditor (either before or after the making of the agreement or any related agreement).

In this context "credit agreement" includes all agreements which would otherwise be exempt agreements under the CCA (other than regulated mortgage contracts under the terms of the FSMA regime). The provisions have the scope to be applied with full retrospective effect. An order made by the court where a creditor-debtor relationship is found to be "unfair" may, among other things, order a creditor, and any

assignee such as the Issuer, to repay sums already paid by the debtor, reduce the amount of future payments or otherwise alter the terms of the credit or related agreement. The sections relating to the "unfair relationship test" came into force on 6 April 2007. Credit agreements entered into after 6 April 2007 will be subject to the unfair relationship test. Credit agreements which were entered into prior to 6 April 2007 and which will continue in force after 6 April 2008 were subject to the extortionate credit bargain test until 6 April 2007. Thereafter, such credit agreements became subject to the unfair relationship test. Credit agreements which were in force prior to 6 April 2007 and which expired prior to 6 April 2008 continued to be subject to the extortionate credit bargain test.

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

Each Seller will give warranties to the Issuer in the relevant 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, such non-compliance causes a material adverse effect on the value of that Loan, and if the default (if capable of remedy) cannot be or is not cured within 90 Business Days of the relevant Seller receiving notice of such non compliance, then the relevant 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.

Proposed changes to United Kingdom and EU mortgage regulation

There can be no assurance that the developments described below, in respect of the changing regulatory regime, will not have an effect on the mortgage market in the United Kingdom generally or specifically in relation to the Sellers. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Sellers, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

FCA mortgage market review

The FCA published final rules implementing its mortgage market review in October 2012. The majority of these new rules came into effect on 26 April 2014 through amendments to the FCA's Mortgages and Home Finance: Conduct of Business Sourcebook ("**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. The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these new rules. These new rules only apply to a Loan if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Loan generally as a regulated mortgage contract (as to which see "Financial Services and Markets Act 2000" above. To the extent that further advances are made which constitute new loans, or a loan is varied and in so doing a new loan is created under the new terms and such loans are regulated mortgage contracts, then these new rules apply although, as noted above, further advances are no longer offered or agreed to by the Sellers in relation to the Portfolio. 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.

EU directive on credit agreements relating to residential property

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers (entitled the Mortgage Credit Directive 2014/17/EU). The directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements, the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building; and extends the Consumer Credit Directive (2008/48/EC) to (c) unsecured credit agreements, the purpose of which is to renovate residential immovable property involving a total amount of credit above €75,000. The directive does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The 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 directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The Council of the European Union adopted the directive on 28 January 2014 and the directive came into force on 21 March 2014. Member States, including the United Kingdom, will be required to implement the directive into national law by 21 March 2016.

The UK Government published the Mortgage Credit Directive Order on 25 March 2015. The FCA published a policy statement 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 will come into effect on 21 March 2016).

Under these publications, the FCA proposes to bring all lending secured over a borrower's home (regardless of whether it is first or second charge lending) and buy-to-let lending within the FCA's remit. Second charge mortgages will therefore move from being regulated under the consumer credit regime, into being regulated under the same regime as first charge mortgages. The FCA does not propose extending its regime to mortgages over property for mixed commercial and residential use where the majority of the property is for commercial use, or where the borrower is acting for the purposes of his business, trade or profession.

The FCA published a policy statement on the new regime for buy-to-let lending, together with final rules on buy-to-let lending, on 5 June 2015. The final rules come into force on 21 March 2016. Under the final rules mortgages will be regulated if any part of the property is occupied by the borrower (or a relative of the borrower) and the borrower is not acting in the course of a business, trade or profession. From 21 March 2016 persons wishing to lend, administer, intermediate, arrange or provide advisory services in relation to consumer buy-to-let will be required to register with the FCA. Such persons will also be subject to aggregated data reporting and to complaints handling rules.

Other changes to mortgage regulation

There can be no assurance that this section comprehensively describes all proposed changes to relevant regulation or that there will be no further changes to regulation that may have an effect on the mortgage market in the United Kingdom generally or specifically in relation to the Sellers. Further, there can neither be assurance that regulators' interpretation of existing rules and regulations will remain unchanged nor whether any such regulator may apply such interpretations in respect of actions or conduct already undertaken. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Sellers, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a risk that certain aspects of the current or historic business of each of the Sellers, including, amongst other things, mortgages, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

In particular, there is currently a significant regulatory focus on the sale practices and reward structures that financial institutions have used when selling financial products. There is a risk that there may be other regulatory investigations and action against the Sellers in relation to conduct and other issues that the Sellers are not presently aware of, including investigations and actions against any of them resulting from alleged mis-selling of financial products or the ongoing servicing of those financial products. The nature of any future disputes and legal, regulatory or other investigations or proceedings into such matters cannot be predicted in advance. Furthermore, the outcome of any on-going disputes and legal, regulatory or other investigations or proceedings is difficult to predict.

Distance Marketing

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

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

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

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

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

The Unfair Terms in Consumer Contracts Regulations 1999 (as amended) (the "UTCCR") will apply to any term of an agreement entered into on or after 1 October 1999 by a "consumer" within the meaning of the UTCCR where the term has not been individually negotiated. Regulation 2 of the UTCCR revoked the Unfair Terms in Consumer Contracts Regulations 1994, which applied to agreements entered into between 1 July 1995 and 30 September 1999 and are replaced by the UTCCR. Any term found to be "unfair" within the meaning of the UTCCR will not be 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).

Under the UTCCR as long as a term is expressed in plain and intelligible English, the assessment of the fairness of the terms shall not relate to the definition of the main subject matter of the contract or the adequacy of the price or remuneration for the services under the contract. A term could, however, be assessed for fairness on other relevant grounds. Key provisions (such as the interest rate variation provision and loan transfer mechanism) of the Loans may be subject to scrutiny under the UTCCR. For example, if a term permitting the lender to vary the interest rate (as each Seller is permitted to do) were to be found by a court 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 credit agreement or any other credit agreement that the

borrower has taken with the lender (or exercise analogous rights in Scotland). Any such claim or set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.

The FSA and the Office of Fair Trading (the "OFT") have issued previous guidance on unfair contract terms below. However, on 2 March 2015 the FCA removed certain guidance from its website which will be updated in light of the Consumer Rights Act 2015 (which received Royal Assent on 26 March 2015), new guidance from the Competition & Markets Authority and case law from the Court of Justice of the European Union. In particular, the FSA Statements of Good Practice set out below have been withdrawn. The following guidance may, therefore, no longer reflect the FCA's views on unfair contract terms.

On 24 February 2000, the OFT issued a guidance note on:

- (a) its views on the application of the UTCCR to clauses that permit for interest variations in mortgage loan contracts without good reason; and
- (b) what it considered to be a fair term. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge, the term is likely to be regarded as unfair under the UTCCR unless the lender (i) notifies the borrower in writing at least 30 days before the rate change and (ii) permits the borrower to repay the whole loan during the next three months after the rate change, without paying any early repayment charge. The guidance note may constitute a factor which the FCA may take into account when considering interest variation terms in standard form agreements.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. Factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked in borrowers, include whether there is some connection between interest rates which apply to locked in borrowers and those which apply to non locked in borrowers and whether the borrower must be given advance notice of the change. Additionally, the guidance states that firms may consider drafting contracts so as to permit variations to be made only when any lock in clause has not been exercised. It should be noted that in January 2007, the FSA also issued a Statement of Good Practice on mortgage exit administration fees ("MEAF"), which sets out how the FSA believed that lenders should draft MEAFs and MEAF variation terms and how to apply them fairly in practice. 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 applicable, firms should consider applying its principles to other charges. In August 2007, the FSA's Unfair Contract Terms Regulatory Guide came in to force. The guide is designed to explain the FSA's policy on how it will use its powers under the UTCCR. The FSA published finalised guidance entitled "*Unfair contract terms: improving standards in consumer contracts*" in January 2012. The Unfair Contract Terms Regulatory Guide has been retained by the FCA since its inception and the terms have remained the same.

In March 2013, the Law Commission and the Scottish Law Commission (together, the "**Law Commissions**") published advice to the UK Government on reforming the UTCCR. The Law Commissions recommended, among other things, that no assessment of fairness should be made of a term that specifies the main subject matter of the contract, or of a price term, provided that the term in question is transparent and prominent. The Law Commissions also recommended that the UTCCR should expressly provide that, in proceedings by consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Consumer Rights Act 2015.

Under a Memorandum of Understanding with the Competition and Markets Authority, the FCA is responsible for enforcement of the UTCCR in relation to the terms of financial services contracts issued by FCA-authorized firms.

The 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 or may be made to borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of such loans. In addition, the guidance issued by the FSA and OFT has changed over time and new guidance

issued in the future by the FCA may differ. Whilst the FCA has powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. No assurance can therefore be given that changes in the UTCCR or related guidance or the publication of new or additional guidance in the future would not have a material adverse effect on the Sellers, the Issuer, the Note Trustee and the Security Trustee and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

The Sellers will warrant to the Issuer and the Note Trustee in the relevant Mortgage Sale Agreement that as far as the relevant Seller is aware, no term of any Individual Mortgage to which the UTCCR applies is an unfair term for the purposes of such regulations.

The Sellers will agree in the relevant Mortgage Sale Agreement that, if a term of any Individual Mortgage sold by it to the Issuer is at any time on or after the Closing Date found by a competent court, whether on application of a borrower or the FCA or otherwise, to be an unfair term for the purposes of the UTCCR, it shall repurchase or procure the repurchase of the Individual Mortgage concerned.

The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Sellers under the Mortgage Sale Agreements. If a Seller is required to repurchase a Loan pursuant to the terms of the relevant Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan on the relevant Monthly Pool Date at a repurchase price equal to its Current Balance *plus* any Accrued Interest determined as at such Monthly Pool Date. However see "*Undertakings of the Sellers and guarantees from The Co-operative Bank*" above.

Pursuant to the terms of the Mortgage Sale Agreements, the relevant Sellers may transfer their obligations and liabilities and assign their rights to the Co-op or one of its subsidiaries. In that event, the obligations, liabilities and rights of the relevant Seller will become the obligations, liabilities and rights of the entity acquiring them.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the "**Ombudsman**") is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code, issued by the Council of Mortgage Lenders, occurring before N(M) may be dealt with by the Ombudsman.

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

Consumer Protection from Unfair Trading Regulations 2008

The Unfair Commercial Practices Directive ("**UCP**"), which took effect on 11 May 2005, seeks to regulate unfair commercial practices across the EU by establishing rules for the protection of consumers. Generally, the UCP applies full harmonisation, which means that member states of the European Union may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this Directive permits member states of the European Union to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans. The UCP provided for a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it applies.

The UCP applies to all consumer contracts and contains a wide prohibition on "unfair commercial practices" with examples of practices which would violate this principle by virtue of being "misleading" or "aggressive". Examples of such conduct include the dissemination of false information at any stage of the relationship or conduct involving harassment, coercion or undue influence.

In the UK the UCP was implemented through the Consumer Protection from Unfair Trading Regulations 2008 (the "CPUTR"), which came into force on 26 May 2008. 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. Consequently, there is a risk that breach of the CPUTR would initiate intervention by a regulator and may lead to criminal sanctions.

The Law Commission and the Scottish Law Commission reviewed the current private law in this area and found it to be fragmented and unclear. On 28 March 2012 the two Law Commissions published a report entitled "*Consumer Redress for Misleading and Aggressive Practices*", which sets out recommendations for reform.

On 14 March 2013 the European Commission (the "**Commission**") published the results of its review on the application of the UCP. The Commission does not propose amending the UCP but has indicated that intensified national enforcement and reinforced cooperation in cross-border enforcement are needed. Going forward the Commission will consider how it can play a more active role in enforcement and will continue to perform in-depth reviews of how the directive works in practice.

No assurance can be given that the CPUTR will not adversely affect the ability of the Issuer to make payments on the Notes. Furthermore, 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.

Mortgage repossession

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

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

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent of a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act, the heritable creditor, which may be the relevant Seller or, in the event of it taking legal title to the Scottish Loans and their Related Security, the Issuer, has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two-month "calling up" notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, and comply with further procedural requirements.

A pre-action protocol for mortgage repossession cases in Northern Ireland came into force on 5 October 2009 and sets out the steps that judges will expect any lender to take before starting a claim. It closely follows the protocol which came into effect in November 2008 in England and Wales. A number of mortgage lenders delay the initiation of repossession action for at least three months after a borrower who

is an owner-occupier is in arrears to allow for compliance with the pre-action protocol. The application of such moratorium is subject to the wishes of the borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc) Act 2010 does not extend to Northern Ireland.

A claim for possession of land based on mortgage arrears is made to the High Court of Northern Ireland pursuant to section 26 of the Administration of Justice Act 1970 whilst the procedure is laid down in Order 88 of the Rules of the Court of Judicature (NI) 1980. The lender's claim will be heard by a High Court Master unless it is particularly complex where it will be then heard by a High Court Judge. Once an Order for Possession is obtained from the High Court it can be enforced through the Enforcement of Judgments Office ("**EJO**"), if the borrower does not hand over possession of the property. There is no County Court Bailiff or other enforcement system in Northern Ireland apart from the EJO which was established by virtue of the Judgments (Enforcement) Act (NI) 1969.

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

Land Registration Reform in Scotland

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

At present, title to a residential property that is recorded in the General Register of Sasines will usually only require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property is sold or if the owner decides voluntarily to commence first registration. However, the 2012 Act sets out additional circumstances which, when the relevant provisions are brought into effect, will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security (which would extend to any standard security granted by the Issuer in favour of the Security Trustee over Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a Perfection Event (a "**Scottish Sasine Sub-Security**")) or (ii) the recording of an assignation of a standard security (which would extend to any assignation granted by the relevant Seller in favour of the Issuer in respect of Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the relevant Mortgage Sale Agreement following a Perfection Event (a "**Scottish Sasine Transfer**")).

The commencement date of the relevant provisions of the 2012 Act relating to the recording of standard securities has been confirmed as being 1 April 2016 (the "**Commencement Date**"). The advance announcement of the Commencement Date is intended to allow lenders and their advisers time to plan for the change in the registration system and only standard securities created over properties recorded in the General Register of Sasines after the Commencement Date will be affected. As the transaction contemplated by the Transaction Documents involves the sale of a static pool of mortgages and standard securities, these changes should not have any immediate effect in relation to the Scottish Mortgages contained in the Portfolio at the Closing Date.

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

The Registers of Scotland published a report on the consultation on 15 February 2015 stating that for the time being, other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely although the Registers of Scotland have reserved the right to consult further on this issue in the future.

The impact of these changes to the Scottish land registration system is unlikely to be of material detriment to the Security Trustee or to the Noteholders for the following reasons: (i) the Registers of Scotland report on the consultation process indicated that whilst these changes are likely to prolong completion of the registration process, where possible they will take a pragmatic view and not burden

parties (such as the Issuer, Security Trustee or the Borrower who owns the underlying Scottish Property) with unreasonable or arbitrary costs; and (ii) whilst the prolonged registration process is likely to be of practical inconvenience to the Security Trustee and Noteholders, the validity and effectiveness of any Scottish Sasine Sub-Security would be unaffected by the change to the registration system (and the relevant Scottish Mortgages would in any event continue to be covered by the floating charge granted by the Issuer under the Deed of Charge). However, it is likely that, were a Perfection Event to occur after the Commencement Date, the parties involved would encounter increased legal and other third party costs relating to the first registration process and additional administrative burden.

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

As noted above, such events will only occur following a Perfection Event and given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (Registers of Scotland estimate that in December 2013, 57.18% of property titles in Scotland were registered in the Land Register of Scotland) it is likely that, in relation to the current Portfolio where 1.98% of the Properties are located in Scotland, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Potential effects of any additional regulatory changes

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

Security and insolvency considerations

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

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

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

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency

proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws and, if applicable, Scottish insolvency laws).

Fixed charges may take effect under English law and Northern Irish law as floating charges

The law in England and Wales and Northern Ireland 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 and Northern Irish law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property (although it should be noted that there is no equivalent concept of recharacterisation of fixed security as floating charges under Scots law). If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

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

Liquidation expenses

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UKHL 9 ("**Re Leyland Daf**"), the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act 1986, and article 150ZA of the Insolvency (Northern Ireland) Order 1989, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986 and rules 4.228A to 4.228E of the Insolvency Rules (Northern Ireland) 1991. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

Validity of priorities of payments

The validity of contractual priorities of payments such as those contemplated in this transaction has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a swap counterparty) and have considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc.* [2011] UK SC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priorities of payment, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have as its predominant purpose, or one of its main purposes, the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s ("**LBSF**") motion for summary judgement on the basis that the effect was that the provisions infringed the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". In New York, whilst leave to appeal was granted, the case was settled before an appeal was heard.

It should be noted that on 8 February 2012, Belmont Park Investments PTY Limited and others commenced proceedings in the U.S. Bankruptcy Court in relation to Lehman Brothers Special Financing Inc. seeking an order recognising and enforcing the English judgment on noteholder priority. Declaratory relief that the noteholder priority is valid and that the collateral can be distributed accordingly and without liability to the trustee, is also being sought. Those proceedings remain pending and are subject to a request to be transferred to the District Court. This is an aspect of cross border insolvency law which remains untested. Therefore, whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and U.S. courts will diverge in their approach which, in the case of an unfavourable decision in the U.S., may adversely affect the Issuer's ability to make payments on the Notes in accordance with the Relevant Documents.

There remains the issue whether in respect of the foreign insolvency proceedings relating to a creditor located in a foreign jurisdiction, an English court will exercise its discretion to recognise the effects of the foreign insolvency proceedings, whether under the Cross Border Insolvency Regulations 2006 or any similar common law principles. Given the current state of U.S. law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

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

The UK Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have power to apply certain tools (by way of instrument or order) to deal with the failure (or likely failure) of a UK bank or building society. The Banking Act has been amended a number of times, most recently on 1 January 2015, to ensure that it is compliant with the EU's Bank Recovery and Resolution Directive (2014/59/EU) (the "**Directive**"). The Directive was published in the Official Journal of the EU on 12 June 2014 and largely came into force on 2 July 2014. Amongst other things, the Directive provides for the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities (including a bail-in tool) and for special rules for cross-border groups.

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

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

Although no instrument or order has been made under the provisions of the Banking Act in respect of a relevant transaction entity, as described above, such instrument order or the new bail-in power may if used (amongst other things) affect the ability of other entities (such as the Co-operative Bank, the Collection Account Bank, and the Sellers) to satisfy their obligations under the Relevant Documents and/or result in modifications to such documents, which may in turn affect the Issuer's ability to meet its obligations in respect of the Notes. For example, certain of the Sellers' liabilities (including their undertakings to make whole the Issuer in certain circumstances) might be bailed-in in whole or part.

For example, the Sellers are "banking group companies" for the purposes of the Banking Act (although such status may change, for example, following the subsequent sale of the Servicer) and consequently certain of their liabilities towards other persons, including the Issuer, may therefore be vulnerable to bail-in. Among other things, the Sellers' undertakings to make whole the Issuer in certain circumstances might

therefore be bailed-in in whole or part, and this may in turn affect the Issuer's ability to meet its obligations in respect of the Notes.

The Issuer is not part of the Co-operative Bank's consolidation group and, moreover, is a securitisation company and therefore not a "banking group company" for the purposes of the UK Banking Act 2009. Therefore such tools could not be directly applied to the Issuer and so, for example, the Notes would not directly become subject to a bail in under the Banking Act (or other legislation implementing the Directive). Nonetheless there is the risk that such tools may be applied to other entities in a manner that indirectly affects the ability of the Issuer to meet its obligations in respect of the Notes, as discussed above.

Legal considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) 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 Notes under any applicable risk-based capital or similar rules.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

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

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

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead (unless during that period it elects otherwise) apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or

collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described in the first paragraph above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover additional types of income payable on securities.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment by the Issuer in respect of the Notes were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to such Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

Withholding Tax Under the Notes

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) of the Notes, use reasonable endeavours to prevent such an imposition.

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Notes **provided that** the Notes carry a right to interest and are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for such purposes and the Notes will be treated as listed on the London Stock Exchange if the Notes are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the London Stock Exchange. The applicability of any withholding or deduction for or on account of United Kingdom taxes is discussed further under "*United Kingdom Taxation*" below.

UK tax treatment of the Issuer

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the "**TSC Regulations**")). 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.

Investors should note, however, that the TSC Regulations are in short-form and advisors rely significantly upon guidance from the UK tax authorities when advising on the scope and operation of the TSC Regulations including whether any particular company falls within the regime.

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the new regime provided for by the TSC Regulations then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to the Noteholders.

Political Uncertainty

The UK Government published a Command Paper in January 2015 followed by a draft Scotland Bill on 28 May 2015 which proposes the devolution to the Scottish Parliament of certain legislative powers currently reserved by the UK Parliament. No assurance can be given as to the impact of the proposed devolution on the ability of the Borrowers to make payments on the Loans and no assurance can be given that such matters would not adversely affect the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

In May 2015, the EU Referendum Bill was introduced into the UK Parliament. The EU Referendum Bill proposes confirms that a referendum on the UK's membership of the EU will be held by 31 December 2017. The outcome of such a referendum is not known and there is considerable uncertainty as to the impact of either a "yes" or a "no" vote on the general economic condition in the UK and the UK housing market. As such, no assurance can be given as to the impact of the referendum on the UK's membership of the EU and in particular, no assurance can be given that such matters would not adversely affect the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Book-Entry Interests

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

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

Except as noted in the previous paragraphs, payments of principal and interest on, and other amounts due in respect of, the Global Note will be made by the Principal Paying Agent to a nominee of the Common Depository in the case of the Global Note. 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 Note Trustee, the Security Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

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

accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*" below. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

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

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

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

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Notes for certain investors

The Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**").

The Basel III reform package has been implemented in the European Economic Area (the "**EEA**") through the CRR and an associated directive (the recast Capital Requirements Directive (the "**CRD**")) (together, "**CRD IV**"), which was published in the Official Journal of the European Union on 27 June 2013. The regulation establishes a single set of harmonised prudential rules which apply directly to all credit institutions and investment firms in the EEA, with the directive containing less prescriptive provisions which are required to be transposed into national law. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time, to be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024.

As CRD IV allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to national variation. The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 15%.

The changes under CRD IV and Basel III as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

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

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

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

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

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of the Sellers to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Sellers, please see the statements set out in the section of this Prospectus headed "*Certain Regulatory Disclosures*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Issuer, the Sellers, the Arranger nor the Joint Lead Managers, the Note Trustee, the Security Trustee or any other party to the relevant Transaction Documents makes any representation that the information described above is sufficient in all circumstances for such purposes.

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

CRA Regulations

Prospective investors are responsible for ensuring that an investment in the Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings. In this context, prospective investors should note the provisions of Regulation (EU) No. 1060/2009 on Credit Rating Agencies, as amended by Regulation (EU) No. 462/2013 (the "**CRA Regulation**"). The CRA Regulation requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other. Additionally, the CRA Regulation requires certain additional

disclosure of information to be made in respect of structured finance transactions. The scope, extent and manner in which such disclosure should be made is detailed in the Commission Delegated Regulation 2015/13 (the "**Delegated Regulation**") on disclosure requirements for structured finance instruments that was published in the Official Journal on 6 January 2015. This Delegated Regulation contains technical standards specifying, the information that issuers, originators and sponsors must publish to comply with the CRA Regulation, the frequency with which this information should be updated and a standardised disclosure template for the disclosure of this information. The Delegated Regulation will apply from 1 January 2017 to structured finance instruments issued after the entry into force of the Delegated Regulation on 26 January 2015. Structured finance instruments issued after the entry into force of the Delegated Regulation but before the date from which it applies will only be subject to the disclosure requirements if they are still outstanding on 1 January 2017.

Under the terms of the Cash Management Agreement, the Cash Manager will act as the designated reporting entity for the purposes of complying with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3).

TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

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

Sale of Portfolio:

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

Under the PFL Mortgage Sale Agreement, the MAS4 Mortgage Sale Agreement and the MAS5 Mortgage Sale Agreement on the Closing Date the Issuer will pay the applicable Initial Consideration to each applicable Seller and:

- (a) in the case of the PFL Mortgage Sale Agreement, the MAS4 Mortgage Sale Agreement and the MAS5 Mortgage Sale Agreement, a portfolio of English and Welsh residential mortgage loans (the "**English Loans**") and their associated mortgages (the "**English Mortgages**") and other Related Security will be assigned to the Issuer; and
- (b) in the case of the PFL Mortgage Sale Agreement:
 - (i) the Seller will hold on trust under the Scottish Declaration of Trust a portfolio of Scottish residential mortgage loans for the benefit of the Issuer (together, the "**Scottish Loans**") and associated first ranking standard securities (the "**Scottish Mortgages**"); and
 - (ii) a portfolio of Northern Irish residential mortgage loans (the "**Northern Irish Loans**" and together with the English Loans and the Scottish Loans, the "**Loans**" and, individually, each a "**Loan**") and their associated mortgages (the "**Northern Irish Mortgages**" and together with the English Mortgages and the Scottish Mortgages, the "**Mortgages**" and, together with the other security for the Loans, the "**Related Security**") and other Related Security will be assigned to the Issuer,

in each case referred to as the "**sale**" by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**".

The terms "**sale**", "**sell**" and "**sold**" when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment and the beneficial interest created under and pursuant to the Scottish Declaration of Trust, as applicable.

Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Loans and their Related Security comprising the Portfolio will not be given to the borrowers and the Issuer will not apply to the Land Registry or Northern Ireland Land Registry or the Registry of Deeds, Belfast to register or record its equitable or beneficial interest in the English Mortgages or Northern Irish Mortgages, as applicable, or apply to the General Register of Sasines or Land Register of Scotland to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust. Prior to the occurrence of a Perfection Event, the legal title to each Loan and its Related Security in the Portfolio will be held by the relevant Seller on bare trust for the Issuer (including, in respect of a Scottish Loan, under the Scottish Trust). Following a Perfection Event and notice of the transfer of the Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Loans and their Related Security (subject to appropriate registration or recording at the Land Registry or the Northern Ireland Land Registry or the Registry of Deeds, Belfast or the Registers of Scotland (as appropriate)) will pass to the Issuer.

Features of the Loans:

The following is a summary of certain features of the Loans comprising the portfolios owned by PFL, MAS4 and MAS5 as at the Portfolio Reference Date the "**Provisional Portfolio**") and investors should refer to, and carefully consider, further details in respect of the Loans set out in "*The Loans*" and "*Characteristics of the Portfolio*". The Loans include loans to prime, non-conforming and buy to let Borrowers and are secured by first priority charges over freehold and leasehold properties in England and Wales and Northern Ireland or (in Scotland) first ranking standard securities over heritable and long-leasehold properties in Scotland. The portfolio that will be sold to the Issuer on the Closing Date will be randomly selected from the Provisional Portfolio as at the Portfolio Reference Date (the "**Closing Date Portfolio**"). In order to satisfy the risk retention requirements of the CRR, the AIFMR and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**"), Mortgage Loans will be randomly selected from the Provisional Portfolio constituting not less than 5 per cent. of the nominal value of the Closing Date Portfolio and retained by the relevant Sellers. All Loans held by the Sellers for the purposes of such compliance would have been eligible for the Closing Date Portfolio had they been randomly selected for inclusion.

The characteristics of the Closing Date Portfolio will differ from those set out in this Prospectus as a result of, *inter alia*, the random selection of the Closing Date Portfolio, repayments and redemptions of the Loans from the Portfolio Reference Date to the Closing Date Portfolio Selection Date and removal of any Loans which do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date.

"**Closing Date Portfolio Selection Date**" means 1 September 2015.

Consideration:

The total consideration from the Issuer to the Sellers in respect of the sale of the Portfolio together with its Related Security shall be: (a) £1,486,609,848.79 being an amount equal to the proceeds of the Notes, *less* amounts required to fund the General Reserve Fund, the Retained Principal Required Amount, the Make-Whole Ledger and the Initial Expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date (such amount to be shared amongst the three Sellers in the proportion that the Current Balance of the Loans contributed by each Seller to the Closing Date Portfolio bears to the Current Balance of all the Loans in the Closing Date Portfolio) determined as at close of business on the Closing Date Portfolio Selection Date (b) Accrued Interest Consideration payable to the relevant Seller after the Closing Date but on or prior to the first Interest Payment Date, and (c) the Principal Residual Certificates and the Revenue Residual Certificates issued to each Seller representing its right to receive a *pro rata* share of the Residual Payments.

Any Principal Residual Payment will be paid to the Principal Residual Certificateholders in accordance with the Pre-Acceleration Principal Priority of Payments or Post-Acceleration Priority of Payments (as applicable) (subject to the relevant Interest Payment Date not falling within a Determination Period).

Any Revenue Residual Payment will be paid to the Revenue Residual Certificateholders in accordance with the Revenue Priority of Payments or Post-Acceleration Priority of Payments (subject to the relevant Interest Payment Date not falling within a Determination Period).

The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the 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 (including, for the avoidance of doubt, any costs or fees incurred in connection with the recovery of that Loan and any Capital Costs) which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent 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, Arrears of Interest and any costs or fees incurred in connection with the recovery of that Loan) 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 but which is secured or intended to be secured by the related Mortgage (but excluding any Accrued Interest),

as at the end of the Business Day immediately preceding that given date, *less* any repayment or payment 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.

"Borrower" means, in relation to a Loan, the individual or individuals specified as such in the relevant Mortgage Conditions together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it.

"Initial Expenses" means the fees, costs and expenses incurred by the Issuer in connection with each of the transactions contemplated by the Transaction Documents up to and on the Closing Date.

Representations and Warranties:

Each of the Sellers will make certain Loan Warranties regarding the Loans and Related Security to the Issuer on the Closing Date in relation to the Loans and their Related Security in the Portfolio, including warranties in relation to compliance with the Lending Criteria as it applied at the date of origination of the Loans.

The Loan Warranties are subject to the disclosures given in this prospectus in relation to the Conduct Issues and the Remediation Project. Where such a Loan has its principal balance written down as a result of the Conduct Issues, a corresponding amount from the Make-Whole Ledger will be applied as Available Principal Receipts towards redemption of the Notes. The Sellers are under an obligation to top-up the Make-Whole Ledger in the event that the amount standing to the credit of the Make-Whole Ledger falls below the Projected Costs, which such obligation is guaranteed by the Co-operative Bank. See *"Risk Factors – Undertakings of the Sellers and guarantees from the Co-operative Bank"*. For more information please see *"The Loans – Remediation Project"*.

Broadly speaking, in addition to representations and warranties in respect of the legal nature of the Loans and their Related Security, there are also asset Loan Warranties which include the following:

- (a) all of the Borrowers are individuals;
- (b) no Loan is currently repayable in a currency other than Sterling;
- (c) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was less than £1,100,000;
- (d) all of the Properties are residential and located in England, Wales, Scotland and Northern Ireland; and
- (e) there are no obligations on a lender to make a Further Advance to a Borrower.

"Lending Criteria" means the lending criteria of the relevant Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender. See section *"Summary of the Key Transaction Documents – Mortgage Sale Agreement – Lending Criteria"* for further details.

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

Repurchase of the Loans and Related Security:	<p>The relevant Seller shall repurchase the relevant Loans and their Related Security upon a breach of Loan Warranties (which the relevant Seller fails to remedy within the agreed grace period) where such breach has a material adverse effect on the value of that Loan;</p> <p>Pursuant to the terms of the Mortgage Sale Agreements, the relevant Sellers may transfer their obligations and liabilities and assign their rights to the Co-operative Bank or one of its subsidiaries. In that event, the obligations, liabilities and rights of the relevant Seller will become the obligations, liabilities and rights of the entity acquiring them. The Co-operative Bank guarantee for repurchase described below will continue to apply to the obligations of the replacement entity in relation to repurchases.</p>
Consideration for repurchase:	<p>Consideration payable by the relevant Seller in respect of the repurchase of the Loans and Related Security shall be equal to the Current Balance of the relevant Loan <i>plus</i> any Accrued Interest on the Monthly Pool Date immediately following a determination by the relevant Seller that such breach or breaches cannot be remedied or failure by the relevant Seller to remedy such breach or breaches.</p>
Co-operative Bank guarantee for repurchase:	<p>The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Sellers under the Mortgage Sale Agreements. If a Seller is required to repurchase a Loan pursuant to the terms of the relevant Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan on the relevant Monthly Pool Date at a repurchase price equal to its Current Balance <i>plus</i> any Accrued Interest determined as at such Monthly Pool Date.</p>
Perfection Events:	<p>See "<i>Perfection Events</i>" in the section entitled "<i>Transaction Overview – Triggers Table – Non-Rating Triggers Table</i>".</p> <p>Prior to the completion of the transfer of legal title of the Loans, the Issuer will be subject to certain risks as set out in the risk factor entitled "<i>Seller to initially retain legal title to the Loans and risks relating to set-off</i>" in the section entitled "<i>Risk Factors</i>".</p>
Servicing of the Portfolio:	<p>The Servicer agrees to service the Loans to be sold to the Issuer and their Related Security on behalf of the Issuer. The appointment of the Servicer may be terminated by the Issuer and/or the Security Trustee (subject to the terms of the Servicing Agreement) upon the occurrence of a Servicer Termination Event (see "<i>Servicer Termination Event</i>" in the "<i>Non-Rating Triggers Table</i>").</p> <p>The Servicer may also resign by giving not less than 12 months' notice to the Issuer and the Security Trustee and subject to, <i>inter alia</i>, a replacement servicer having been appointed. See "<i>Summary of the Key Transaction Documents – Servicing Agreement</i>" below.</p>
Back-Up Servicer:	<p>The Back-up Servicer has agreed to provide certain services to the Issuer whilst the Servicer services the Loans, including mapping data provided by the Servicer in respect of the Loans. In the event of a Servicer Termination Event that is continuing and has not been remedied, the Back-up Servicer will agree to service the loans on behalf of the Issuer on substantially similar terms to the Servicer.</p>

Delegation:

The Servicing Agreement provides that the Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof including sub-delegation to any Seller or to the Co-operative Bank of the servicing of certain Loans where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling, **provided that** the Servicer remains responsible for the performance of any functions so delegated.

**Purchase of Portfolio by
Portfolio Option Holder:**

The Portfolio Option Holder may, by giving written notice to the Issuer at any time after the Portfolio Option Commencement Date (provided that a Portfolio Option Suspension Period is not then subsisting) purchase or procure that a Third Party Purchaser purchases all (but not part) of the Loans and their Related Security.

The Portfolio Option Holder will exercise the Portfolio Option in accordance with the terms of the Deed Poll. None of the Sellers or any member of the Co-op Bank Group will provide any representations or warranties in relation to those Loans, Mortgages or the Related Security. The Issuer will provide limited representations in relation to its title to the Loans and their Related Security.

The Portfolio Option Holder may, as an alternative to exercising the Portfolio Option:

- (a) require the Issuer to provide a Market Sale Instruction (as described below); or
- (b) notify the Issuer that it does not intend to take any action either to exercise the Portfolio Option or to effect a Market Portfolio Sale.

In the event the Issuer receives a notification pursuant to paragraph (b) above, the Issuer shall not take any further action pursuant to the terms of Deed Poll until such time that the Portfolio Option Holder notifies the Issuer otherwise. For the avoidance of doubt, the giving of notice by the Portfolio Option Holder as described in paragraph (b) above shall not restrict the Portfolio Option Holder from exercising the Portfolio Option or to effect a Market Portfolio Sale, provided that the Portfolio Option Holder shall not be entitled to exercise the Portfolio Option during a Portfolio Option Suspension Period and no Market Sale Instruction may be given and no auction process in relation to a Market Portfolio Sale may be commenced during a Market Sale Suspension Period.

If, by a date falling 9 months after the Portfolio Option Commencement Date, the Issuer does not receive any notification from the Portfolio Option Holder notifying the Issuer that any of the Portfolio Option or the options set out in (a) or (b) above is being exercised, the Issuer shall instruct the Liquidation Agent to commence the process of effecting a Market Portfolio Sale.

In connection with the exercise of the Portfolio Option, the Portfolio Option Holder or the Third Party Purchaser (as applicable) will agree with the Issuer to either (i) deposit an amount equal to the Portfolio Option Purchase Price in either an escrow account in the name of the purchaser or in any other account as may be agreed between the Issuer and the Portfolio Option Holder or (as applicable) the Third Party Purchaser or (ii) provide irrevocable payment instructions for an amount equal to the Portfolio Option Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Portfolio Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Portfolio Option Holder or (as applicable) the Third Party Purchaser may agree, provided further that the Portfolio Option Purchase Price or as applicable irrevocable payment instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

The exercise of the Portfolio Option will also be subject to the following conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and the Sellers, having received tax advice (such advice to be obtained prior to the execution of any binding agreement in relation to the transfer of the Loans) from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer or the Sellers to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;
- (b) either (i) the purchaser of the legal title to the Loans has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans (the "**Relevant Authorisations**") or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations;
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to any further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax.

The tax advice referred to in (a) above shall be obtained at the cost of the Portfolio Option Holder.

In connection with the exercise of the Portfolio Option, the beneficial title to the Loans will be transferred on the Target Portfolio Purchase Completion Date. However, the perfection of the transfer of the legal title to the Loans and the giving of notices of such transfer to the Borrowers may take place immediately after the Target Portfolio Purchase Completion Date.

"**Affiliate**" means a Subsidiary or a Holding Company (as such terms are defined in section 1159 of the Companies Act 2006) of a person or any other Subsidiary of that Holding Company.

"**Counter Notice**" means a notice to be delivered by the Issuer in accordance with the Deed Poll in response to the Exercise Notice, setting out, among other things, the Target Portfolio Purchase Completion Date and the Portfolio Option Purchase Price.

"**Co-op Bank Group**" means the Co-operative Bank and its Affiliates.

"**Market Sale Commencement Date**" means:

- (a) in the event the Portfolio Option Holder requires the Issuer to direct that the Loans and their Related Security be sold pursuant to a Market Portfolio Sale, the date on which the Portfolio Option Holder so notifies the Issuer;
- (b) in the event a Market Sale Instruction has been provided by the Issuer as a result of the Issuer not having received any notification from the Portfolio Option Holder by a date falling nine months after the Portfolio Option Commencement Date, the date on which the Issuer provides such Market Sale Instruction;
- (c) in the event there has been an Unsuccessful Market Portfolio Sale, the date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale; or
- (d) in the event the Market Portfolio Sale has been commenced as a result of the Issuer being required to or proposing to exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date, the date on which the Issuer provides any Market Sale Instruction in relation to such Market Portfolio Sale.

"**Market Sale Suspension Period**" means

- (a) a period beginning on any date on which the Portfolio Option Holder notifies the Issuer that it proposes to exercise the Portfolio Option, and ending on a date on which the relevant Exercise Notice or, as applicable, Counter Notice, is deemed to have no further effect under the terms of the Deed Poll; and
- (b) a period beginning on any date on which the Portfolio Option Holder notifies the Issuer that it does not intend to take any action either to exercise the Portfolio Option or to effect a Market Portfolio Sale and ending on a date when the Portfolio Option Holder Notifies the Issuer that (i) it proposes to exercise the Portfolio Option (in which case, paragraph (a) above will apply) or (ii) it requires the Issuer to provide a Market Sale Instruction.

"Portfolio Option" means the option granted to the Portfolio Option Holder pursuant to the Deed Poll to require the Issuer to (x) sell beneficial interest in the Loans in the Portfolio, and (y) sell legal title or, if, at the time the option is exercised, the Issuer does not hold legal title to the Loans in the Portfolio, procure that the Sellers sell legal title in the Loans in the Portfolio, to the Portfolio Option Holder or a Third party Purchaser, or (in case of legal title) a nominee of either of them.

"Portfolio Auction Conditions" means the following conditions:

- (a) the Liquidation Agent (or the Portfolio Manager or its behalf) shall seek and receive at least three bids from potential purchasers of the Portfolio;
- (b) the purchase price for the Loans and the Related Security sold pursuant to the portfolio auction process shall be at least an amount equal to the Market Sale Minimum Price;
- (c) either (i) the purchaser of the legal title to the Loans has all the Relevant Authorisations; or (ii) the purchaser of the beneficial interest in the Loans has identified a servicer who has the Relevant Authorisations to administer the Loans; and
- (d) any potential purchaser of the Loans and their Related Security shall not be permitted to transfer the beneficial interest in any of the Loans to a further purchaser until the transfer of the legal title to the Loans in favour of the purchaser of legal title to the Loans is perfected unless such transfer of beneficial interest is made to an entity which is within the charge to UK corporation tax.

"Portfolio Option Commencement Date" means a date falling 60 days prior to the Step-Up Date.

"Portfolio Option Holder" means: (a) where there is a sole Principal Residual Certificateholder, the Principal Residual Certificateholder; or (b) where there is not a sole Principal Residual Certificateholder, any entity that represents all of the Principal Residual Certificateholders.

"Portfolio Option Suspension Period" means a period beginning on a Market Sale Commencement Date and ending on a date falling two calendar months after the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale.

"Portfolio Purchase" means a purchase of the Loans and their Related Security by either the Portfolio Option Holder or the Third Party Purchaser pursuant to the exercise of the Portfolio Option.

"Target Portfolio Purchase Completion Date" means the date identified as the date on which the Portfolio Purchase is expected to be completed pursuant to the terms of the Deed Poll, which, for the avoidance of doubt shall be an Interest Payment Date following the Portfolio Option Commencement Date.

"Unsuccessful Market Portfolio Sale" means a Market Portfolio Sale process in relation to which:

- (a) the Liquidation Agent (or the Portfolio Manager) is unable to obtain bids which satisfy the Portfolio Auction Conditions within 2 calendar months of:

- (i) in case a Market Portfolio Sale process has been commenced (x) pursuant to the Portfolio Option Holder requiring the Issuer to effect a Market Portfolio Sale or (y) as a result of the Issuer not having received any notification from the Portfolio Option Holder by a date falling nine months after the Portfolio Option Commencement Date or (z) as a result of the Issuer being required to or proposing to exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date, the date on which the Issuer instructs the Liquidation Agent to effect the Market Portfolio Sale; or
 - (ii) in case a Market Portfolio Sale process has been commenced on or after a date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale (the "**Market Portfolio Sale Recommencement Date**"), the Market Portfolio Sale Recommencement Date;
- (b) the Liquidation Agent (or the Portfolio Manager) has accepted a bid and a binding agreement in relation to the transfer of the Loans has not been entered into within 2 calendar months following the date on which the bidder is notified of its bid being successful.

See the section entitled "*Early Redemption of the Notes – Portfolio Option*" for further details.

Consideration for purchase by Portfolio Option Holder:

The purchase price payable by the Portfolio Option Holder or the Third Party Purchaser, as applicable, in respect of the Portfolio Purchase shall be an amount which:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which the Target Portfolio Purchase Completion Date falls and (ii) any amount standing to the credit of (A) the Liquidity Reserve Fund (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date), (B) the General Reserve Fund (to be used as Available Revenue Receipts on the Target Portfolio Purchase Completion Date), and (C) the amounts standing to the credit of Retained Principal Receipts Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

shall be equal to the sum of:

- (c) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the on the Target Portfolio Purchase Completion Date);
- (d) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments.

See the section entitled "*Early Redemption of the Notes – Portfolio Option*" for further details.

Market sale of Portfolio:

In the event that (i) the Portfolio Option Holder directs the Issuer to do so after the Portfolio Option Commencement Date or (ii) the Issuer has not received a notification from the Portfolio Option Holder notifying the Issuer of the exercise of any of the options described in the section titled "*Purchase of the Portfolio by the Portfolio Option Holder*" above within 9 months of the Portfolio Option Commencement Date or (iii) the Issuer is required to or proposes to redeem the Notes pursuant to the terms and conditions of the Notes other than on the Final Maturity Date, the Issuer will instruct (the "**Market Sale Instruction**") the Liquidation Agent to effect the sale of Loans pursuant to an auction process (a "**Market Portfolio Sale**"). The Liquidation Agent may elect to conduct the auction process itself or appoint a portfolio manager (the "**Portfolio Manager**") to conduct the auction process.

Any instruction in relation to seeking offers for a Market Portfolio Sale will only be given to the Liquidation Agent after the Issuer has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006.

The Liquidation Agent (or the Portfolio Manager acting on its behalf) shall not consider any offers for a Market Portfolio Sale until such party has received three market bids (the "**Market Sale Minimum Bids**"). The purchase price payable in respect of such Market Portfolio Sale shall not be less than the Market Sale Minimum Price (as defined below).

The Liquidation Agent (or the Portfolio Manager acting on its behalf) shall accept any bid which offers a purchase price equal to or higher than the Market Sale Minimum Price, provided that if more than one bid offers a price higher than the Market Sale Minimum Price, the Liquidation Agent (or the Portfolio Manager) shall accept the bid which, in its view, is the strongest bid for the purchase of the Portfolio (having regard to the price offered, execution risk and any other factors considered necessary by the Liquidation Agent or Portfolio Manager (as applicable)) (the price at which the bid is accepted, the "**Market Portfolio Purchase Price**").

It shall also be one of the conditions of submitting a bid that either (i) the purchaser of legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of beneficial interest in the Loans shall appoint a servicer who has the Relevant Authorisations.

In the event the Market Portfolio Sale is deemed an Unsuccessful Market Portfolio Sale, the Liquidation Agent shall (or shall instruct the Portfolio Manager to) seek bids from potential purchasers in relation to the Loans and their Related Security. The process of repeating the process of seeking bids shall commence on the date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale. The process of seeking bids shall be repeated in the manner set out in the Liquidation Agent Agreement until a successful bidder has been identified, provided that the Liquidation Agent shall not (and shall not instruct the Portfolio Manager to) commence a portfolio auction process during a Market Sale Suspension Period.

The Market Portfolio Sale will also be subject to the following conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and the Sellers, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer or the Sellers to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;
- (b) either (i) the purchaser of the legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations; and
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to a further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax.

The tax advice referred to in (a) above shall be obtained at the cost of the purchaser of the beneficial interest in the Loans.

The proposed purchaser will agree with the Issuer to either (i) deposit an amount equal to the Market Portfolio Purchase Price in either an escrow account in the name of the proposed purchaser or in any other account as may be agreed between the Issuer and the proposed purchaser or (ii) provide irrevocable payment instructions for an amount equal to the Market Portfolio Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Market Portfolio Purchase Date or (y) such other date as the Issuer, at its sole discretion and the proposed purchaser may agree, provided further that the Market Portfolio Purchase Price or as applicable irrevocable payment instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

In connection with the Market Portfolio Sale, the beneficial title to the Loans will be transferred on the Interest Payment Date designated as the date upon which the Market Portfolio Sale shall be completed which for the avoidance of doubt shall be an Interest Payment Date following the Market Sale Commencement Date (the "**Target Market Portfolio Purchase Date**"). However, the perfection of the transfer of the legal title to the Loans and the giving of notices of such transfer to the Borrowers may take place immediately after the Target Market Portfolio Purchase Date.

None of the Sellers or any member of the Co-op Bank Group will provide any representations or warranties in relation to those Loans, Mortgages or the Related Security. The Issuer will provide limited representations in relation to its title to the Loans and their Related

Security.

"**Market Sale Minimum Price**" means an amount which:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which the Target Market Portfolio Purchase Date falls and (ii) any amount standing to the credit (A) the Liquidity Reserve Fund (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date), (B) the General Reserve Fund (to be used as Available Revenue Receipts on the Target Portfolio Purchase Completion Date), and (C) the amounts standing to the credit of Retained Principal Receipts Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

shall be equal to the sum of:

- (c) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the on the Target Market Portfolio Purchase Date);
- (d) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments; and
- (e) costs incurred or to be incurred by the Issuer on the auction process (including without limitation, the fees and expenses payable to the Portfolio Manager and the expenses incurred by the Portfolio Manager in relation to the auction process).

See the section entitled "*Early Redemption of the Notes – Market Sale of Portfolio*" for further details.

**TRANSACTION OVERVIEW – SUMMARY OF THE TERMS AND CONDITIONS
OF THE NOTES**

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
Principal Amount:	£1,241,400,000	£89,200,000	£66,000,000	£57,800,000	£46,200,000	£56,100,000
Credit enhancement and liquidity support features:	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Class F Notes, PRC Overcollateralisation Amount, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund	Subordination of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, PRC Overcollateralisation Amount, General Reserve Fund (subject to certain conditions), excess Available Revenue Receipts, Liquidity Reserve Fund	Subordination of the Class D Notes, the Class E Notes and the Class F Notes, PRC Overcollateralisation Amount, Reserve Fund (subject to certain conditions), excess Available Revenue Receipts	Subordination of the Class E Notes and Class F Notes, PRC Overcollateralisation Amount, General Reserve Fund (subject to certain conditions), excess Available Revenue Receipts	Subordination of the Class F Notes, PRC Overcollateralisation Amount, Reserve Fund (subject to certain conditions), excess Available Revenue Receipts	PRC Overcollateralisation Amount, General Reserve Fund (subject to certain conditions), excess Available Revenue Receipts
Issue Price:	99.31%	95.25%	93.82%	92.03%	89.90%	88.82%
Interest Rate:	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin
Margin prior to the Step-Up Date:	1.50% p.a.	1.60% p.a.	1.80% p.a.	2.00% p.a.	2.20% p.a.	2.50% p.a.
Step-up Margin (from and including the Step-Up Date):	2.25% p.a.	2.80% p.a.	3.30% p.a.	4.00% p.a.	4.75% p.a.	5.25% p.a.
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)
Interest Payment Dates:	21 st day of March, June, September and December, in each year	21 st day of March, June, September and December, in each year	21 st day of March, June, September and December, in each year	21 st day of March, June, September and December, in each year	21 st day of March, June, September and December, in each year	21 st day of March, June, September and December, in each year
First Interest Payment Date:	21 December 2015	21 December 2015	21 December 2015	21 December 2015	21 December 2015	21 December 2015
Final Maturity Date:	21 September 2049	21 September 2049	21 September 2049	21 September 2049	21 September 2049	21 September 2049
Step-Up Date:	22 June 2020	22 June 2020	22 June 2020	22 June 2020	22 June 2020	22 June 2020
Application for Exchange Listing:	London	London	London	London	London	London
ISIN:	XS1255425495	XS1255425735	XS1255425909	XS1255426204	XS1255426469	XS1255426899
Common Code:	125542549	125542573	125542590	125542620	125542646	125542689
Ratings Moody's/S&P:	Aaa(sf) / AAA(sf)	Aa1(sf) / AA(sf)	A1(sf) / A+(sf)	Baa2(sf) / A(sf)	Ba2(sf) / BBB-(sf)	B3(sf) / BB(sf)
Amount retained by the Co-operative	80%	Nil	Nil	Nil	Nil	Nil

	<u>Class A Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class F Notes</u>
Bank						
Minimum Denomination	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof

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

From the Step-Up Date, the Portfolio Option Holder has the right to exercise the option to either acquire legal title to and beneficial interest in the Portfolio or to require the Issuer to transfer beneficial interest in and procure that the Sellers transfer Legal title to the Portfolio to a Third Party Purchaser. As an alternative to this option, the Portfolio Option Holder may require the Issuer to effect a Market Sale of the Portfolio. The exercise of either of the options described in this paragraph would lead to an early redemption of the Notes.

OVERVIEW OF THE CHARACTERISTICS OF THE NOTES AND THE RESIDUAL CERTIFICATES

Ranking and Form of the Notes:

The Issuer will issue the following classes of the Notes on the Closing Date under the Trust Deed:

- Class A mortgage backed floating rate Notes due September 2049 (the "**Class A Notes**");
- Class B mortgage backed floating rate Notes due September 2049 (the "**Class B Notes**");
- Class C mortgage backed floating rate Notes due September 2049 (the "**Class C Notes**");
- Class D mortgage backed floating rate Notes due September 2049 (the "**Class D Notes**");
- Class E mortgage backed floating rate Notes due September 2049 (the "**Class E Notes**"; and
- Class F mortgage backed floating rate Notes due September 2049 (the "**Class F Notes**",

and together with the Class A Notes, the Class B Note, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, the "**Notes**" and the holders thereof, the "**Noteholders**").

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

Residual Certificates:

The Issuer will also issue to the Sellers:

- certificates evidencing the right to receive further consideration for the sale of the Portfolio in the form of the right to the cashflows that are paid in item (s) in the Pre-Acceleration Principal Priority of Payments and in item (o) of the Post-Acceleration Priority of Payments (the "**Principal Residual Certificates**" and the holders thereof, the "**Principal Residual Certificateholders**");
- certificates evidencing the right to receive further consideration for the sale of the Portfolio in the form of the right to the cashflows that are paid in item (r) in the Revenue Priority of Payments and in item (q) of the Post-Acceleration Priority of Payments (the "**Revenue Residual Certificates**" and the holders thereof, the "**Revenue Residual Certificateholders**") and together with the Principal Residual Certificates the "**Residual Certificates**" and holder of a Principal Residual Certificate to whom the Principal Residual Certificate is sold by the Seller on the Closing Date, and thereafter any other third party holder of the Principal Residual Certificates, the "**Revenue Residual Certificateholders**" and together with the Principal Residual Certificateholders, the "**Certificateholders**");

The Principal Residual Certificates and the Revenue Residual Certificates will be sold by the Sellers to a third party (or third parties) on the Closing Date.

**Sequential
Order:**

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

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

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

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

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

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

The Principal Residual Certificates are subordinated in right of any payment to payments of principal on all of the Notes. The Revenue Residual Certificates are subordinated in right of any payment to payments of interest on all of the Notes.

Prior to the service of a Note Acceleration Notice, the Principal Residual Certificateholders will be entitled to receive whatever funds are remaining after all payments ranking senior to them in the Pre-Acceleration Principal Priority of Payments have been made. Following service of a Note Acceleration Notice, the Principal Residual Certificateholders will be entitled to receive whatever funds are remaining (up to the PRC Overcollateralisation Amount less the aggregate amount of all payments in respect of Principal Residual Certificates which have been made since the Closing Date) after all payments ranking senior to them in the Post-Acceleration Priority of Payments have been made.

The Revenue Residual Certificateholders will be entitled to receive whatever funds are remaining after all payments ranking senior to them in the Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments have been made.

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

The Principal Residual Certificates will rank *pro rata* and *pari passu* and rateably without any preference or priority among themselves as to payments of Principal Residual Payments at all times.

The Revenue Residual Certificates will rank *pro rata* and *pari passu* and rateably without any preference or priority among themselves as to payments of Revenue Residual Payments at all times.

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Security Trustee (the "**Deed of Charge**"), the Notes and the Residual Certificates will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Certain amounts due by the Issuer to its other Secured Creditors will rank in

priority to all classes of the Notes.

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

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any rights of set-off or netting provided for therein) (other than the Subscription Agreement, the Trust Deed, the Deed of Charge and the Scottish Declaration of Trust);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans, the Mortgages and their other Related Security and other related rights comprised in the Portfolio (other than in relation to the Scottish Loans);
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the relevant Mortgage Sale Agreement;
- (d) an assignment in security of the Issuer's beneficial interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the relevant Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and any sums standing to the credit thereof;
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in, or otherwise governed by the laws of, Scotland or Northern Ireland (whether or not the subject of fixed security or fixed charges as aforesaid).

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

Collateral: Mortgage loans that were originated by PFL and GMAC-RFC

Interest Provisions: Please refer to the "*Full Capital Structure of the Notes*" table above and as fully set out in Condition 5.

Interest Deferral: Interest due and payable on the Most Senior Class of Notes will not be deferred. Interest due and payable on the Notes, other than the Most Senior Class of Notes, may be deferred in accordance with Condition 17.

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

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

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 7.1;
- mandatory partial redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the

service of a Note Acceleration Notice subject to availability of Available Principal Receipts (to the extent not used to credit the Liquidity Reserve Fund) which shall be (a) *first*, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full, (b) *second*, on a *pari passu* and *pro rata* basis to repay the Class B Notes until they are repaid in full, (c) *third*, on a *pari passu* and *pro rata* basis to repay the Class C Notes until they are repaid in full, (d) *fourth*, on a *pari passu* and *pro rata* basis to repay the Class D Notes until they are repaid in full, (e) *fifth*, on a *pari passu* and *pro rata* basis to repay the Class E Notes until they are repaid in full, and (f) *sixth*, on a *pari passu* and *pro rata* basis to repay the Class F Notes until they are repaid in full, as fully set out in Condition 7.2;

- optional redemption of the Notes exercisable by the Issuer in whole on the Optional Redemption Date, as fully set out in Condition 7.3;
- optional redemption exercisable by the Issuer in whole for tax or other reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4; and
- on and from the Step-Up Date, mandatory redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale, as fully set out in Condition 7.5.

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

**Expected
Average Lives of
the Notes:**

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

**Event of
Default:**

As fully set out in Condition 10 and Residual Certificates Condition 9, which broadly includes (where relevant, subject to the applicable grace period):

- non-payment of interest and/or principal in respect of the Most Senior Class of Notes and the default continues for a period of seven days in the case of principal or 14 days in the case of interest;
- failure to pay any amount due in respect of the Residual Certificates for more than 14 days;
- material breach of contractual obligations by the Issuer under the Transaction Documents;
- insolvency event occurring in respect of the Issuer (as more fully described in Condition 10 and Residual Certificates Condition 9); and
- it becomes unlawful for the Issuer to perform or comply with any of its obligations under the Notes or the Trust Deed.

**Limited
Recourse:**

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 11.4.

The Residual Certificates are limited recourse obligations of the Issuer and the Certificateholders are only entitled to funds which are available to the Issuer in

accordance with the applicable Priority of Payments. If any amounts remain outstanding which are not paid in full, such amounts are subject to a final write-off which is described in more detail in Residual Certificates Condition 10.3.

Governing Law: English law (other than any terms of the Transaction Documents which are particular to Scots law or Northern Irish law which will be construed in accordance with Scots law or Northern Irish law, respectively).

RIGHTS OF NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

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

However, so long as no Event of Default has occurred and is continuing, neither the Noteholders or Certificateholders (as applicable) are entitled to instruct or direct the Issuer to take any actions, either directly or through the Note Trustee, without the consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such actions under the relevant Transaction Documents.

Following an Event of Default: Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if they pass an Extraordinary Resolution, (or, if the Notes have been redeemed in full, the Certificateholders may, if they hold not less than 25 per cent. of the number of Most Senior Class of Residual Certificates then outstanding or if they pass an Extraordinary Resolution), direct the Note Trustee to give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding or that all Residual Payments pursuant to the Residual Certificates are immediately due and payable, as applicable. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

Noteholders and Certificateholders Meeting provisions:

	<u>Initial meeting</u>	<u>Adjourned meeting</u>
Notice period:	At least 21 clear days	Not less than 13 Clear Days or more than 42 Clear Days
Quorum:	One or more persons present and holding or representing in aggregate not less than one quarter of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than one quarter of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business	One or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 10 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business

including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 50 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding or holding or representing not less than three-quarters of the number of such Class or Classes of Residual Certificates then outstanding, as applicable.

including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 25 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding or holding or representing not less than 50 per cent. of the number of such Class or Classes of Residual Certificates then outstanding, as applicable.

Required majority for Extraordinary Resolution:

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

Required majority for Ordinary Resolution: Majority consisting of an amount exceeding fifty per cent. of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of an amount exceeding fifty per cent. of the votes cast on such poll.

Written Resolution: In the case of a resolution in writing that is to have the same effect as an Extraordinary Resolution: not less than three quarters in aggregate Principal Amount Outstanding of the Relevant Class of Notes or the number of Residual Certificates then outstanding, as applicable.

In the case of a resolution in writing that is to have the same effect as an Ordinary Resolution: an amount exceeding fifty per cent. in aggregate Principal Amount Outstanding of the Relevant Class of Notes or the number of Residual Certificates then outstanding, as applicable.

For the purposes of calculating a period of "**Clear Days**" in relation to a meeting, no account shall be taken of the day on which notice of such meeting is given (or, in the case of an adjourned meeting, the day on which the meeting to be adjourned is held) or the day on which such meeting is held.

For the purposes of the meeting provisions described above, "**outstanding**" means:

A. in relation to the Notes, all the Notes issued from time to time other than:

(i) those Notes which have been redeemed in full and cancelled pursuant to the Conditions;

(ii) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption monies (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders in accordance with the Conditions) and remain available for payment against presentation of the relevant Notes;

(iii) those Notes which have been cancelled in accordance with Condition 7.9 (*Cancellation*) of the Notes;

(iv) those Notes which have become void or in respect of which claims have become prescribed, in each case under

Condition 9 (*Prescription*) of the Notes;

(v) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes;

(vi) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Instrument) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes; and

(vii) any Global Note to the extent that it shall have been exchanged for another Global Note in respect of the Notes of the relevant Class or for the Notes of the relevant Class in definitive form pursuant to its provisions.

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders of any Class or Classes, an Extraordinary Resolution in writing or an Ordinary Resolution in writing as envisaged by paragraph 1 of Schedule 3 to the Trust Deed and any direction or request by the holders of Notes of any Class or Classes;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 10.1 and Schedule 3 to the Trust Deed, Conditions 10 (*Events of Default*) and 11 (*Enforcement*) of the Notes;
- (iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and the Note Trustee is required, expressly or impliedly, to have reference to the interests of the Noteholders or any Class or Classes thereof; and
- (iv) the determination by the Security Trustee and the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any Class or Classes thereof,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of any of the Sellers, Co-op, any holding company of any of them or any other subsidiary of any 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 (i) in relation to a matter relating to a Basic Terms Modification, or (ii) in the case of any of the Sellers, Co-op, any holding company any of them or any other subsidiary of any 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, provided further that in the case of (ii), if there is any other Class of Notes or any other Class of Residual Certificates 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 or the Residual

Certificates of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

B. in relation to the Residual Certificates, all the Residual Certificates issued from time to time other than:

- (i) those Residual Certificates which have become void or in respect of which claims have become prescribed, in each case under Residual Certificates Condition 8 (*Prescription*) of the Residual Certificates;
- (ii) those mutilated or defaced Residual Certificates which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Residual Certificates Condition 13 (*Replacement of Residual Certificates*) with respect to the Residual Certificates;
- (iii) for the purpose only of ascertaining the number of Residual Certificates outstanding and without prejudice to the status for any other purpose of the relevant Instrument those Residual Certificates which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Residual Certificates Condition 13 (*Replacement of Residual Certificates*) with respect to the Residual Certificates; and
- (iv) any Global Residual Certificate to the extent that it shall have been exchanged for another Global Residual Certificate in respect of the Residual Certificates in definitive form pursuant to its provisions.

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Residual Certificateholders, an Extraordinary Resolution in writing or an Ordinary Resolution in writing as envisaged by paragraph 1 of Schedule 4 to the Trust Deed and any direction or request by the holders of Residual Certificateholders;
- (ii) the determination of how many and which Residual Certificates are for the time being outstanding for the purposes of Clause 10.1 and Schedule 4 to the Trust Deed, Residual Certificates Conditions 9 (*Events of Default*) and 10 (*Enforcement*);
- (iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and the Note Trustee is required, expressly or impliedly, to have reference to the interests of the Noteholders or any Class or Classes thereof; and
- (iv) the determination by the Security Trustee and the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Residual Certificateholders or any Class or Classes thereof,

those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of any of the Sellers, Co-op, any holding

company of any of them or any other subsidiary of any 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 (i) in relation to a matter relating to a Basic Terms Modification, or (ii) in the case of any of the Relevant Persons where all of the Residual Certificates 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 Residual Certificates (the "**Relevant Class of Residual Certificates**") shall be deemed to remain outstanding, provided further that in the case of (ii), if there is any other Class of Notes or any other Class of Residual Certificates ranking *pari passu* with, or junior to, the Relevant Class of Residual Certificates and one or more Relevant Persons are not the beneficial owners of all the Notes or the Residual Certificates of such Class, then the Relevant Class of Residual Certificates shall be deemed not to remain outstanding;

**Matters requiring
Extraordinary Resolution:**

The following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to give a Note Acceleration Notice to the Issuer upon the occurrence of an Event of Default;
- to sanction any compromise or arrangement proposed to be made between the Issuer, any other party to any Transaction Document, the Note Trustee, the Security Trustee, any Appointee and the Noteholders and Certificateholders or any of them;
- to approve the substitution of any person for the Issuer as principal obligor under the Notes or the Residual Certificates;
- to give any authority or sanction which is required to be given by Extraordinary Resolution under the Transaction Documents;
- to approve or assent to any modification of the provisions contained in the Notes, the Residual Certificates, the Conditions, the Residual Certificates Conditions or the Trust Deed other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders or Certificateholders in accordance with the terms of the Trust Deed;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to sanction any scheme or proposal for the sale or exchange of the Notes or Residual Certificates for or the conversion of the Notes or the Residual Certificates into, *inter alia*, other obligations or securities of the Issuer or any other company;
- to discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed, the Notes or the Residual

Certificates;

- to give any other authorisation or approval which under the Trust Deed, the Notes or the Residual Certificates is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders or Certificateholders and to convey upon such committee any powers which the Noteholders or Certificateholders could themselves exercise by Extraordinary Resolution.

See Condition 12 in the section entitled see "*Terms and Conditions of the Notes*" or Residual Certificates Condition 11 in the section entitled "*Terms and Conditions of the Residual Certificates*" for more detail.

Matters that do not require an Extraordinary Resolution will be determined on the basis of an Ordinary Resolution.

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

Subject as provided in Condition 10.1 (*Event of Default*) and Residual Certificates Condition 9.1 (*Event of Default*) and other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of the relevant affected Classes of Notes or the Residual Certificates, as applicable:

- A resolution (including an Extraordinary Resolution) passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and on the Residual Certificates irrespective of the effect it has upon them.
- A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and on the Certificateholders, irrespective of the effect it has upon them.
- No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by a resolution or Extraordinary Resolution (as applicable) of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders

A Basic Terms Modification requires an Extraordinary Resolution of each of the relevant affected Classes of Notes and of the relevant affected Classes of Residual Certificates (as applicable).

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

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

So long as the Notes or Residual Certificates are outstanding, the Note Trustee and the Security Trustee (acting on the instruction of the Note Trustee) will have regard to the interests of each class of the Noteholders equally, but if in the Note Trustee's sole opinion there is a conflict between the interests of any Classes of Notes and/or Classes of the Residual Certificates, it will have regard solely to the interests of the holders of the Class of Notes or Class of Residual Certificates ranking in

priority to the other relevant Classes of Notes or Class of Residual Certificates in the Priorities of Payment provided that the Principal Residual Certificates will be deemed to rank ahead of the Revenue Residual Certificates and the holders of such subordinated Classes of Notes or Residual Certificates shall have no claim against the Note Trustee for doing so.

If there is a conflict between the interests of the Noteholders, the Certificateholders and/or the other Secured Creditors, the Note Trustee will take into account the interests of the Most Senior Class only in the exercise of its discretion. So long as any Certificateholders are outstanding and there is a conflict between the interests of the Certificateholders and the other Secured Creditors (except the Noteholders), the Note Trustee will take into account the interests of the Certificateholders only in the exercise of its discretion. If there is a conflict between the interests of the holders of Principal Residual Certificates and holders of Revenue Residual Certificates, the Note Trustee will take into account the interests of the holders of the Principal Residual Certificates only.

Relevant Person as Noteholders

For certain purposes, including the right to attend and vote at any meeting of the Noteholders of any Class or Classes, the right to resolve by Extraordinary Resolution in writing and certain rights to direct the Note Trustee, the relevant Notes must be "outstanding". Those Notes (if any) which are for the time being held by or on behalf of or for the benefit of any of the Sellers, Co-op, any holding company of any of them or any other Subsidiary of any such holding company (the "**Relevant Persons**") shall (unless and until ceasing to be so held) be deemed not to remain except in relation to certain matters.

See the definition of "outstanding" in the Conditions for circumstances where the Notes of any Class held by the Relevant Persons are deemed to be not "outstanding".

Relevant Person as Certificateholder:

For certain purposes, including the right to attend and vote at any meeting of the Certificateholders of any Class, the right to resolve by Extraordinary Resolution in writing and certain rights to direct the Note Trustee, the relevant Residual Certificates must be "outstanding". Those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of any of the Relevant Persons shall (unless and until ceasing to be so held) be deemed not to remain outstanding except in relation to certain matters.

See the definition of "outstanding" in the Residual Certificates Conditions for circumstances where the Residual Certificates held by the Relevant Persons are deemed to be not "outstanding".

Provision of Information to the Noteholders:

The Cash Manager on behalf of the Issuer will publish the monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio (the "**Investor Report**"). The Investor Reports (i) will be published on the website at <https://sf.citidirect.com> and on Bloomberg and (ii) will also be available for inspection on the National Storage Mechanism located at <http://www.morningstar.co.uk/uk/NSM>. The website and the contents thereof do not form part of this Prospectus.

Communication with Noteholders:

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

- so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for

communication by it to Noteholders; and

- so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange.

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

Communication with Certificateholders:

Any notice to be given by the Issuer or the Note Trustee to the Certificateholders will, for so long as the Certificates are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to the Certificateholders and simultaneously made available through Bloomberg or any industry recognised successor to Bloomberg on a page associated with the Residual Certificates (unless impracticable to do so due to changes in the Bloomberg system after the Closing Date).

Note Trustee and Security Trustee Mandatory Consents:

Subject to the relevant provisions of the Conditions and the Trust Deed, the Issuer, the Servicer and the Cash Manager may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for so long as there are any Notes or Residual Certificates outstanding) direct the Security Trustee to agree to Transaction Amendments (as defined in Condition 12.14) relating to the replacement of the Collection Account Bank, irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the following conditions are satisfied:

- (a) the Replacement Collection Account Bank meets the Collection Account Rating Agency Required Ratings;
- (b) confirmation in writing to the Note Trustee and the Security Trustee (as applicable) from the Issuer, the Servicer and/or the Cash Manager (in its capacity as the requesting party, where applicable) that Moody's and any other Rating Agency not included in the definition of Collection Accounts Rating Agency Required Ratings have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objection thereto;
- (c) confirmation in writing from the Issuer, the Servicer and/or the Cash Manager (in its capacity as the requesting party, where applicable) to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and
- (d) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion,

have the effect of (i) increasing the obligations, or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or Security Trustee, or (ii) exposing the Note Trustee or the Security Trustee to any liability in respect of which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver and substitution)*" below for further details.

Additional Right of Modification:

The Conditions and Residual Certificates Conditions also provide that the Issuer may, at any time during the term of the Trust Deed, request that the Note Trustee and/or direct the Security Trustee in making any modification (other than in respect of a Basic Terms Modification) to the Conditions or any other Transaction Document to which either the Note Trustee or Security Trustee is a party or in relation to which the Security Trustee holds security that the Issuer considers necessary (in summary):

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies;
- (b) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 51(1) of the AIFMR, Article 17 of the Alternative Investment Fund Managers Directive and Article 254(2) of the Solvency II Delegated Act, after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMD, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on the London Stock Exchange;
- (d) for the purposes of enabling the Issuer or a Transaction Party to comply with certain sections of the U.S. Internal Revenue Code of 1986, agreements relating thereto, FATCA, and similar tax laws;
- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards relating thereto,

in each case provided that:

- (a) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee (as applicable);
- (b) the Issuer or Servicer on its behalf certifies to the Note Trustee and the Security Trustee (as applicable) that the drafting changes meet the criteria above (upon which certificate the Note Trustee and Security Trustee shall be entitled to rely absolutely without further enquiry and without liability as to any person for so doing);
- (c) the prior written consent of each Secured Creditor

(other than any Noteholder and Certificateholder) which is party to the Relevant Document has been obtained;

- (d) either:
- (i) the Issuer (or the Servicer on its behalf) obtains from each of the Rating Agencies written confirmation (or where not practicable, oral confirmation) that such modification would not 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); or
 - (ii) the Issuer (or the Servicer on its behalf) 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 the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent)
- (e) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class and the Certificateholders of each Class of the proposed modification; and
- (f) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding or if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates 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 or Certificateholders of the most senior Class of Notes or Residual Certificates then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*) and Residual Certificates Condition 11 (*Meetings of Certificateholders and*

Noteholders, Modification, Waiver and Substitution).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes or the Certificateholder's holding of the Residual Certificates.

TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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

Available Funds of the Issuer: The Cash Manager on behalf of the Issuer will apply Available Revenue Receipts and Available Principal Receipts on each Interest Payment Date in accordance with the applicable 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 or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date and further excluding any amount representing proceeds of the sale of the Loans pursuant to the exercise of the Portfolio Option or pursuant to a Market Portfolio Sale;
- (b) interest payable to the Issuer on the Deposit Accounts to be received on the last day of the immediately preceding Collection Period;
- (c) the General Reserve Excess Amounts;
- (d) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (e) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c);
- (f) any insurance proceeds received beneficially; and
- (g) any amount which has been provided for on an Interest Payment Date in accordance with item (a), (b) or (d) of the Revenue Priority of Payments, item (a), (b) or (d) of the General Reserve Fund Revenue Priority of Payments or item (b), (c), or (e) of the Principal Priority of Payments that has not actually been paid within 15 months of that Interest Payment Date,

less:

- A. amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Sellers) such as (but not limited to):
 - payments of certain insurance premiums **provided that** such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - 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;
 - fees charged by the providers of the Collection Accounts or any costs incurred by the Sellers in relation to the Collection Accounts;

- any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Sellers; and
- amounts due to the Account Banks (if any) towards payment of interest,

(items within (A) being collectively referred to herein as "**Third Party Amounts**"). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Deposit Accounts to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere; and

- B. Revenue Receipts in an amount equal to the Accrued Interest Consideration, which may be applied by the Cash Manager on behalf of the Issuer to make payments of Accrued Interest Consideration to the Sellers during the first Collection Period or on the first Interest Payment Date.

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

- all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period or retained in the Retained Principal Receipts Ledger on the last Interest Payment Date (less an amount equal to the aggregate of all amounts applied towards the payment of Capital Costs during the immediately preceding Collection Period) and (ii) received by the Issuer from the Sellers (or, as applicable, any entity to which the relevant Seller has transferred its obligations and liabilities and assigned its rights) during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Sellers (or, as applicable, any entity to which the relevant Seller has transferred its obligations and liabilities and assigned its rights) pursuant to the relevant Mortgage Sale Agreement, in each case other than any amount representing the purchase price received by the Issuer upon sale of Loans further to the exercise of the Portfolio Option or by way of a Market Portfolio Sale;
- the Liquidity Reserve Fund Excess Amounts (including amounts standing to the credit of the Liquidity Reserve Fund on the date on which the Class A Notes and Class B Notes are redeemed in full);
- (in respect of the first Interest Payment Date only) the amount paid into the Relevant Deposit Account on the Closing Date to fund the Retained Principal Receipts Ledger for the first Collection Period;
- the amounts (if any) calculated on that Interest Payment Date pursuant to the applicable Pre-Acceleration Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger, the Class D Principal Deficiency Sub-Ledger, the Class E Principal Deficiency Sub-Ledger and/or the Class F Principal Deficiency Sub-Ledger is reduced;
- if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c);
- amounts debited from the Make-Whole Ledger equal to the lesser of the

Make-Whole Amounts for the preceding Collection Period and the balance standing to the credit of the Make-Whole Ledger; and

- (g) the purchase price received by the Issuer upon sale of the Loans further to exercise of the Portfolio Option or sale of the Loans by way of a Market Portfolio Sale.

**Summary of
Priorities of
Payments**

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

Revenue Payments:	Priority of	General Reserve Fund Revenue Payments	Priority of	Pre-Acceleration Principal Payments:	Priority of Payments:
(a) <i>Pro rata and pari passu</i> amounts due to the Note Trustee and the Security Trustee including charges, liabilities, fees, costs, indemnity payments and expenses	(a)	As specified at item (a) of the Revenue Priority of Payment	(a)	To fund the Liquidity Reserve Fund Required Amount	(a)
(b) <i>Pro rata and pari passu</i> amounts due to the Servicer, Back-Up Servicer, Account Banks, Collection Account Bank, Agent Bank, Registrar, Paying Agents, Corporate Services Provider, Cash Manager, Back-Up Servicer Facilitator, Replacement Cash Manager Facilitator or Liquidation Agent including the fees, indemnity payments and costs	(b)	As specified at item (b) of the Revenue Priority of Payments	(b)	As specified at item (a) of the Revenue Priority of Payments	(b)
(c) Issuer Profit Amount	(c)	As specified at item (c) of the Revenue Priority of Payments	(c)	As specified at item (b) of the Revenue Priority of Payments	(c)
(d) Amounts due and payable to third parties and in respect of corporation tax	(d)	As specified at item (d) of the Revenue Priority of Payments	(d)	As specified at item (c) of the Revenue Priority of Payments	(d)

(e)	<i>Pro rata and pari passu</i> to the interest due on the Class A Notes	(e)	As specified at item (e) of the Revenue Priority of Payments	(e)	As specified at item (d) of the Revenue Priority of Payments
(f)	Amounts to be credited to the Class A Principal Deficiency Sub-Ledger	(f)	As specified at item (f) of the Revenue Priority of Payments	(f)	As specified at item (e) of the Revenue Priority of Payments
(g)	<i>Pro rata and pari passu</i> to the interest due on the Class B Notes	(g)	As specified at item (g) of the Revenue Priority of Payments only if Cumulative Default Ratio 1 is met	(g)	the amount specified in item (g) of the Revenue Priority of Payments, only if Cumulative Default Ratio 1 is met
(h)	Amounts to be credited to the Class B Principal Deficiency Sub-Ledger	(h)	the amount specified in item (h) of the Revenue Priority of Payments,	(h)	the amount specified in item (i) of the Revenue Priority of Payments, only if Cumulative Default Ratio 2 is met
(i)	<i>Pro rata and pari passu</i> to the interest due on the Class C Notes	(i)	As specified at item (i) of the Revenue Priority of Payments only if Cumulative Default Ratio 2 is met	(i)	the amount specified in item (k) of the Revenue Priority of Payments, only if Cumulative Default Ratio 3 is met
(j)	Amounts to be credited to the Class C Principal Deficiency Sub-Ledger	(j)	the amount specified in item (j) of the Revenue Priority of Payments	(j)	the amount specified in item (m) of the Revenue Priority of Payments, only if Cumulative Default Ratio 4 is met
(k)	<i>Pro rata and pari passu</i> to the interest due on the Class D Notes	(k)	As specified at item (k) of the Revenue Priority of Payments only if Cumulative Default Ratio 3 is met	(k)	the amount specified in item (o) of the Revenue Priority of Payments, only if Cumulative Default Ratio 5 is met
(l)	Amounts to be credited to the Class D Principal Deficiency Sub-	(l)	the amount specified in item (l) of the Revenue Priority of	(l)	A credit to the Retained Principal Receipts Ledger

	Ledger		Payments	
(m)	<i>Pro rata and pari passu</i> to the interest due on the Class E Notes	(m)	As specified at item (m) of the Revenue Priority of Payments, only if Cumulative Default Ratio 4 is met	(m) <i>pro rata and pari passu</i> according to the outstanding amounts thereof principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero
(n)	Amounts to be credited to the Class E Principal Deficiency Sub-Ledger	(n)	the amount specified in item (n) of the Revenue Priority of Payments	(n) <i>pro rata and pari passu</i> according to the outstanding amounts thereof principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero
(o)	<i>Pro rata and pari passu</i> to the interest due on the Class F Notes	(o)	As specified at item (o) of the Revenue Priority of Payments, only if Cumulative Default Ratio 5 is met	(o) <i>pro rata and pari passu</i> according to the outstanding amounts thereof principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero
(p)	Amounts to be credited to the Class F Principal Deficiency Sub-Ledger	(p)	the amount specified in item (p) of the Revenue Priority of Payments	(p) <i>pro rata and pari passu</i> according to the outstanding amounts thereof principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero
(q)	Amounts to be credited to the General Reserve			(q) <i>pro rata and pari passu</i> according to the outstanding

Ledger

- | | | | |
|-----|--|-----|--|
| | | | amounts thereof principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero |
| (r) | Remainder to the holder of the Revenue Residual Certificates | (r) | <i>pro rata</i> and <i>pari passu</i> according to the outstanding amounts thereof principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero |
| | | (s) | Remainder to the holder of the Principal Residual Certificates |

Liquidity Reserve Fund	Post-Acceleration Priority
Priority of Payments	of Payments:

- | | | | |
|-----|--|-----|--|
| (a) | As specified at item (a) of the Revenue Priority of Payments | (a) | Amounts due to the Note Trustee, Security Trustee including the fees, indemnity payments and costs |
| (b) | As specified at item (b) of the Revenue Priority of Payments | (b) | Amounts due to the Account Banks, Collection Account Bank, Agent Bank, Registrar, Paying Agents, Corporate Services Provider, Cash Manager, Back-Up Servicer Facilitator, Replacement Cash Manager Facilitator or Liquidation Agent including the fees, indemnity payments and |

costs

- | | | | |
|-----|---|-----|--|
| (c) | As specified at item (c) of the Revenue Priority of Payments | (c) | <i>Pro rata and pari passu</i> to the interest due on the Class A Notes |
| (d) | As specified at item (d) of the Revenue Priority of Payments | (d) | <i>Pro rata and pari passu</i> , according to the respective outstanding amounts thereof principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero |
| (e) | As specified at item (e) of the Revenue Priority of Payments | (e) | <i>Pro rata and pari passu</i> to the interest due on the Class B Notes |
| (f) | As specified at item (g) of the Revenue Priority of Payments, only if Cumulative Default Ratio 1 is met | (f) | <i>Pro rata and pari passu</i> , according to the respective outstanding amounts thereof principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero |
| | | (g) | <i>Pro rata and pari passu</i> to the interest due on the Class C Notes |
| | | (h) | <i>Pro rata and pari passu</i> , according to the respective outstanding amounts thereof principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced |

to zero

- (i) *Pro rata and pari passu* to the interest due on the Class D Notes
- (j) *Pro rata and pari passu*, according to the respective outstanding amounts thereof principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero
- (k) *Pro rata and pari passu* to the interest due on the Class E Notes
- (l) *Pro rata and pari passu*, according to the respective outstanding amounts thereof principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero
- (m) *Pro rata and pari passu* to the interest due on the Class F Notes
- (n) *Pro rata and pari passu*, according to the respective outstanding amounts thereof principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced

to zero

- (o) *Pro rata and pari passu* towards the Principal Residual Certificates up to the PRC Overcollateralisation Amount *less* the aggregate amount of all payments in respect of the Principal Residual Certificates which have been made since the Closing Date
- (p) Issuer Profit Amount
- (q) Remainder *pro rata and pari passu* to the holder of the Revenue Residual Certificate

General Credit Structure

The credit structure of the transaction includes (broadly speaking) the following elements:

- the availability of the General Reserve Fund (subject to the General Reserve Fund Revenue Priority of Payments) and the relevant Cumulative Default Ratio triggers, funded on the Closing Date from the proceeds of the issuance of the Notes. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Revenue Priority of Payments. Amounts standing to the credit of the General Reserve Fund Ledger in excess of the General Reserve Required Amount ("**General Reserve Excess Amounts**") will be released as Available Revenue Receipts. Amounts standing to the credit of the General Reserve Fund Ledger other than those in excess of the General Reserve Required Amount will if required be released in accordance with the General Reserve Fund Priority of Payments. See section "*Credit Structure General Reserve Fund and General Reserve Ledger*";
- a Principal Deficiency Ledger will be established to record any Losses of (i) principal and (ii) Un-Capitalised Receipts affecting the Loans in the Portfolio and/or the use of any Principal Receipts to cover items (b) to (k) of the Pre-Acceleration Principal Priority of Payments and/or any debiting of the Liquidity Reserve Fund where such amounts are applied in accordance with the Liquidity Reserve Fund Priority of Payments. The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to Class D Notes), the Class E Principal Deficiency Sub-Ledger (relating to Class E Notes), the Class F Principal

Deficiency Sub-Ledger (relating to Class F Notes) and the Principal Residual Certificate Principal Deficiency Sub-Ledger (relating to the Principal Residual Certificates). The application of any Principal Receipts to meet any Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio and/or any application of any Principal Receipts to meet items (b) to (k) of the Pre-Acceleration Principal Priority of Payments and/or any debiting of the Liquidity Reserve Fund where such amounts are applied in accordance with the Liquidity Reserve Fund Priority of Payments will be recorded as a debit:

(a) first, to the Principal Residual Certificate Principal Deficiency Sub-Ledger up to a maximum of the PRC Overcollateralisation Amount less the aggregate amount of all Residual Payments that have been made in respect of Principal Residual Certificates since the Closing Date;

(b) second, to the Class F Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class F Notes;

(c) third, to the Class E Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class E Notes;

(d) fourth, to the Class D Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class D Notes;

(e) fifth, to the Class C Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class C Notes;

(f) sixth, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class B Notes; and

(g) seventh, to the Class A Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class A Notes.

Investors should note that realised Losses of (i) principal and (ii) Un-Capitalised Receipts in any period will be calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan. See "*Credit Structure — Principal Deficiency Ledgers*" below;

- On the Closing Date the Issuer shall establish the Liquidity Reserve Fund. A Liquidity Reserve Fund Drawing, where drawn, will be applied in accordance with the Liquidity Reserve Fund Priority of Payments on each Interest Payment Date. The Liquidity Reserve Fund will be funded on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the Liquidity Reserve Fund Drawing on that date (if any), provided that there shall be no such Liquidity Reserve Fund Drawing where items provided for in the Liquidity Reserve Fund Priority of Payments have been paid out of Available Revenue Receipts, any General Reserve Fund Drawing and/or any Available Principal Receipts in accordance with the Revenue Priority of Payments, General Reserve Fund Revenue Priority of Payments, or the Pre-Acceleration Principal Priority of Payments respectively. The Liquidity Reserve Fund will be applied by the Issuer as Available Principal Receipts (in accordance with the applicable Priority of Payments) on and from the Interest Payment Date that all amounts in respect of the Class A Notes and the Class B Notes have been fully repaid or provided for in full. See section "*Credit Structure - Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*";
- the availability of an investment rate provided by the relevant Account Bank in respect of monies held in the Deposit Accounts (see section "*Cashflows*" for further details).

- the Retained Principal Receipts Ledger which will record (A) amounts credited to such ledger on the Closing Date using part of the gross proceeds of the issuance of the Notes, and on each Interest Payment Date thereafter from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments and (B) withdrawals from such ledger on any Business Day to pay all Capital Costs. Any amounts not applied by the Cash Manager on behalf of the Issuer towards Capital Costs will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date (see "*Credit Structure — Retained Principal Receipts Ledger*" and "*Cashflows — Definition of Available Principal Receipts*" below).

Bank Accounts and Cash Management

On the Closing Date the Issuer will enter into (a) the Citi Bank Account Agreement with the Citi Account Bank in respect of the Citi Deposit Account and (b) the BNPP Bank Account Agreement with the BNPP Account Bank in respect of the BNPP Deposit Account.

The Issuer will open a deposit account (the "**Citi Deposit Account**") with the Citi Account Bank on the Closing Date.

The Issuer will also open a deposit account with the BNPP Account Bank on the Closing Date (the "**BNPP Deposit Account**").

"**Deposit Accounts**" means each of the BNPP Deposit Account, the Citi Deposit Account and any Replacement Deposit Account and "**Deposit Account**" means any of them.

"**Relevant Deposit Account Criteria**" means, with respect to a Relevant Deposit Account held with an Account Bank:

- a. either (i) the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations or, in the case of Moody's, the short term deposit rating of that Account Bank are rated at least the Account Bank Ratings, or (ii) an unconditional and unlimited guarantee has been obtained in respect of the relevant Account Bank's obligations, under the relevant Account Bank Agreement, from a financial institution having at least the Account Bank Ratings; and
- b. the deposit rate applicable to monies held in the Relevant Deposit Account is at least zero per. cent. per annum.

"**Relevant Deposit Account**" means:

- a. where there has not been a Citi Account Bank Termination or a BNPP Account Bank Termination:
 - i. for as long as the Citi Deposit Account meets the Relevant Deposit Account Criteria, the Citi Deposit Account;
 - ii. if (A) the Citi Deposit Account ceases to meet the Relevant Deposit Account Criteria and (B) at such time the BNPP Account Bank meets the Relevant Deposit Account Criteria, the BNPP Deposit Account;
 - iii. if (A) the BNPP Deposit Account ceases to meet the Relevant Deposit Account Criteria and (B) at such time the Citi Account Bank meets the Relevant Deposit Account Criteria, the Citi Deposit Account;
 - iv. if at any time neither the BNPP Deposit Account nor the Citi

Deposit Account meet the Relevant Deposit Account Criteria, a Replacement Deposit Account.

- b. where there has been a Citi Account Bank Termination:
 - i. if (A) there has not been a BNPP Account Bank Termination and (B) the BNPP Account Bank meets the Relevant Deposit Account Criteria, the BNPP Deposit Account; or
 - ii. otherwise, a Replacement Deposit Account.
- c. where there has been a BNPP Account Bank Termination:
 - i. if (A) there has not been a Citi Account Bank Termination and (B) the Citi Account Bank meets the Relevant Deposit Account Criteria, the Citi Deposit Account; or
 - ii. otherwise, a Replacement Deposit Account.

"Account Banks" means the Citi Account Bank, the BNPP Account Bank and any other entity rated at least the Account Bank Rating appointed to provide bank accounts to the Issuer, and each an **"Account Bank"**.

"Citi Account Bank Termination" means the termination of the Citi Account Bank Agreement in accordance with the terms thereof.

"Citi Deposit Rate" means the rate of interest applicable to monies held in the Citi Deposit Account.

"BNPP Account Bank Termination" means the termination of the BNPP Account Bank Agreement in accordance with the terms thereof.

"BNPP Deposit Rate" means the rate of interest applicable to monies held in the BNPP Deposit Account.

The General Reserve Fund will be deposited in the General Reserve Deposit Account with a corresponding credit being made to the General Reserve Ledger. For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section *"Cashflows – Application of Monies Released from the General Reserve Fund"* below.

"General Reserve Deposit Account" means:

- (a) if (A) the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the BNPP Account Bank are at the relevant time, and have been since the Closing Date, rated at least the Account Bank Ratings, and (B) there has not been a BNPP Account Bank Termination, and (C) the applicable BNPP Deposit Rate is at least zero per. cent. per annum, the BNPP Deposit Account; or
- (b) if (A) the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the BNPP Account Bank have, at any time since the Closing Date, ceased to be rated or were not rated at least the Account Bank Ratings (whether or not such ratings have since recovered), or (B) there has been a BNPP Account Bank Termination, or (C) the applicable BNPP Deposit Rate is less than zero per cent. per annum, the Relevant Deposit Account.

"Replacement Deposit Account" means a replacement deposit account with a financial institution meeting the Relevant Deposit Account Criteria and which is a

bank as defined in Section 991 of the Income Tax Act 2007, as selected by the Cash Manager and appointed by the Issuer within 60 days of the Account Banks ceasing to meet the Relevant Deposit Account Criteria, *provided that* if such an account meeting the Relevant Deposit Account Criteria cannot be opened on substantially similar commercial terms to those governing the BNPP Deposit Account and the Citi Deposit Account, the Cash Manager at its discretion may continue to use the BNPP Deposit Account and the Citi Deposit Account (as applicable) as the Relevant Deposit Account notwithstanding its failure to meet the Relevant Deposit Account Criteria.

On or about the Closing Date, the Sellers will enter into the Collection Account Declaration of Trust under which the Sellers will declare that all funds standing to the credit of the Collection Accounts are held on trust for the Issuer.

"Collection Accounts" means PFL's account entitled "Platform Funding Limited re Warwick 2" with account number 36229881, sort code 01-05-02 held with NatWest into which amounts in respect of loans whose legal title is held by PFL are collected, MAS4's account entitled "Mortgage Agency Services Number Four Limited re Warwick 2" with account number 36229911, sort code 01-05-02 held with NatWest into which amounts in respect of loans whose legal title is held by MAS4 are collected, and MAS5's account entitled "Mortgage Agency Services Number Five Limited re Warwick 2" with account number 36229903, sort code 01-05-02 held with NatWest into which amounts in respect of loans whose legal title is held by MAS5 are collected, and any Replacement Collection Account (each a **"Collection Account"**).

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

Citi Account Bank	a long-term unsecured, unsubordinated and unguaranteed debt rating of A by S&P and a short-term deposit rating of P-1 by Moody's, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Notes (the " Account Bank Rating ").	If the Citi Account Bank fails to maintain any of the Account Bank Ratings, then the Cash Manager shall assist the Issuer to transfer funds in the Citi Deposit Account to: <ul style="list-style-type: none">(a) if the BNPP Account Bank has the Account Bank Ratings and there has not been a BNPP Account Bank Termination, the BNPP Deposit Account; or(b) If the BNPP Account Bank does not have the Account Bank Ratings or there has been a BNPP Account Bank Termination, a Replacement Deposit Account.
BNPP Account Bank	Short-term and long-term (as applicable) ratings falls below the Account Bank Rating.	If the BNPP Account Bank fails to maintain any of the Account Bank Ratings, then the Cash Manager shall assist the Issuer to transfer funds in the BNPP Deposit Account to: <ul style="list-style-type: none">(a) if the Citi Account Bank has the Account Bank Ratings and there has not been a Citi Account Bank Termination, the Citi Deposit Account; or(b) If the Citi Account Bank does not have the Account Bank Ratings or there has been a Citi Account Bank Termination, a Replacement Deposit Account.
Collection Account Bank	<ul style="list-style-type: none">(a) In the case of S&P, a short-term senior unsecured debt rating of at least A-2 and a long-term rating of at least BBB or (where the short-term unsecured debt rating by S&P is less than A-2 or there is no short-term rating) a long-term rating of at least BBB+ by S&P;(b) alternatively, such other ratings that	If the Collection Account Bank fails to maintain the Required Ratings as set out in this section " <i>Triggers Tables</i> " (the " Collection Account Rating Agency Required Ratings ") from S&P (such failure a " Collection Account Bank Downgrade Event "), the Issuer

are consistent with the then published criteria of S&P as being the minimum ratings that are required to support the then rating of the Most Senior Class of Notes.

will use its commercially reasonable endeavours to procure that the Collection Accounts shall be transferred to another institution authorised under FSMA which has the Collection Account Rating Agency Required Ratings, within a period not exceeding 30 calendar days (or such longer period as the Trustee and S&P may agree) from the date on which such downgrade occurs.

Non-Rating Triggers Table

Perfection Events	Any of the following:	Borrowers under the Mortgages will be notified of the sale of Mortgages to the Issuer and legal title to the Mortgages will be transferred to the Issuer.
	(a) the relevant Seller being required by (i) an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the relevant Seller or (iii) by any organisation of which the relevant Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the relevant Seller to comply, to perfect legal title to the Loans and their Related Security;	
	(b) it becoming necessary by law to take any or all such actions referred to in (a) above;	
	(c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being directed by the Secured Creditors to take action to reduce that jeopardy;	
	(d) the relevant Seller or the Co-operative Bank calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee;	
	(e) the occurrence of a Seller Insolvency Event in relation to any Seller; or	
	(f) the Standard Variable Rate of any Seller is less than Average Three-Month Sterling LIBOR <i>plus</i> two per cent. on a Rate Fixing Date and within the 30 days following that Rate Fixing Date, the Seller has not notified the	

Issuer and Servicer of a decision to increase its SVR to at least Average Three-Month Sterling LIBOR *plus* two per cent.

Cash Manager

- (i) *Non-payment:* default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of ten Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following service of a Note Acceleration Notice, the Security Trustee, as the case may be, requiring the same to be remedied; or
The Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may thereafter, while such default continues, deliver a notice (a Cash Manager Termination Notice) to the Cash Manager (with a copy to the Issuer or the Security Trustee, as applicable) to terminate its appointment as Cash Manager under the Cash Management Agreement with effect from the date specified in such Cash Management Termination Notice.
- (ii) *Breach of other obligations:* default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations 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 the Cash Manager becoming aware of such default (where capable of remedy) and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee (following the service of a Note Acceleration Notice), as the case may be, requiring the same to be remedied (where capable of remedy); or
- (iii) *Insolvency Event:* an Insolvency Event occurs with respect to the Cash Manager,

Servicer

- (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
The Issuer (subject to the prior written consent of the Security Trustee) or (following the service of a Note Acceleration Notice) the Security Trustee may at once or at any time thereafter while

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 the Sellers or (after the delivery of a Note Acceleration Notice) the Security 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 (i) in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee, is materially prejudicial to their interests, 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, the Sellers or (following the service of a Note Acceleration Notice) the Security 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 thirty Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may in its discretion specify to remedy such default or to indemnify (which may be by way of payment in advance or provision of security) the Issuer and the Security Trustee to its satisfaction against the consequences of such default;

such default continues by notice in writing to the Servicer and Back Up Servicer Facilitator (with a copy to the Security Trustee in the case of the Issuer) terminate the appointment of the Servicer under this Agreement with effect from a date (not earlier than the date of the notice) specified in the notice.

Within one Business Day of the occurrence of a Servicer Termination Event, the Back-Up Servicer Facilitator shall deliver to the Back-Up Servicer (with a copy to the Security Trustee) the Back-Up Servicer Notice notifying it of the occurrence of a Servicer Termination Event and the Back-Up Servicer Succession Date. The Back-Up Servicer Succession Date shall be 60 days from the date of the Back-Up Servicer Notice or, if such date is not a Business Day, the next following Business Day.

Where the Back-Up Servicer cannot act as Servicer, the Issuer shall use its reasonable endeavours to appoint a substitute servicer that satisfies the conditions set out in the Servicing Agreement.

- (c) the occurrence of an Insolvency Event in respect of the Servicer; or
- (d) the Issuer ceases to have any interest in the Portfolio.

TRANSACTION OVERVIEW – FEES

The following table sets out the ongoing fees to be paid by the Issuer to the transaction parties.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Servicing fees	<p>In relation to each Collection Period, a fee calculated on the basis of the number of days elapsed (for which the Servicer was performing the Services) in a 365 day year (or 366 day year in a leap year) at the rate of 0.0875 per cent. per annum (exclusive of any applicable VAT) on the aggregate average Current Balance of all Loans comprising the Portfolio as determined at the close of business on the last calendar day of each Collection Period, the average balance to be calculated as the total Current Balance of all Loans comprising the Portfolio on the first day of the Collection Period plus the total Current Balance of all Loans comprising the Portfolio on the last day of the Collection Period divided by two,</p> <p>plus</p> <p>£50 per Loan which is in Arrears per month (exclusive of any applicable VAT), charged once per Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period,</p> <p>plus</p>	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	<p>Upon assumption of duties as Servicer, in relation to each Collection Period, a fee calculated on the basis of the number of days elapsed (for which the Servicer was performing the Services) in a 365 day year (or 366 day year in a leap year) at the rate of 0.12 per cent. per annum (exclusive of any applicable VAT) on the aggregate average Current Balance of all Loans comprising the Portfolio as determined at the close of business on the last calendar day of each Collection Period, the average balance to be calculated as the total balances at the start of the Collection Period plus the total balances at the end of the Collection Period divided by two,</p> <p>plus</p> <p>£50 per Loan which is in Arrears per month (exclusive of any applicable VAT), charged once per Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period,</p> <p>plus</p> <p>£100 per Loan which has been repaid in full during a Collection Period (exclusive of any applicable VAT), with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period in which such repayment occurred</p>		<p>Quarterly in arrear on each Interest Payment Date</p>

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Cash management fee	£8,000 each year (exclusive of any applicable VAT) £2,000 (exclusive of any applicable VAT) due on the Closing Date	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Liquidation Agency fee	£10,000 each quarter (exclusive of any applicable VAT) Upon completion of a Market Portfolio Sale, 0.40 per. cent of the Market Portfolio Purchase Price, to be funded as a single payment.	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date A single payment on the Interest Payment Date on which a Market Portfolio Sale is completed
Other fees and expenses of the Issuer	Estimated at £100,000 each year (exclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes.....	Estimated at £7,370 (exclusive of any applicable VAT)		On or about the Closing Date

As at the date of this Prospectus, United Kingdom value added tax ("VAT") is currently chargeable at 20 per cent.

CERTAIN REGULATORY DISCLOSURES

Capital Requirements Regulation, AIFMR and the Solvency II Delegated Act

Each Seller will, in accordance with Article 405 paragraph (1) of 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 (the "**CRR**"), Article 51 of Commission Delegated Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Managers Regulations ("**AIFMR**") and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**"), to the extent the regulations above continue to apply and in each case as they are interpreted and applied on the Closing Date (and in the case of AIFMR taking into account Article 56 of the AIFMR), retain a net economic interest of at least 5 per cent. of the nominal value of the securitised exposures sold by it to the Issuer for the purposes of the securitisation. As at the Closing Date, such interest will be comprised of not less than 5 per cent. of randomly selected exposures (as described in the paragraph below) which would otherwise have been securitised in the transaction effected by the Issuer, as required by Article 405 of the CRR, Article 51(1) of the AIFMR and 254(2) of the Solvency II Delegated Act. Any change to the manner in which such interest is held will be notified to the Noteholders.

Each of the Sellers has prior to entering into the relevant Mortgage Sale Agreement identified the mortgage loans to be included in the Closing Date Portfolio. Statistical and other information on the Provisional Portfolio is set out in the section of this Prospectus entitled "*Characteristics of the Provisional Portfolio*". From the Provisional Portfolio, Loans will be randomly selected to comprise the Closing Date Portfolio (following the removal of any Loan in relation to which it is discovered there has been a breach of a Loan Warranty). In addition to the Closing Date Portfolio, mortgage loans have been randomly selected from the Provisional Portfolio (following the removal of certain Loans as described above) representing not less than 5 per cent. of the nominal amount of the Closing Date Portfolio, which will be held as at the Closing Date by the Sellers in compliance with Article 405 of the CRR, Article 51(1) of the AIFMR and 254(2) of the Solvency II Delegated Act. All Loans held by the Sellers for the purposes of such compliance would have been eligible for the Closing Date Portfolio had they been randomly selected for inclusion.

For a description of the information to be made available after the Closing Date by the Cash Manager on behalf of the Issuer, please see the summary in relation to the monthly investor reports set out in "*Provision of Information to the Noteholders*" above and "*Summary of the Key Transaction Documents – Cash Management Agreement*" below. Further information in respect of individual loan level data may be obtained via the following website: <https://sf.citidirect.com>. The website and the contents thereof do not form part of this Prospectus.

The Sellers will provide a corresponding undertaking with respect to (a) the provision of such investor information specified in the paragraph above and (b) the interest to be retained by the Sellers (i) to the Arrangers in the Subscription Agreement and (ii) to the Issuer in the Mortgage Sale Agreements.

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 AIFMR, the Solvency II Delegated Act and Part Five of the CRR (including Article 405) and none of the Issuer, the Arranger, the Joint Lead Managers or any party to a Relevant Document makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that it complies with the relevant implementing provisions in respect of AIFMR, Article 405 of the CRR and 254(2) of the Solvency II Delegated Act (including any regulatory technical standards, implementing technical standards and any other implementing provisions in their jurisdiction). Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

For further information please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

CRA Regulation

The credit ratings included or referred to in this Prospectus have been issued by Moody's and S&P, each of which is established in the European Union and is registered under the CRA Regulation.

Volcker Rule

The Issuer is of the view that it is not now, and immediately following the issuance of the Notes and the application of the proceeds thereof it will not be, a "covered fund" as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". Although other exclusions may be available to the Issuer, this view is based on the exemption provided in Section 3 (c)(5)(C) of the Investment Company Act.

WEIGHTED AVERAGE LIVES OF THE NOTES

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, based on the assumptions that:

- (a) there are no arrears or enforcements;
- (b) there is no debit balance on the Principal Deficiency Ledger on any Interest Payment Date;
- (c) no Loan is repurchased by any of the Sellers;
- (d) The Issuer Standard Variable Rate is equal to 5.75 per cent.;
- (e) Three-Month Sterling LIBOR is equal to 0.58 per cent.;
- (f) in the case of tables stating "Assuming the Portfolio Option is exercised on the Step-up Date", the Notes are redeemed at their Principal Amount Outstanding on the Step-up Date;
- (g) no Security has been enforced;
- (h) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (i) the Mortgages are fully performing until the Final Maturity Date;
- (j) the Base Rate is equal to 0.5 per cent.
- (k) the amortisation of any Repayment Loan is calculated as an annuity loan;
- (l) all Loans which are not Repayment Loans are assumed to be Interest only Loans;
- (m) the Provisional Portfolio has been assumed with the portfolio cut-off date assumed to be 1 September 2015. No cash flows have been assumed for May, June, July or August 2015;
- (n) the closing date is 23 September 2015;
- (o) the first interest payment date is 21 December 2015;
- (p) the step-up date is 22 June 2020;
- (q) the collateral has been modelled using replines; and
- (r) the ratio of the Principal Amount Outstanding of the:
 - (i) Class A Notes to the Current Balance of the Portfolio as at the Closing Date is 75.2%;
 - (ii) Class B Notes to the Current Balance of the Portfolio as at the Closing Date is 5.4%;
 - (iii) Class C Notes to the Current Balance of the Portfolio as at the Closing Date is 4.0%;
 - (iv) Class D Notes to the Current Balance of the Portfolio as at the Closing Date is 3.5%;
 - (v) Class E Notes to the Current Balance of the Portfolio as at the Closing Date is 2.8%; and
 - (vi) Class F Notes to the Current Balance of the Portfolio as at the Closing Date is 3.4%.

Assuming the Portfolio Option is exercised on the Step-up Date

CPR	Base Case	0%	2.50%	5.00%	7.50%	10.00%
Class A	3.64	4.38	4.06	3.76	3.47	3.20
Class B	4.75	4.75	4.75	4.75	4.75	4.75
Class C	4.75	4.75	4.75	4.75	4.75	4.75
Class D	4.75	4.75	4.75	4.75	4.75	4.75
Class E	4.75	4.75	4.75	4.75	4.75	4.75
Class F	4.75	4.75	4.75	4.75	4.75	4.75

Base Case: 6% CPR

Assuming the Portfolio Option and the Clean-up Call are not exercised

CPR	Base Case	0%	2.50%	5.00%	7.50%	10.00%
Class A	5.66	10.11	7.84	6.18	4.97	4.08
Class B	12.94	16.72	15.51	13.76	12.02	10.55
Class C	14.21	16.99	16.44	14.82	13.12	11.76
Class D	15.18	16.99	16.81	15.88	14.27	12.57
Class E	16.20	17.03	16.99	16.60	15.25	13.80
Class F	16.81	17.36	17.03	16.93	16.40	15.06

Base Case: 6% CPR

Assumptions (a) to (r) (inclusive) relate to circumstances which are not predictable.

The average lives 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 "*Risk Factors – Risk Factors relating to the Issuer – Considerations relating to yield, prepayments, mandatory redemption and optional redemption*", above.

EARLY REDEMPTION OF THE NOTES

The Portfolio may be sold by the Issuer pursuant to the Deed Poll or a Market Portfolio Sale pursuant to the Liquidation Agent Agreement.

Portfolio Option

The Issuer will, pursuant to the Deed Poll, grant to the Portfolio Option Holder an option (the "**Portfolio Option**") to require (i) the Issuer to sell and transfer to the Portfolio Option Holder or a third party purchaser (the "**Third Party Purchaser**") the beneficial title to all Loans and Related Security in the Portfolio (the "**Portfolio Option Loans**") and (ii) sell and transfer legal title or, if at the time the Portfolio Option is exercised the Issuer does not hold legal title to the Portfolio Option Loans, the Issuer shall procure that the holder or holders of legal title to the Portfolio Option Loans transfer such legal title to the Portfolio Option Loans to the Portfolio Option Holder or the Third Party Purchaser or a nominee of either of them.

"**Portfolio Option Holder**" means: (a) where there is a sole Principal Residual Certificateholder, the Principal Residual Certificateholder; or (b) where there is not a sole Principal Residual Certificateholder, any entity that represents all of the Principal Residual Certificateholders.

The exercise of the Portfolio Option will also be subject to the following conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and the Sellers, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer or the Sellers to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;
- (b) either (i) the purchaser of the legal title to the Loans has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans (the "**Relevant Authorisations**") or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations;
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to any further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax.

The tax advice referred to in (a) above shall be obtained at the cost of the Portfolio Option Holder.

None of the Sellers or any member of the Co-op Bank Group will be required to provide any representations or warranties in relation to the Loans, the Mortgages and the Related Security. The Issuer will provide limited representations in relation to its interest in the Loans and their Related Security.

The Portfolio Option may be exercised by notice to the Issuer with a copy to the Security Trustee, the Sellers and each Rating Agency at any time after the Portfolio Option Commencement Date, provided that a Portfolio Option Suspension Period is not then subsisting.

The Portfolio Option Holder may, as an alternative to exercising the Portfolio Option:

- (a) require the Issuer to effect a Market Portfolio Sale (as described below);
- (b) notify the Issuer that it does not intend to take any action either to exercise the Portfolio Option or effect a Market Portfolio Sale.

In the event the Issuer receives a notification pursuant to paragraph (b) above, the Issuer shall not take any further action pursuant to the terms of Deed Poll until such time that the Portfolio Option Holder notifies the Issuer otherwise. For the avoidance of doubt, the giving of notice by the Portfolio Option Holder as described in paragraph (b) above shall not restrict the Portfolio Option Holder from exercising the Portfolio Option or from requiring the Issuer to effect a Market Portfolio Sale, provided that Portfolio Option Holder shall not be entitled to exercise the Portfolio Option during a Portfolio Option Suspension Period and a Market Sale Instruction may not be given and a Market Portfolio Sale may not be commenced during a Market Sale Suspension Period. Following the expiry of a Portfolio Option Suspension Period, the Portfolio Option Holder will have the right to exercise the Portfolio Option or either of the rights set out in paragraph (a) or (b) above and following the expiry of the Market Portfolio Suspension Period, the Portfolio Option Holder will have the right to exercise either of the rights set out in paragraphs (a) or (b) above.

If, by a date falling 9 months after the Portfolio Option Commencement Date, the Issuer does not receive any notifications from the Portfolio Option Holder that either the Portfolio Option or one of the options set out in (a) or (b) above is being exercised, the Issuer shall instruct the Liquidation Agent to commence the process of effecting a Market Portfolio Sale.

Purchase Price

The purchase price for the Portfolio under the Portfolio Option shall be an amount which:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which the Target Portfolio Purchase Completion Date falls and (ii) any amount standing to the credit of (A) the Liquidity Reserve Fund (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date), (B) the General Reserve Fund (to be used as Available Revenue Receipts on the Target Portfolio Purchase Completion Date), and (C) the amounts standing to the credit of Retained Principal Receipts Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

shall be equal to the sum of:

- (a) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the Target Portfolio Purchase Completion Date); and
- (b) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments,

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

In connection with the exercise of the Portfolio Option, the Portfolio Option Holder or the Third Party Purchaser (as applicable) will agree with the Issuer to either (i) deposit an amount equal to the Portfolio Option Purchase Price in either an escrow account in the name of the purchaser or in any other account as may be agreed between the Issuer and the Portfolio Option Holder or (as applicable) the Third Party Purchaser or (ii) provide irrevocable payment instructions for an amount equal to the Portfolio Option Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Portfolio Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Portfolio Option Holder or (as applicable) the Third Party Purchaser may agree, provided further that the Portfolio Option Purchase Price or as applicable irrevocable payment instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

If, at the time the Portfolio Option is exercised, the Issuer does not hold legal title to the Loans and the Related Security, then it shall direct that the holder of the legal title to the Portfolio Option Loans and the Related Security serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to effectively vest the legal title to the Loans and their Related Security in the purchaser of legal title named as such in the Exercise Notice, in each case subject to the terms and

conditions set out in the Deed Poll, such notices to be given promptly after the Target Portfolio Purchase Completion Date.

The Portfolio Option Purchase Price shall form part of the Available Principal Receipts and will be applied in accordance with the Principal Priority of Payments to redeem the Notes in full on the Target Portfolio Purchase Completion Date.

Principal Receipts and Revenue Receipts received in respect of the Loans and their Related Security shall, with effect from the Monthly Pool Date immediately preceding the Target Portfolio Purchase Completion Date accrue to the account of the purchaser of beneficial interest in the Loans and their Related Security.

Market Sale of Portfolio

In the event that (a) the Portfolio Option Holder directs the Issuer to sell (pursuant to a Market Portfolio Sale) the Loans and their Related Security, pursuant to the rights granted to it under the Deed Poll, or (b) the Issuer has not received a notification from the Portfolio Option Holder notifying the Issuer of the exercise of any of the options described in the Section titled "*Portfolio Option*" above by a date falling nine months after the Portfolio Option Commencement Date, or (c) the Issuer is required to or proposes to exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date, the Issuer will instruct (the "**Market Sale Instruction**") the Liquidation Agent to effect a sale of all the Loans and their Related Security pursuant to an auction process (a "**Market Portfolio Sale**"). The Liquidation Agent may elect to conduct the auction process itself or appoint a portfolio manager (the "**Portfolio Manager**") to conduct the auction process.

Any instruction in relation to seeking offers for a Market Portfolio Sale will only be given to the Liquidation Agent after the Issuer has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006.

The Liquidation Agent (or the Portfolio Manager acting on its behalf) shall not consider any offers for a Market Portfolio Sale until such party has received three market bids (the "**Market Sale Minimum Bids**"). The minimum purchase price payable in respect of such Market Portfolio Sale shall:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which the Target Portfolio Purchase Completion Date falls and (ii) any amount standing to the credit of (A) the Liquidity Reserve Fund (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date), (B) the General Reserve Fund (to be used as Available Revenue Receipts on the Target Portfolio Purchase Completion Date), and (C) the amounts standing to the credit of Retained Principal Receipts Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

be equal to the sum of:

- (a) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the Target Portfolio Purchase Completion Date);
- (b) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments and
- (c) costs incurred or to be incurred by the Issuer on the auction process (including without limitation, the fees and expenses payable to the Portfolio Manager and the expenses incurred by the Portfolio Manager in relation to the auction process) (the "**Market Sale Minimum Price**").

Under the Liquidation Agent Agreement, the Liquidation Agent will agree and will procure that the Portfolio Manager will agree (i) not to accept any offers or bids to purchase the Portfolio which are lower than the Market Sale Minimum Price; and (ii) to be bound to accept any offer or bid to purchase the Portfolio which is in an amount at least equal to the Market Sale Minimum Price (and where two or more offers satisfy this condition, to accept the bid which, in its view, is the strongest bid for the purchase of

the Portfolio (having regard to the price offered, execution risk and any other factors considered necessary by the Liquidation Agent or (as applicable) the Portfolio Manager (such accepted offer price, the "**Market Portfolio Purchase Price**").

It shall also be one of the conditions of submitting a bid that either (i) the purchaser of legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of beneficial interest in the Loans has identified a servicer who has the Relevant Authorisations.

The Market Portfolio Sale will also be subject to the following conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and the Sellers, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer or the Sellers to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;
- (b) either (i) the purchaser of the legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations;
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to any further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax.

The tax advice referred to in (a) above shall be obtained at the cost of the purchaser of the beneficial interest in the Loans.

In the event the Market Portfolio Sale is deemed an Unsuccessful Market Portfolio Sale, the Liquidation Agent shall (or shall instruct the Portfolio Manager to) seek bids from potential purchasers in relation to the Loans and their Related Security. The process of repeating the process of seeking bids shall commence on the date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale. The process of seeking bids shall be repeated in the manner set out in the Liquidation Agent Agreement until a successful bidder has been identified, provided that the Liquidation Agent shall not (and shall not instruct the Portfolio Manager to) commence a portfolio auction process during a Market Sale Suspension Period.

None of the Sellers or any member of the Co-op Bank Group will be required to provide any representations or warranties in relation to the Loans, the Mortgages and the Related Security. The Issuer will provide limited representations in relation to title to the Loans and their Related Security.

The proposed purchaser will agree with the Issuer to either (i) deposit an amount equal to the Market Portfolio Purchase Price in either an escrow account in the name of the proposed purchaser or in any other account as may be agreed between the Issuer and the proposed purchaser, or (ii) provide irrevocable payment instructions for an amount equal to the Market Portfolio Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Market Portfolio Purchase Date or (y) such other date as the Issuer, at its sole discretion, and the proposed purchaser may agree, provided further that the Market Portfolio Purchase Price or, as applicable, irrevocable payment instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

In connection with the Market Portfolio Sale, the beneficial title to the Loans will be transferred to the purchaser on the Interest Payment Date designated as the Target Market Portfolio Purchase Date.

However, the perfection of the transfer of the legal title to the Loans and the giving of notices of such transfer to the Borrowers may take place after the Target Market Portfolio Purchase Date.

If at the time the Market Portfolio Sale is effected, the Issuer does not hold legal title to the Loans and their Related Security, then the Issuer shall request the holder of the legal title to the Loans and their Related Security serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to effectively vest the legal title to the Loans and their Related Security in the entity nominated by the successful bidder to hold legal title, such notices to be given promptly after the Target Portfolio Purchase Completion Date.

The Market Portfolio Purchase Price shall form part of the Available Principal Receipts and will be applied in accordance with the Principal Priority of Payments to redeem the Notes in full on the Target Market Portfolio Purchase Date.

Principal Receipts and Revenue Receipts received in respect of the Loans and their Related Security shall, with effect from the Monthly Pool Date immediately preceding the Target Market Portfolio Purchase Date accrue to the account of the purchaser of beneficial interest in the Loans and their Related Security.

Redemption of Notes

On the Target Portfolio Purchase Completion Date or as applicable the Target Market Portfolio Purchase Date, the Note will be redeemed in full.

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

"**Exercise Notice**" means a notice to be delivered by the Portfolio Option Holder in accordance with the Deed Poll to exercise the Portfolio Option.

"**Liquidation Agent**" means PricewaterhouseCoopers LLP in its capacity as Liquidation Agent under the Liquidation Agent Agreement.

"**Liquidation Agent Agreement**" means the agreement so named dated on or about the Closing Date between, among others, the Issuer and the Liquidation Agent.

"**Portfolio Option Commencement Date**" means a date falling 60 days prior to the Step-Up Date.

"**Target Market Portfolio Purchase Date**" means the Interest Payment Date designated as the date on which the Market Portfolio Purchase shall be completed, which, for the avoidance of doubt, shall be an Interest Payment Date following the Market Sale Instruction.

"**Target Portfolio Purchase Completion Date**" means the date identified as the date on which the Portfolio Purchase is expected to be completed pursuant to the terms of the Deed Poll, which, for the avoidance of doubt shall be an Interest Payment Date following the Portfolio Option Commencement Date.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Notes to: (a) pay the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Sellers on the Closing Date, (b) establish the General Reserve Fund, (c) fund initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date, (d) fund the Retained Principal Required Amount and (e) fund the Make-Whole Ledger with the Projected Costs.

RATINGS

The Notes, on issue, are expected to be assigned the following ratings by Moody's and S&P. The Residual Certificates are not rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including, without limitation, a reduction in the credit rating of the Citi Account Bank or the BNPP Account Bank in the future) so warrant.

Class of Notes	Moody's	S&P
Class A Notes	Aaa(sf)	AAA(sf)
Class B Notes.....	Aa1(sf)	AA(sf)
Class C Notes.....	A1(sf)	A+(sf)
Class D Notes	Baa2(sf)	A(sf)
Class E Notes.....	Ba2(sf)	BBB-(sf)
Class F Notes	B3(sf)	BB(sf)

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

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 17 April 2015 (registered number 9548685) as a public limited company under the Companies Act 2006 as Pianocove plc. The name of the Issuer was changed to Warwick Finance Residential Mortgages Number Two PLC by a special resolution dated 28 May 2015. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 20 7398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1, of which one share is fully paid-up and 49,999 shares are one quarter paid-up, each of which are beneficially owned by Holdings (see "*Holdings*" below).

The Issuer has no subsidiaries and does not control, directly or indirectly, any other company. None of the Sellers own directly or indirectly any of the share capital of Holdings or the Issuer.

The principal objects of the Issuer are set out in its Memorandum and Articles of Association and are, *inter alia*, to carry on business as a general commercial company. The Issuer has been established as a special purpose vehicle solely for the purpose of issuing asset backed securities. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issue of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

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

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

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and Residual Certificates and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, 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 or delivered to the Registrar of Companies on behalf of the Issuer. So long as the Notes are admitted to trading on the London Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Issuer and the Principal Paying Agent in London. 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 2015.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the General Reserve Ledger, the Issuer Profit Amount Ledger, the Make-Whole Ledger, the Retained Principal Receipts Ledger and the Liquidity Reserve Fund Ledger).

Directors

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

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

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their principal activities are as follows:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director and Company Secretary
Claudia Wallace.....	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Director
Susan Iris Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Aline Sternberg.....	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Michael Drew	35 Great St. Helen's, London EC3A 6AP	Company Secretary

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

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

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 23 March 2015 (registered number 9504362) as a private limited company under the Companies Act 2006 (as amended) as Visionmarsh Limited. The name of Holdings was changed to Warwick Finance Residential Mortgages Holdings Number Two Limited by a special resolution dated 28 May 2015. The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises 1 ordinary share of £1. SFM Corporate Services Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

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

The principal objects of Holdings are set out in its Memorandum and Articles of Association and are, *inter alia*, to carry on business as a general commercial company.

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

The issued share capital of the Issuer is beneficially owned by Holdings. Holdings is not party to any Transaction Documents (other than the Master Definitions and Construction Schedule and the Corporate Services Agreement). Its role within the transaction is limited to holding the shares of the Issuer.

Directors

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

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

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their respective occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director and Company Secretary
Claudia Wallace.....	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Director
Susan Iris Abrahams.....	35 Great St. Helen's, London EC3A 6AP	Director
Aline Sternberg.....	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Michael Drew	35 Great St. Helen's, London EC3A 6AP	Company Secretary

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

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2015.

Holdings has no employees.

THE CO-OPERATIVE BANK P.L.C.

History & Development

The Co-operative Bank was originally formed as the banking department of the Co-operative Wholesale Society Limited ("**CWS**") in 1872. CWS changed its name on 14 January 2001 to Co-operative Group (CWS) Limited. Co-operative Group (CWS) Limited changed its name to Co-operative Group Limited ("**Co-operative Group**") following the merger with United Co-operatives Limited on 29 July 2007.

The Co-operative Bank as a separate legal entity was incorporated as The Co-operative Bank Limited in October 1970. In July 1971, the business formerly carried on by the banking department of Co-operative Group Limited was transferred to and vested in the Co-operative Bank. This was followed, in June 1973, by the transfer of the business of the banking department of the former Scottish Co-operative Wholesale Society to the Bank.

The Co-operative Bank obtained clearing bank status in 1975 and was granted recognised status by the Bank of England under the terms of the Banking Act 1979. In 1981, the Co-operative Bank re-registered under the Companies Act 1980 as a public company and was re-registered on 10 January 1993 with its present name. On 19 June 2002, Co-operative Group transferred its entire shareholding in the Co-operative Bank to Co-operative Financial Services Limited (renamed Co-operative Banking Group Limited), a newly incorporated Industrial and Provident Society. The Co-operative Bank was a wholly owned subsidiary of the Co-operative Banking Group Limited until legal separation occurred on 20 December 2013.

The Co-operative Bank merged with Britannia on 1 August 2009 (the "**Merger**"). As at the date of this document, the retail residential lending and savings franchise transferred from Britannia and the pre-Merger businesses of the Co-operative Bank, continue to trade under the "Britannia", "Co-operative Bank" and "smile" brand names respectively.

Following a review of the Co-operative Bank's capital position in 2013, it was concluded that the Co-operative Bank required an additional £1.5 billion of aggregate common equity tier 1 ("**CET1**") capital. Since then, elements of the uncertainty around the ability of the Bank to continue as a going concern have been removed with the successful completion of capital raising exercises which included the following:

- (i) A liability management exercise (the "**Liability Management Exercise**") aimed at generating around £1.2 billion of new common equity tier 1 capital, which was completed on 20 December 2013. The Liability Management Exercise involved: (i) the issuance of £0.2 billion of new subordinated debt and £0.6 billion of new ordinary shares in exchange for £1.3 billion of existing debt and preference shares and additional contributions from bondholders of £0.1 billion; (ii) the cancellation of £0.4 billion of existing ordinary share capital which resulted in the creation of a capital redemption reserve of the same value; and (iii) the sale of investment assets that were used as economic hedges for the existing debt, generating a profit of £11 million;
- (ii) A contribution by the Co-operative Banking Group Limited ("**CBG**") of £333 million of common equity tier 1 capital;
- (iii) £40 million of common equity tier 1 capital being generated in 2014 from interest savings on the securities surrendered in the Liability Management Exercise; and
- (iv) £400 million, before costs, of CET1 capital was raised in May 2014 through the issue of new ordinary shares.

In December 2014, the PRA announced the results of the Bank of England Stress Tests and confirmed that the Co-operative Bank did not meet the required core equity capital threshold. As a result, the Co-operative Bank submitted a revised plan to the PRA which was accepted by it and runs from 2015 to 2019. The overarching strategy of the Co-operative Bank remains the same, however the Co-operative Bank has committed to an earlier deleverage of the Optimum portfolio than that contemplated by the original plan. This will have an impact on the Bank's income which will need to be offset by additional cost savings to enable the achievement of the cost income target by the end of the plan period.

On 6 May 2015, the Co-operative Bank successfully closed its securitisation of part of its non-core Optimum residential mortgage portfolio through the issuance of notes and residual certificates by Warwick Finance One. Warwick Finance One issued rated residential mortgage backed securities (RMBS) and unrated residual certificates to investors which securities and certificates were backed by a portfolio of £1.5 billion residential mortgage loans.

On 30 June 2015, the Co-operative Bank issued subordinated tier 2 notes in an aggregate principal amount of £250 million as part of its revised business plan. The net proceeds from the issue of notes by the Co-operative Bank will be used for general corporate purposes of the Co-operative Bank and will help the Co-operative Bank to comply with the regulatory requirements and expectations of the FCA and the PRA by further strengthening the Co-operative Bank's regulatory capital base.

The interim financial results for the first half of 2015 reflect the Bank's cost-reduction initiatives in addition to third party savings and branch rationalisation, reflecting cost savings relative to the preceding year. Significant investment has also been made with a view to transforming the Bank's business into a simpler and more efficient retail bank. However, the Co-operative Bank's financial performance continues to be impacted by legacy issues and this is reflected in the Co-operative Bank's statutory loss before taxation for the first half year ending 30 June 2015 of £204.2 million.

The Co-operative Bank's long term senior debt is currently rated Caa2 by Moody's with a positive outlook (announced on 3 July 2015) and B by Fitch with a negative outlook. These ratings are below investment grade.

Strategy

The Co-operative Bank is split into two business areas: the Core Business and the Non-core Business (each as defined below). The Co-operative Bank's overarching strategy, which involves a turnaround plan of approximately four-to-five years, is to leverage its brand strength and high levels of customer satisfaction to create, over time, an efficient and profitable bank with a reduced overall risk profile. The Co-operative Bank aims to focus its Core Business on retail banking and SME customers where the Co-operative Bank considers it has strong existing market credentials, customer relationships and expertise. Those assets which are not consistent with the Co-operative Bank's business strategy and classified as part of the Non-core Business will be actively managed to achieve the most appropriate asset value on an individual portfolio basis or targeted for run down or exit. In line with this strategy, the Co-operative Bank has commenced deleveraging the Optimum portfolio.

Overview

Building upon the Co-operative Bank's existing brand and franchise strength, the Co-operative Bank's current strategy is to become a smaller and more efficient UK bank, focused on retail and small and medium-sized ("SME") businesses in the United Kingdom (the "UK"). As at 30 June 2015, the Core Bank had 4.3 million customers, of which just over 4.2 million are retail and 0.1 million were business customers, and operated through a network of 165 branches, 17 corporate banking centres, 155 ATMs, the internet and digital channels and 5,712 permanent full-time employees.

The Co-operative Bank had total assets of £34,013.1 million as at 30 June 2015 (£37,582.9 million as at 31 December 2014).

Since 2013, the Co-operative Bank has separated its business into two distinct areas: core and non-core, as part of the Co-operative Bank's plan to simplify, de-risk and reshape its business, to address the underlying issues facing the Co-operative Bank as discussed below.

The Core Business (which as at 30 June 2015 had total segment assets of £25,365.5 million and credit risk weighted assets ("RWA") of £3,945.8 million) represents lines of activity that remain consistent with the Co-operative Bank's strategy and risk appetite including; Retail Banking, Business and Commercial Banking and Treasury. The core Retail Banking business product offering consists of a range of current accounts and money transmission services, lending and savings products, to individuals and households in the UK, whilst the core corporate banking business provides services to small and medium sized businesses typically with a turnover of less than £25 million.

The Non-Core Business (which as at 30 June 2015 had total segment assets of £8,027.9 million and credit risk weighted assets of £5,224.7 million) consists of those asset classes which are no longer consistent

with the Co-operative Bank's Core Business strategy and are managed to achieve the most appropriate asset value on an individual portfolio basis or are targeted for run-down or exit. Those assets which sit within the Non-core Business contain a significant part of the Co-operative Bank's impairment risk. This includes the Optimum portfolio (a closed book of predominantly interest only, intermediary and acquired mortgage book assets) ("**Optimum**") and non-core corporate banking assets (including loans to businesses with turnover greater than £25 million, commercial real estate loans, PFI loans, housing association loans and renewable energy asset finance).

Following the successful completion of the Liability Management Exercise in December 2013, the Co-operative Bank's capital position continued to improve following an additional £400m capital raising in May 2014 and receipt of an aggregate £333m contribution from The Co-operative Group.

The completion of the above capital raising actions removed major elements of uncertainty around the going concern status of the Co-operative Bank. The ability of the Co-operative Bank to continue as a going concern is dependent on the successful execution of the Co-operative Bank's strategy.

In December 2014, the PRA announced the results of the Bank of England Stress Tests and confirmed that the Co-operative Bank did not meet the required core equity capital threshold. As a result, the Co-operative Bank submitted a revised plan to the PRA which was accepted by it and runs from 2015 to 2019, whereby the Co-operative Bank committed to an earlier deleverage of the Optimum portfolio than contemplated by the original plan, targeting a reduction in the Co-operative Bank's total risk weighted assets to below £7.5bn by the end of 2018.

On 6 May 2015 the Co-operative Bank successfully closed its securitisation of part of its non-core Optimum residential mortgages portfolio through the issuance of notes and residual certificates by Warwick Finance One.

Warwick Finance One issued rated residential mortgage backed securities (RMBS) and residual certificates to investors which securities and certificates were backed by a portfolio of £1.5 billion residential mortgage loans. In addition the Co-operative Bank retained 65% of the class A notes on settlement. The class A note retention is the only position retained by the Co-operative Bank within the Warwick Finance One capital structure. Further, the Sellers have agreed, in the relevant transaction documents relating to the Warwick Finance One transaction, that they will, whilst any of the Notes remain outstanding, retain on an ongoing basis a net economic interest of 5 per cent. in the nominal value of the securitised exposures, where such exposures would otherwise have been sold by the Sellers to the Issuer for the purposes of the issue of notes by Warwick Finance One.

The successful completion of the transaction formed a key component of the Co-operative Bank's plan to accelerate the de-leveraging of its Non-core Assets, in which the Optimum portfolio is included.

Consequently, the Co-operative Bank's CET1 ratio reached 14.9% at the end of 30 June 2015.

The Co-operative Bank's risk weighted assets have decreased by £2.6 billion since the 31 December 2014 and there has been a reduction of £1.9 billion in the Co-operative Bank's non-core risk weighted assets. The Co-operative Bank's leverage ratio now stands at 4.3 per cent (as at 30 June 2015), a marginal increase of 0.1 per cent. since 31 December 2014 (restated at 4.2%) due to a refinement in the method of calculation made on the basis of the Solvency II Delegated Act.

On 30 June 2015, the Co-operative Bank issued subordinated tier 2 notes in an aggregate principal amount of £250 million as part of its revised business plan. The net proceeds from the issue of notes by the Co-operative Bank will be used for general corporate purposes of the Co-operative Bank and will help the Co-operative Bank to comply with the regulatory requirements and expectations of the FCA and the PRA by further strengthening the Co-operative Bank's regulatory capital base. Payment for this capital was not received until 1 July 2015, consequently, it was not recognised within the Bank's capital ratio until July 2015. As at 30 June 2015, the Co-operative Bank's total capital ratio was 17.1% (31 December 2014: 15%). If the issuance was included with June capital resources, the Bank's total capital ratio would have been 19.5%.

Business and Principal Activities

The Co-operative Bank has been advised that the shareholders who beneficially own in excess of 9.9% of the ordinary shares of the Co-operative Bank as at 30 April 2015 are:

- (a) 20.16 per cent. owned by the Co-operative Group (which holds its interest through CBG); and
- (b) 12.57 per cent. owned by SP Coop Investment, Ltd.

The Co-operative Group is therefore an associate and a related party of the Co-operative Bank.

The Core Business and the Non-Core Business

As part of the Co-operative Bank's plan to simplify and reshape itself, its strategy focuses on the following business activities:

- (i) Lines of business that are consistent with the Co-operative Bank's strategy and risk appetite (the "**Core Business**"): Retail ("**Retail Banking**"); core business and commercial banking business ("**BACB**") and treasury and the Unity Trust Bank ("**Treasury/other**"); and
- (ii) Asset classes which are not consistent with the Co-operative Bank's business strategy and are managed for run down or exit (the "**Non-Core Business**"): Co-operative Asset Management ("**CoAM**")

As at 30 June 2015, total segment assets in the Core Business and Non-core Business were £25,365.5 million and £8,027.9 million, respectively.

Core Business

The Core Business is split into three business areas: (i) Retail Banking; (ii) BACB; and (iii) Treasury/other, as described below.

Retail Banking

Retail Banking offers a range of financial products and services to individuals and households throughout the UK, trading as "The Co-operative Bank", "Britannia" and "smile" together with the Co-operative Bank's intermediary mortgage brand "Platform".

The Co-operative Bank has approximately 4.2 million Retail Co-operative Banking customers and is a clearing bank operating across multiple delivery channels with a range of current accounts and money transmission services, lending products and savings products. The Co-operative Bank distributes its retail products through branches, call centres and via the internet and mobile banking.

As part of its business strategy, the Co-operative Bank intends to introduce new products that are simple, transparent on fees and interest charged and fairly priced.

Mortgage lending

As at 30 June 2015, the Co-operative Bank had a total outstanding mortgage portfolio of £10.3 billion issued under the Co-operative Bank brand and the Britannia brand and a total outstanding mortgage portfolio of £3.0 billion issued under the Platform brand. As at 30 June 2015, the Co-operative Bank's total issued mortgage lending secured on residential property (excluding buy-to-let) was £12.4 billion and the total issued buy-to-let mortgage portfolio was £0.9 billion. The Co-operative Bank's total mortgage lending of £13.3 billion represents an estimated 1.0 per cent. of total UK mortgage balances (as at 31 December 2014).

During the six months ended 30 June 2015, the Co-operative Bank's gross new lending amounted to £1.1 billion (which includes further advances) and net new lending was negative at £0.3 billion.

The majority of the Co-operative Bank's mortgage lending portfolio consists of UK residential mortgage loans to individuals that are fully secured on a first priority basis on the residential property of the borrower on terms which allow for repossession and sale of the property if the borrower fails to comply with the terms and conditions of the loan. As a result, and in line with other residential mortgage lenders, the Co-operative Bank's residential mortgage lending carries lower risk than many other types of lending.

The Co-operative Bank's mortgage lending can take the form of either prime residential lending (where the borrower is the owner and occupier of the mortgaged property and meets the Co-operative Bank's credit requirements for prime lending) or buy-to-let lending (which are loans advanced to borrowers who

intend to let the mortgaged property). In addition, the Co-operative Bank also has a stock of historical residential mortgage loans which were advanced to borrowers who self-certified their income and to other borrowers who do not meet the Co-operative Bank's prime borrower credit requirements.

Platform

Intermediary remains an important channel to the Co-operative Bank, in particular for mortgage origination, of which 22.6 per cent., being £3.0 billion out of £13.3 billion as at 30 June 2015, is sourced through the Co-operative Bank's Platform brand in the broker market.

Launched in February 2003, Platform was created from the merger of Platform Home Loans and Verso, both subsidiaries of Britannia. Platform is focused on prime residential mortgages and buy-to-let intermediary lending. Intermediaries range from large UK insurance companies (including Legal & General and Sesame Co-operative Bankhall Group) to small independent mortgage advisers.

BACB

BACB targets and services small and medium sized businesses which will typically (i) have a turnover of less than £25 million; (ii) have borrowing requirements of less than £10 million; and (iii) otherwise meet the Co-operative Bank's risk appetite. BACB also offers services on commercial terms, to charities, social businesses and co-operatives.

Non-Core Business

The Non-Core Business consists of asset classes of the Co-operative Bank that are not consistent with the Co-operative Bank's Core Business strategy. In July 2013, Co-operative Asset Management ("**CoAM**") was established by the Co-operative Bank to oversee proactive management, disposal and run-off of these non-core asset classes in accordance with CoAM's strategic objective (the "**Non-core Assets**"). CoAM is the successor to the Co-operative Bank's legacy corporate and business banking non-core segment (part of which used to be designated in the old core business) which was established in 2013. CoAM contains a significant part of the Co-operative Bank's impairment risk.

Funding

The Non-Core Business is predominantly funded by deposits from the Core Business. It is also funded by deposits from the Non-Core Business and by securitisation transactions.

The Non-core Assets are identified on the basis of the following criteria:

- assets which cannot be supported by the Co-operative Bank's Core Business retail platform. These include assets which (i) are not aligned with the Co-operative Bank's strategy and risk appetite; (ii) are corporate assets where the borrower typically has a turnover in excess of £25 million; or (iii) relate to customers that require more complex banking support for transactions (e.g. guarantees or letters of credit);
- assets which fail to deliver a positive net interest margin for the Co-operative Bank including liquidity costs and/or a return on capital above the cost of capital; and
- non-performing or defaulting assets (excluding those assets under the BACB segment of the Core Business),

The Non-core Assets comprise of asset classes with total outstanding loans of approximately £8.0 billion as at 30 June 2015. This is a mixture of residential mortgages, revolving credit facilities and stage drawdown primarily in the Corporates, Renewable Energy and Asset Finance ("**REAF**"), Private Finance Initiative ("**PFI**") and Commercial Real Estate ("**CRE**") portfolios. In the period from 31 December 2014 to 30 June 2015, £2.7 billion of Non-core Assets (consisting of Non-core Business loans) were deleveraged, through a combination of asset sales, run-off and managed repayments, net of new drawdowns.

Optimum

The residential mortgage portfolio – Optimum, forms part of the Non-Core Business and was created following the merger with Britannia. Optimum is a closed book of intermediary and acquired mortgage book assets including non-prime residential mortgages (both income verified and self-certified), buy-to-let and other non-conforming mortgages. The Optimum gross customer balances as at 30 June 2015 stood at £4.7 billion.

CoAM's ultimate objective is to exit the Optimum portfolio. In December 2014, the PRA announced the results of the Bank of England stress tests and confirmed that the Co-operative Bank did not meet the required core equity capital threshold. As a result, the Co-operative Bank submitted a revised plan to the PRA which was accepted by it and runs from 2015 to 2019. The Co-operative Bank committed to an earlier deleverage of the Optimum portfolio than contemplated by the original plan, targeting a reduction in the Co-operative Bank's total risk weighted assets to below £7.5 billion by the end of 2018. As a part of this deleveraging, on 6 May 2015, the Co-operative Bank successfully closed its inaugural whole capital structure securitisation of approximately £1.5 billion comprising part of the Optimum portfolio through Warwick Finance One.

Information Technology ("IT")

The Co-operative Bank's IT systems support a range of functions related to the delivery of its products and services. The Co-operative Bank's IT system has been underinvested for a considerable period of time. The Co-operative Bank's infrastructure is in need of an upgrade in numerous respects. Across the Co-operative Bank's IT infrastructure there are varying levels of resilience and recoverability and whilst a basic level of resilience to technical component failure is in place, the Co-operative Bank does not have a proven end-to-end capability to recover from a significant and prolonged data centre outage.

The Co-operative Bank entered into in January 2015 an enterprise services ("ES") contract with IBM in order to address this risk, however until that work is completed (which is expected to be by the end of 2016) the Co-operative Bank is at risk of an IT failure causing material disruption to Co-operative Bank's products and services. The required improvement and re-engineering of the Co-operative Bank's IT platform and operational process is necessary and significant in scale, complexity and cost; in common with any programme of this scale it carries a significant level of execution risk. Any delays in, or failure by, the Co-operative Bank to deliver the re-engineering of the Co-operative Bank's IT platform may result in on-going risk of technology failure, significant additional investment costs, subject the Co-operative Bank to further regulatory scrutiny or sanction and impact the Co-operative Bank's ability to deliver its strategy.

The Co-operative Bank has received written confirmation from the FCA that the Co-operative Bank not having a proven end-to-end disaster recovery capability constitutes a breach of the Threshold Conditions forming a part of the High Level Standards in the FCA Handbook setting out the minimum standards for becoming and remaining an authorised person (the "**FCA Threshold Conditions**"). The FCA continues to closely supervise the Co-operative Bank as it works towards restoring compliance with COND 2.4 of the FCA Threshold Conditions as they relate to non-financial resources. The FCA is not currently proposing further immediate supervisory intervention or the immediate exercise of any additional regulatory powers as a result of this assessment. The FCA reserves the right to take action in the future in relation to this breach.

The PRA's general policy is not to communicate its assessment of its position in relation to the PRA Threshold Conditions. The PRA has not communicated to the Co-operative Bank its assessment of the Co-operative Bank's position in relation to the FCA Threshold Conditions. The FCA Threshold Conditions for which the PRA is responsible in relation to the Co-operative Bank are set out in paragraphs 5A to 5F of Part 1E of Schedule 6 of the Financial Services and Markets Act 2000. However, both the PRA and FCA are closely monitoring the position of the Co-operative Bank and the Co-operative Bank remains in continual dialogue with both regulators.

Capital

The Co-operative Bank meets its Pillar 1 capital requirements under normal economic conditions. This is the minimum required under the Capital Requirements Regulation. However, the Co-operative Bank has insufficient capital to withstand a severe stress.

The Co-operative Bank's revised plan is expected to remediate this position by 2018 (mainly through Risk Weighted Asset ("RWA") through the reduction of Non-core Assets to reduce risks that the Co-operative Bank is exposed to, and cost reduction to mitigate ongoing losses). During the year 2015 the Co-operative Bank closed its securitisation of part of its non-core Optimum residential mortgage portfolio through the issuance of notes and residual certificates by Warwick Finance One resulting in a net £0.8 billion RWA reduction within the non-core Optimum portfolio. The successful closing of this transaction forms a key component of the Co-operative Bank's plan to accelerate the de-leveraging of its Non-core Assets, including the Optimum portfolio.

On 30 June 2015, the Co-operative Bank issued subordinated tier 2 notes in an aggregate principal amount of £250 million as part of its revised business plan. The net proceeds from the issue of notes by the Co-operative Bank will be used for general corporate purposes of the Co-operative Bank and will help the Co-operative Bank to comply with the regulatory requirements and expectations of the FCA and the PRA by further strengthening the Co-operative Bank's regulatory capital base.

The PRA provides Individual Capital Guidance ("ICG") for each bank. This represents guidance on the capital (Pillar 2a) a firm should hold over Pillar 1. Although the Co-operative Bank was temporarily above ICG at 30 June 2015, this position should be regarded as a very temporary situation as the Co-operative Bank has insufficient capital to sustainably meet its ICG until the later years of its plan. The Co-operative Bank met the Pillar 1 capital requirement throughout the six months to 30 June 2015.

Litigation, arbitration and regulatory proceedings in relation to the Co-operative Bank

The Co-operative Bank has been and continues to be the subject of multiple regulatory and other investigations and enquiries into events at the Co-operative Bank and circumstances surrounding them. These include:

- The Treasury first announced by press release on 22 November 2013 and confirmed in March 2015 (following the publication of the Treasury Select Committee report into the Co-operative Bank) that it would appoint an independent person to review events at the Co-operative Bank and the circumstances surrounding such events from 2008, including the bid to purchase a separated part of the retail business of the Lloyds Banking Group and the Merger in 2009. The investigation will review the actions of relevant authorities (regulators and the government) and the Co-operative Bank itself, including prudential issues, governance (including the appointment of senior staff) and acquisitions. The investigation has not yet commenced.
- Investigations by the FCA and the PRA into former senior individuals at the Co-operative Bank.
- The Financial Reporting Council has launched an investigation under its Accountancy Scheme into the preparation, approval and audit of the Co-operative Bank's accounts over the financial years 2009-2012. The focus of the investigation is into the role of the auditors or individual accountants rather than the Co-operative Bank itself.
- The Co-operative Bank is also the subject of a skilled persons review into the Co-operative Bank's mortgage arrears handling, the outcome of which is uncertain and could potentially lead to enforcement investigations by the FCA.

On 11 August 2015 the PRA and the FCA published the outcome of their enforcement investigations into certain events which occurred and the processes in place in the Co-operative Bank within the period from July 2009 to the end of 2013. During this period, the PRA found that the Co-operative Bank was in breach of Principle 3 (Management and Control) of the PRA's (and formerly the FSA's) Principles of Business with respect to the Co-operative Bank's control and risk management framework. The FCA found the Co-operative Bank to have breached Listing Rule 1.3.3 in relation to the two statements in the Co-operative Bank's 2012 annual report and accounts. In addition, the FCA and the PRA found that, from 25 April 2012 to 9 May 2013, the Co-operative Bank breached Principle 11 of the PRA's (and formerly the FSA's) Principles of Business and of the FCA's (and formerly the FSA's) Principles of Business by failing to notify the FCA and the PRA of intended changes to two senior positions (and the reasons for those changes).

No fine has been imposed by the PRA and the FCA. The findings of the investigations would normally have merited a substantial fine being imposed on the Co-operative Bank, but the PRA concluded that

imposing such a penalty on the bank at this time would not advance the PRA's statutory objective to promote the safety and soundness of the firms it regulates. The FCA also gave serious consideration to the impact of a financial penalty on the Co-operative Bank and considered the fact that the Co-operative Bank is engaged in a plan to ensure that it meets its ICG on a sustainable basis and has adequate capital to withstand a severe stress and that it was vitally important that the Co-operative Bank's capital resources be directed towards improving its resilience. In the circumstances, the FCA and PRA considered a public censure to be the appropriate and proportionate response. However, the terms of the public censures by the PRA and the FCA made clear the seriousness with which the failings were regarded and expressly stated that if any future enforcement investigation into the Co-operative Bank found serious and wide ranging failures the censure would be a relevant factor in determining the outcome. While this concludes the PRA and the FCA investigations relating to the Co-operative Bank itself, there are a number of investigations covering all or some of the same time period and the events affecting the Co-operative Bank which are either underway or still to commence (being, as mentioned above, investigations into former senior individuals at the Co-operative Bank, the Financial Reporting Council's investigation into the preparation, approval and audit of the Co-operative Bank's financial statements up to and including the year ended 31 December 2012 which focuses on the role of the auditors and the individual accountants, and the independent investigation ordered by Her Majesty's Treasury).

Although no fine has been imposed by the PRA and the FCA as a result of their investigations, the Co-operative Bank remains exposed to increased regulatory scrutiny, significant resource drain, damages, fines and costs, adverse publicity, reputational damage and litigation claims either as a result of the findings of the PRA and the FCA investigations or the eventual outcome of any other investigations.

The Co-operative Bank continues to co-operate with the investigating authorities. It is not possible to estimate the financial impact upon the Co-operative Bank should any further adverse findings be made.

The Co-operative Bank is engaged in various other legal proceedings in the United Kingdom involving claims by and against it which arise in the ordinary course of business, including debt collection, mortgage enforcement, consumer claims and contractual disputes.

In addition to the Conduct Issues (as defined and described below), the Co-operative Bank has identified a number of conduct risk and legal issues (as a result of both internal and external reviews) against which it has raised provisions, based on management's best estimate of the total potential costs to the Co-operative Bank. Significant components of the conduct risk and legal provision are potential customer redress in relation to Payment Protection Insurance ("**PPI**"), interest rate swaps, and breaches of the technical requirements of the Consumer Credit Act ("**CCA**"). The Co-operative Bank has also made provision for conduct provisions which are individually less significant. The calculation of these conduct and legal provisions requires significant judgement by management in determining appropriate assumptions. Key assumptions include basis of redress, operating costs of resolving redress, the level of compliance, Co-operative Bank uphold rates, proactive contact and response rates, and the Financial Ombudsman Service referral and uphold rates and the views and requirements of the regulator.

As part of the Co-operative Bank's strategy to identify and resolve outstanding liability issues, the Co-operative Bank has commenced a structured risk based product review process, of which the primary focus is the discovery and remediation of existing and new conduct and legal issues. While much work has been undertaken and progress has been made in identifying conduct issues, no assurance can be given that further issues will not be identified, or that the already identified issues may not require further provision.

The Co-operative Bank manages conduct risk in a way that is consistent with its overall risk appetite and aligns with its strategy. The concept of conduct risk is in part derived from elements of the FCA's rules and guidance that are concerned with the conduct of business regulation. However, it also encompasses the principle of treating customers fairly and putting customers at the centre of what the Co-operative Bank does. Conduct risk may arise from any aspect of the way the Co-operative Bank's business is conducted, a key criterion for the Co-operative Bank being whether the outcome is fair for its customers.

In relation to their mortgage business, the Co-operative Bank and its subsidiaries may not have acted in accordance with some of these principles and the issues that it is aware of at the date of publication of this Prospectus (the "**Conduct Issues**") include the following:

- (a) In certain cases, the first monthly payment collected from an Affected Borrower under a loan was less than that stated in the offer letter because the capital element of the payment was not collected. As a result, the Affected Borrower paid (and will, if the matter is not remedied, pay) interest on that first, missed, capital payment over the remaining term of the loan.
- (b) In a small number of cases, an early repayment charge of 1 per cent. of the amount pre-paid has been charged to Affected Borrowers that made a partial repayment of their loans outside the initial pre-payment period. Whilst this charge was anticipated by the Sellers' Mortgage Terms and Conditions, it is not clear whether in the particular circumstances the cost to the Co-operative Bank as a result of the borrower prepayment justified the quantum of the early repayment charge. Each Seller has decided to compensate each Affected Borrower by way of a balance adjustment to the loans. In certain other cases the early repayment charge used the first payment date anniversary instead of the completion date anniversary. In other cases the early redemption charge for products including further advances applied for the life of the further advance, which each Seller has deemed to be unreasonable.
- (c) In a number of cases a Seller has determined that fees and charges charged to and paid by an Affected Borrower under a loan were not legitimately charged either in whole or in part, for example where they were not fully justified as a result of poor handling or by the costs incurred in dealing with the relevant matter. The Affected Borrower will be compensated via balance adjustment.
- (d) In a very small number of cases involving loans with an initial discount rate, the end of the discount rate period was incorrectly applied such that Affected Borrowers benefitted from the discount rate for slightly too short a period. Each Seller has again decided to compensate the Affected Borrowers by making a balance adjustment to their loans.
- (e) In some cases customer detriment was caused due to certain practices, such as mortgage arrears handling (including forbearance). Various reviews have been undertaken and a provision has been made to address such customer detriment issues.

The Co-operative Bank has initiated a redress programme in respect of the Conduct Issues (the "**Remediation Project**").

"**Listing Rules**" has the meaning given to such term in the FCA Rules.

Along with other banking industry participants, the Co-operative Bank is participating in an active financial services industry wide dialogue with the FCA and the Financial Ombudsman Service to determine any possible wider impact of the decision of the UK Supreme Court in *Plevin v Paragon*, delivered in November 2014, on its historical sales of single and repeat premium PPI. The decision has a potential impact on a number of the Bank's customers who may have a claim for PPI mis-selling and treatment of prior claims. Due to this uncertainty it is not currently practicable to provide an estimate of any financial impact the *Plevin* decision could have and there can be no assurance that the outcome of this matter will not be material.

Separation of the Co-operative Bank from the Co-operative Group

The Co-operative Bank is in the process of separating from the Co-operative Group. Currently, and into the medium term, the Co-operative Bank depends on the Co-operative Group to provide a number of services including critical functions such as IT (until the ES arrangement with IBM described above becomes operational), personnel, assets and to on-supply certain services, data and assets by third party suppliers. The Co-operative Bank also has significant counterparty exposure to the Co-operative Group.

The ongoing separation project is complex and may be more costly than currently contemplated. In particular, the Co-operative Bank has recognised a provision of £75.7m (2014: £112.3m) in relation to separation costs which are eligible to be provided for under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). The separation provision is made up of two elements, a restructuring provision representing the Co-operative Bank's obligation to separate from the Co-operative Group, and a further provision representing the Co-operative Bank's obligation to customers to provide a minimum service level as a result of separation from the Co-operative Group.

The calculation of the separation provision requires significant judgement by management in determining appropriate assumptions. Key assumptions include the day rate which will be paid to contract staff as part of separation under the Enterprise Services Programme and the overall time it will take to achieve separation. A change in overall estimates for key separation provision judgements could increase the provision.

Credit Risk Modelling

The Bank is not currently compliant with all of the requirements to model credit risk internally. The Bank has implemented a review of its credit risk model requirements against CRR and created a remediation plan which has been accepted by the PRA.

The Bank plans to continue to remediate this issue during 2015.

Solo Consolidation

Until its expiry in September 2014, the Bank had regulatory approval to operate under a ‘solo-consolidation’ permission, which allowed it to be regulated for prudential purposes as though the Bank and specified solo-consolidated subsidiaries (including the Sellers) formed a single legal entity. In March 2015, the Bank was granted a new permission to apply solo consolidation, though with respect to a smaller number of subsidiaries (not including the Sellers). Currently, the Bank and its subsidiaries do not have the processes in place to comply with regulatory reporting obligations resulting from this change, or with large exposure requirements in respect of exposures to certain FCA-authorized subsidiaries. The Bank has initiated a project to address these issues to a timetable set by the regulators, and is maintaining on-going dialogue with its regulators in relation to this. The Bank continues to ensure its FCA-authorized subsidiaries (including the Sellers) comply with capital requirements on an individual basis.

PLATFORM FUNDING LIMITED

PFL was incorporated and registered in England and Wales under the Companies Act 1985 on 28 October 1997 as a private limited company with company registration number 3456337. The registered office of PFL is Secretariat, Miller Street Tower, Miller Street, Manchester, England, M60 0AL. PFL was established for the purpose of originating residential mortgage loans (including Buy-to-Let Loans) to borrowers in England, Wales, Scotland and Northern Ireland.

Following the Merger, PFL became a wholly-owned indirect subsidiary of the Co-operative Bank.

Please also see disclosure in relation to Conduct Issues in the chapter entitled "*The Co-operative Bank p.l.c. - Litigation, arbitration and regulatory proceedings in relation to the Co-operative Bank*".

PLATFORM HOME LOANS LIMITED

PHL was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 12 January 1989 with company registration number 2334606. The registered office of PHL is Secretariat, Miller Street Tower, Miller Street, Manchester, England, M60 0AL.

Following the Merger, PHL became a wholly-owned indirect subsidiary of the Co-operative Bank.

Please also see disclosure in relation to Conduct Issues in the chapter entitled "*The Co-operative Bank p.l.c. - Litigation, arbitration and regulatory proceedings in relation to the Co-operative Bank*".

GMAC-RFC

GMAC-RFC Limited (currently known as Paratus AMC Limited) is a private limited company incorporated in England and Wales under the Companies Act 1985 on 6 January 1998. GMAC-RFC Limited originated mortgage loans to borrowers in England, Wales, Northern Ireland and Scotland until 2008. Following a change of ownership in October 2010, GMAC-RFC Limited has been renamed Paratus AMC Limited and its primary business is to provide mortgage administration services in the United Kingdom.

The registered office of GMAC-RFC Limited (currently known as Paratus AMC Limited) is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA. It is not partly or wholly owned by any subsidiary of the Co-operative Bank.

Information in relation to GMAC-RFC has been obtained from publicly available sources.

MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED

Mortgage Agency Services Number Four Limited ("**MAS4**") was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 19 April 2002 with company registration number 4420580. The registered office of MAS4 is Secretariat, Miller Street Tower, Miller Street, Manchester, England, M60 0AL. Its principal activities relate to the purchase of portfolios of mortgage loans.

MAS4 is a wholly-owned indirect subsidiary of the Co-operative Bank.

Please also see disclosure in relation to Conduct Issues in the chapter entitled "*The Co-operative Bank p.l.c. - Litigation, arbitration and regulatory proceedings in relation to the Co-operative Bank*".

MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED

Mortgage Agency Services Number Five Limited ("**MAS5**"), was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 19 April 2002 with company registration number 4420522. The registered office of MAS5 is Secretariat, Miller Street Tower, Miller Street, Manchester, England, M60 0AL. Its principal activities relate to the purchase of portfolios of mortgage loans.

MAS5 is a wholly-owned indirect subsidiary of the Co-operative Bank.

Please also see disclosure in relation to Conduct Issues in the chapter entitled "*The Co-operative Bank p.l.c. - Litigation, arbitration and regulatory proceedings in relation to the Co-operative Bank*".

CITI ACCOUNT BANK

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal business office at 399 Park Avenue, New York, NY 10043, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

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

BNPP ACCOUNT BANK

BNP Paribas Securities Services, a wholly-owned subsidiary of the BNP Paribas Group, is a leading global custodian and securities services provider backed by the strength of a universal bank. It provides integrated solutions for all participants in the investment cycle, from the buy-side and sell-side to corporates and issuers.

Covering over 100 markets, with their own offices in 34 countries, the BNP Paribas network is one of the most extensive in the industry. They bring together local insight and a global network to enable clients to maximize their market and investment opportunities worldwide.

Key figures as of 31 December 2014: USD 8.95 trillion assets under custody, USD 1.717 trillion assets under administration, 8,134 administered funds and 8,800 employees.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

U.S. Bank Trustees Limited (registered number 02379632) will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

U.S. Bank Trustees Limited's registered office is at 125 Old Broad Street, Fifth Floor, London EC2N 1AR.

U.S. Bank Trustees Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. U.S. Bank Trustees Limited will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Property and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Note Trustee and Security Trustee, respectively, is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Sellers, the Co-operative Bank and/or any of their respective subsidiaries and affiliates and any other person whatsoever and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Sellers, the Co-operative Bank and/or any of their respective subsidiaries and affiliates and any other person whatsoever, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or the other Secured Creditors and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

STRUCTURED FINANCE MANAGEMENT LIMITED

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

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

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, **provided that** a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

WESTERN MORTGAGE SERVICES LIMITED

WMS was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1996 with company registration number 3191608. The registered office of WMS is 17 Rochester Row, London SW1P 1QT.

Following the acquisition of Western Trust and Savings Limited ("**WTS**") in July 1995 by Birmingham Midshires Building Society, WMS acquired from WTS its mortgage servicing infrastructure. WMS was acquired by the Britannia Building Society ("**Britannia**") on 27 January 1997 and the shares subsequently transferred to Britannia Treasury Services Limited. Following the Merger, WMS became a subsidiary of the Co-operative Bank.

On 1 August 2015 Capita Asset Services (UK Holding) Limited ("**Capita**") entered into an agreement under which it acquired one hundred per cent. of the shares in WMS from Britannia Treasury Services Limited (a subsidiary of The Co-operative Bank plc ("**Bank**")), On the same date WMS entered into a master services agreement with the Bank and certain Bank subsidiaries, under which WMS will service the Bank's mortgage processing and administration operations.

The terms of this agreement comprise the servicing of more than 200,000 mortgage accounts and £20bn of lending. As a result the employment of approximately 380 Bank staff servicing the mortgage portfolios moved to WMS.

WMS continues to service third party portfolios previously serviced by WMS through different contractual arrangements.

The Bank's secured funding programmes impacted by the transaction include the Covered Bond Programme and the Leek and Silk Road RMBS Programmes. For each programme issuance, the original servicer or administrator (being, in each case, either the Bank or a subsidiary) remains servicer of record and liable for the performance of the servicing obligations. In each transaction the Bank or the relevant subsidiary has sub-delegated elements of the servicing to WMS, but remains responsible for the provision of servicing to the relevant transaction.

The WMS mortgage administration services are run and managed predominantly by dedicated WMS IT staff from their own premises in Plymouth. Consequently, the IT issues noted in the chapter in relation to the Co-operative Bank do not cause similar risks and concerns for the WMS service provision. Various local IT upgrades have been undertaken over the last few years in WMS to ensure the systems are maintained in line with the requirements of the business. WMS technology is maintained under vendor support contracts. A Disaster Recovery arrangement exists with a specialist third party provider and disaster recovery simulation test was completed in November 2014. The platform continues to be in use following the sale of WMS to Capita and is expected to be transitioned into Capita's systems following the sale. This transition is expected to occur approximately 18 to 24 months from the date on which the shares in WMS were acquired by Capita.

However, the WMS service has some dependency on a system situated outside of Plymouth in The Co-operative Bank p.l.c.'s data centre in Leek, Staffordshire. This system supports arrears management and is part of The Co-operative Bank p.l.c.'s IT estate as mentioned above with known issues that require remediation. Please refer to "*Risk Factors – Servicing and Third Party Risk – the Servicer*".

HOMELoAN MANAGEMENT LIMITED

Homeloan Management Limited ("**HML**") is a private limited company registered in England and Wales under number 2214839. HML, which is regulated by the FCA, has been appointed as the Back-Up Servicer pursuant to the Back-Up Servicing Agreement, and pursuant to which HML is responsible for the provision of certain mortgage settlement and related administration services.

HML is the largest third party residential mortgage servicer in the United Kingdom. HML is currently servicing over £36 billion of mortgage assets for 25 leading financial institutions. The registered office and principal place of business of HML are The Pavilions, Bridgwater Road, Bristol, BS13 8AE and Gateway House, Gargrave Road, Skipton, North Yorkshire BD23 2HL respectively.

HML has S&P's Primary Servicer rating of Above Average with a Stable Outlook and a residential primary servicer rating of RPS1- by Fitch Ratings Limited.

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

THE LIQUIDATION AGENT

PricewaterhouseCoopers LLP ("**PwC**") is a limited liability partnership registered in England with registered number OC303525 which is authorised and regulated by the FCA for designated investment business. The registered office of PwC is 1 Embankment Place, London WC2N 6RH.

PwC has been appointed as the Liquidation Agent pursuant to the Liquidation Agent Agreement. Pursuant to the Liquidation Agent Agreement, PwC is responsible for the provision of certain services relating to the sale of the Portfolio in the event that (a) the Portfolio Option Holder directs the Issuer to sell the Loans and their Related Security pursuant to the rights granted to it under the Deed Poll, or (b) the Issuer has not received a notification from the Portfolio Option Holder notifying the Issuer of the exercise of any of the options described in the Section titled "*Early Redemption of the Notes - Portfolio Option*" above by a date falling nine months after the Portfolio Option Commencement Date, or (c) the Issuer is required to or proposes to exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date.

The information in the preceding paragraph has been provided by PricewaterhouseCoopers LLP solely for use in this Prospectus.

THE LOANS

The Portfolio

Introduction

The following is a description of some of the characteristics of the Loans originated by the Originators and sold by the Sellers and comprised in the Portfolio including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Sellers selected the Loans for transfer into the Portfolio using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that each Seller makes in the relevant Mortgage Sale Agreements in relation to the Loans. This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the relevant Seller that are consistent with the criteria. From this subset, loans are selected at random until the target balance for Loans has been reached, or the subset has been exhausted. After a pool of Loans is selected in this way, the constituent Loans are monitored so that they continue to comply with the Loan Warranties on the Closing Date, as applicable.

Unless otherwise indicated, the description that follows relates to types of loans that could be sold to the Issuer as part of the Portfolio as at the Closing Date.

The Portfolio

The Portfolio from time to time after the Closing Date will comprise Loans advanced to the Borrowers upon the security of residential property situated in England, Wales, Northern Ireland and Scotland and on the Closing Date will consist of the Mortgages acquired pursuant to the relevant Mortgage Sale Agreement, other than Mortgages which have been repaid or which have been purchased from the Issuer pursuant to the relevant Mortgage Sale Agreement.

Characteristics of the Portfolio

The tables set out in the chapter entitled "*Characteristics of the Portfolio*" set out information representative of the characteristics of the Provisional Portfolio as at the Portfolio Reference Date.

The balance of the Loans in the tables set out in the chapter entitled "*Characteristics of the Portfolio*" is shown as at the Portfolio Reference Date. The properties over which the Mortgages are secured have not been revalued for the purpose of the issue of the Notes. The valuations of such properties as set out in the following tables relate to the date of the original initial mortgage loan valuation except to the extent that there have been Further Advances in which cases the most recent valuation is utilised. The characteristics of the Closing Date Portfolio as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of Loans prior to the Closing Date.

Security

All of the Mortgages are secured by first ranking mortgages, or (in Scotland) standard securities.

Interest Rate Types

The Provisional Portfolio consists of:

- (a) 27.25 per cent. of the Mortgages which are LIBOR-linked mortgages where the applicable rate of interest for each mortgage loan (the "**Mortgage Rate**") is (currently or after a specific period) calculated by reference to LIBOR plus a fixed margin or margins expressed as a percentage over LIBOR for the life of the mortgage (the "**LIBOR-Linked Mortgages**").

The Mortgage Rate payable under the LIBOR-Linked Mortgages is calculated as a specified margin, in excess of LIBOR quoted by the ICE Benchmark Administration Limited for three-month Sterling deposits (subject to rounding) on or about (a) in relation to the PFL Mortgages, the 1st day of March, June, September and December of each year ("**PFL Mortgage LIBOR**"), (b) in relation to the MAS4 Mortgages, the 12th day of March, June, September and December of

each year ("**MAS4 Mortgage LIBOR**") and (c) in relation to the MAS5 Mortgages, the 12th day of March, June, September and December of each year ("**MAS5 Mortgage LIBOR**" and together with PFL Mortgage LIBOR and MAS4 Mortgage LIBOR, the "**Relevant LIBOR**").

- (b) 47.99 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate (the "**Base Rate Mortgage Rate**") that is based on the Bank of England's base rate (as redetermined each calendar month referenced from the Bank of England's official bank rate), the "**Base Rate**" and the "**Base Rate Tracker Mortgages**") plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate.
- (c) 24.76 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate that is set by the entity entitled to set such rate in accordance with the applicable Mortgage Conditions, taking into account various factors such as the Bank of England Base Rate, the cost of funds to that entity, and interest rates charged by other mortgage lenders (the "**Standard Variable Rate Mortgages**").

Characteristics of the Loans

Repayment terms

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees.

Loans are typically repayable on one of the following bases:

- *Repayment Loan*: the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid ("**Repayment Loans**");
- *Interest-only Loan*: 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 is payable in one lump sum ("**Interest-only Loans**"); and
- a combination of both these options.

In the case of either Repayment Loans or Interest-only Loans, the required monthly payment may alter from month to month for various reasons, including changes in interest rates.

For Interest-only Loans (but not Buy to Let Loans), because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan. A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all Accrued Interest, Arrears of Interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account, and
- standing order from a bank or building society account.

Capitalising Arrears

In certain infrequent circumstances following the accrual of Arrears on a Loan, the relevant Borrower may "opt in" to capitalise such Arrears. "**Capitalisation**" is one of the longer term solutions available to manage Arrears, and it involves "zero-ising" the balance of Arrears and allowing that amount to be cleared over the remaining term of the Loan.

The Servicer shall assess and service any Capitalisation in accordance with the capitalisation policy section of the relevant Seller's Policy as it applies to the relevant Loans from time to time.

"**Arrears**" means as at any date in respect of any Loan, all amounts currently due and payable on that Loan which remain unpaid on that date.

"**in Arrears**" means, in respect of a Mortgage Account when on any date any amounts currently due and payable on that Loan remain unpaid on that date.

Title to the Portfolio

The Portfolio will consist of:

- (i) mortgages originated by PFL (the "**PFL Mortgages**");
- (ii) mortgages originated by GMAC-RFC where legal and beneficial title to such mortgage loans was sold to MAS4 under mortgage sale agreements dated 29 April 2005, 30 September 2005 and 27 January 2006 (the "**MAS4-GMAC-RFC Mortgage Sale Agreements**") (the "**MAS4 Mortgages**"); and
- (iii) mortgages originated by GMAC-RFC where legal and beneficial title to such mortgage loans was sold to MAS5 under mortgage sale agreements dated 31 March 2006, 30 June 2006, 29 September 2006, 31 January 2007, 8 June 2007, 29 June 2007 and 28 September 2007 (the "**MAS5-GMAC-RFC Mortgage Sale Agreements**") (the "**MAS5 Mortgages**").

In respect of the mortgages originated by PFL referred to in (i) above, pursuant to, and under the terms of a mortgage sale agreement entered into with, among others, PFL and the Security Trustee (the "**PFL Mortgage Sale Agreement**"), dated on or about the Closing Date, PFL will transfer the beneficial title to the Mortgages, with a right to call for the legal title thereto, to the Issuer.

The legal and beneficial title to the MAS4 Mortgages which were originated by GMAC-RFC, referred to in (ii) above, was originally sold by GMAC-RFC to MAS4. Pursuant to a mortgage sale agreement entered into with, among others, MAS4 and the Security Trustee (the "**MAS4 Mortgage Sale Agreement**"), MAS4 will transfer the beneficial title to the MAS4 Mortgages, with a right to call for the legal title thereto, to the Issuer.

The legal and beneficial title to the MAS5 Mortgages which were originated by GMAC-RFC, referred to in (iii) above, was originally sold by GMAC-RFC to MAS5. Pursuant to a mortgage sale agreement entered into with, *inter alios*, MAS5, and the Security Trustee (the "**MAS5 Mortgage Sale Agreement**" and together with the PFL Mortgage Sale Agreement and the MAS4 Mortgage Sale Agreement, the "**Mortgage Sale Agreements**") MAS5 will transfer the beneficial title to the MAS5 Mortgages, with a right to call for the legal title thereto, to the Issuer.

In the case of the Mortgages over registered land in England and Wales which will be transferred to the Issuer on the Closing Date, PFL (in relation to the PFL Mortgages), MAS4 (in relation to MAS4 Mortgages) and MAS5 (in relation to the MAS5 Mortgages) have agreed to remain on the relevant English Land Registry as the legal mortgagee.

In the case of the Mortgages over registered land in Scotland and Northern Ireland which will be transferred to the Issuer on the Closing Date, PFL (in relation to the PFL Mortgages) has agreed to remain on the relevant Scottish or Northern Irish Land or Sasine Register as the legal mortgagee or as heritable creditor.

None of the above-mentioned transfers to the Issuer is to be completed by registration at the Land Registry, the Registers of Scotland, or the Land Registry of Northern Ireland and Registry of Deeds, Belfast (the "**Registers of Northern Ireland**") (if applicable) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The English Mortgages in the Portfolio and their collateral security are accordingly owned in equity only by the Issuer pending such transfer and the Scottish Mortgages in the Portfolio and their collateral security are accordingly held in trust for the Issuer pending such transfer. Legal title in the Mortgages and their collateral security continues to be vested in PFL (in relation to the PFL Mortgages), MAS4 (in relation to MAS4 Mortgages) and MAS5 (in relation to the MAS5 Mortgages). PFL, MAS4 and MAS5 have agreed to transfer legal title to the PFL

Mortgages, the MAS4 Mortgages or the MAS5 Mortgages (as applicable) and their collateral security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only in the circumstances set out below.

The Issuer will grant a first fixed charge in favour of the Security Trustee over its interest in the Mortgages (being, in respect of the Scottish Mortgages an assignation in security of its interest in and to the Scottish Declaration of Trust and the trust constituted thereby).

Save as mentioned below, the Security Trustee has undertaken not to effect any registration at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as the case may be) to protect the sale of the Mortgages to the Issuer or the granting of security over the Mortgages by the Issuer in favour of the Security Trustee nor, save as mentioned below, to obtain possession of title deeds to the properties the subject of the Mortgages.

Notices of the equitable assignments or declaration of trust in favour of the Issuer and the security in favour of the Security Trustee will not, save as mentioned below, be given to the Borrowers under the Mortgages.

Under the Mortgage Sale Agreements and the Deed of Charge, completion of the transfers to the Issuer will be effected and the Issuer and the Security Trustee will each be entitled to effect such registrations and give such notices as it considers necessary to protect their respective interests in the Mortgages, and to call for a legal assignment or assignation or transfer of the Mortgages in favour of the Issuer and a legal submortgage or sub-security over such Mortgages and collateral security in favour of the Security Trustee.

Under the Mortgage Sale Agreements and the Deed of Charge the Issuer and the Security Trustee have undertaken to take such steps only where, *inter alia*, (a) the relevant Seller being required to perfect legal title to the Loans by (i) an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the relevant Seller or (iii) by any organisation of which the relevant Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the relevant Seller to comply, to perfect legal title to the Loans and their Related Security, (b) it becoming necessary by law to take any or all such actions referred to in (a) above, (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy, (d) the relevant Seller or the Co-operative Bank calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; (e) the occurrence of a Seller Insolvency Event in relation to any Seller; or (f) the Standard Variable Rate of any Seller is less than Average Three-Month Sterling LIBOR *plus* two per cent. on a Rate Fixing Date and within the 30 days following that Rate Fixing Date, the Seller has not notified the Issuer and Servicer of a decision to increase its SVR to at least Average Three-Month Sterling LIBOR *plus* two per cent. Following such legal assignment, assignation or transfer and sub charge or sub-security, the Issuer and the Security Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Mortgages, including the carrying out of any necessary registrations, recordings and notifications. These rights are supported by irrevocable powers of attorney given by each of PFL, MAS4 and MAS5 pursuant to the PFL Mortgage Sale Agreement, the MAS4 Mortgage Sale Agreement and the MAS5 Mortgage Sale Agreement (as applicable).

Warranties and Breach of Warranties in relation to the Mortgages

The PFL Mortgage Sale Agreement contains certain warranties given by PFL in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the PFL Mortgage Sale Agreement. The MAS4 Mortgage Sale Agreement contains certain warranties given by MAS4 in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the MAS4 Mortgage Sale Agreement. The MAS5 Mortgage Sale Agreement contains certain warranties given by MAS5 in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the MAS5 Mortgage Sale Agreement.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the warranties given to it under the Mortgage Sale Agreements.

If there is an unremedied breach of any of the warranties given under the PFL Mortgage Sale Agreement, MAS4 Mortgage Sale Agreement or MAS5 Mortgage Sale Agreement and such breach causes a material adverse effect on the value of that Loan (as determined by the Servicer), then the Issuer shall demand that PFL (in respect of the PFL Mortgages), MAS4 (in respect of the MAS4 Mortgages) or MAS5 (in respect of the MAS5 Mortgages) or any other subsidiary from to time of the Co-op, as the Co-op may elect as the purchaser of the Mortgages (a "**Relevant Purchaser**") purchase any Mortgage which is the subject of the relevant unremedied material breach for a consideration in cash equal to the Current Balance of the relevant Mortgage *plus* any Accrued Interest.

The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Sellers under the Mortgage Sale Agreements. If a Seller is required to repurchase a Loan pursuant to the terms of the relevant Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan on the Monthly Pool Date immediately following the Monthly Period in which the relevant Seller received the relevant repurchase notice or on such other date as the Issuer may direct in the relevant notice at a repurchase price equal to its Current Balance *plus* any Accrued Interest determined as at such Monthly Pool Date.

Pursuant to the terms of the Mortgage Sale Agreements, the relevant Sellers may transfer their obligations and liabilities (other than any obligations relating to retentions of 5 per cent. of the nominal value of the securitised exposures) and assign their rights to the Co-op or one of its subsidiaries. In that event, the obligations, liabilities and rights of the relevant Seller will become the obligations, liabilities and rights of the entity acquiring them. The guarantee provided by the Co-operative Bank in relation to repurchase described above will continue to apply in respect of any such transferee.

PFL Lending Criteria

The following is a summary of the criteria of PFL (the "**PFL Lending Criteria**") in relation to Mortgage Loans to be secured on properties located in England, Wales, Scotland or Northern Ireland that were applied (subject to such deviation made in accordance with the standard of a Reasonable, Prudent Mortgage Lender) in respect of the Mortgages to be sold pursuant to the PFL Mortgage Sale Agreement.

Security

- (a) Each Loan is secured by a first ranking legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (usually at least 50 years longer than the mortgage term) in England or Wales (an "**English Property**"), or secured by a first ranking standard security (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 50 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") or secured by way of a first ranking legal mortgage or a first ranking legal charge (a "**Northern Irish Mortgage**") over a freehold or leasehold residential property (usually at least 50 years longer than the mortgage term) located in Northern Ireland (a "**Northern Irish Property**") (the English Mortgages, the Scottish Mortgages and the Northern Irish Mortgages are collectively defined as the "**Mortgages**" and an English Property, a Scottish Property and a Northern Irish Property are each a "**Property**" and are collectively defined as the "**Properties**").
- (b) Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of building are deemed unacceptable as security:
 - (i) properties listed as defective under the Housing Acts 1984 and 1985 or the Housing (Scotland) Act 1987 (unless rebuilt to NHBC standards with appropriate guarantees);
 - (ii) mobile homes or houseboats;
 - (iii) prefabricated buildings and unrepaired prefabricated reinforced concrete (PRC) properties;

- (iv) property where a flying freehold (not applicable to Scottish Properties) exists affecting more than 15 per cent. of the whole;
 - (v) shared ownership properties;
 - (vi) properties whose construction includes high alumina cement;
 - (vii) buildings with agricultural restrictions, small holdings or farms;
 - (viii) buildings of 100 per cent. timber construction;
 - (ix) steel framed properties (except post 1987 construction with BBA or WIMLAS certification);
 - (x) multi occupied property;
 - (xi) tenanted property (except where the loan advanced is a Buy to Let Loan);
 - (xii) properties with commercial usage;
 - (xiii) live/work units; or
 - (xiv) flats in blocks of more than four storeys of accommodation are subject to individual consideration.
- (e) Each Property offered as security will have been valued by either a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by PFL or by an automated valuation model under which the valuation of the relevant Property was undertaken using Hometrack Data Systems Limited's automated valuation model by PFL.
- (f) At the time of completion, the relevant Property must either have been insured under a block buildings policy in the name of PFL, or PFL must have been jointly insured with the Borrower under, or its interest noted on, a buildings policy relating to the relevant Property.

Loan Amount

No Mortgage may exceed a maximum principal amount of £1,100,000 (including Further Advances).

Loan to value

- (a) The loan to value ratio ("**LTV**") is calculated by expressing the initial principal amount advanced at completion of the Mortgage as a percentage of the lower of the purchase price and valuation of the Property (with the exception of Right to Buy Loans and sales at an undervalue where the valuation is used).
- (b) The LTV of each Mortgage at the date of completion must be no more than 95 per cent. (excluding fees).

Term

Each Mortgage must have an initial term of between 5 and 40 years.

Borrowers

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of two Borrowers are allowed to be parties to the Mortgage.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
 - (i) search supplied by a credit reference agency;

- (ii) CAIS information;
 - (iii) confirmation of voters roll entries or proof of residency;
 - (iv) references from employers (and, in the case of mortgages originated by PFL, two payslips and a P60 form);
 - (v) accountant's certificate;
 - (vi) references from lenders; or
 - (vii) references from current landlords and previous landlords.
- (d) Explanations may be provided where a County Court Judgment (or its Scottish or Northern Irish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lender's or landlord's references or a Borrower has been subject to a Bankruptcy Order ("**BO**") or Individual Voluntary Arrangement ("**IVA**") (or their Scottish equivalent) and such explanations have been asked for at the underwriter's discretion.
- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

Income

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional regular remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in partnership, or a sole trader; (ii) pensions; (iii) investments; (iv) rental income; and (v) any other monies approved by an authorised official of the lender.
- (b) With the exception of certain allowable fees added to the aggregate balance of the Mortgage, the principal amount advanced will depend on the loan to value:
- (i) where the loan to value is greater than 85 per cent., then the principal amount advanced will not exceed 10 times the assessed income of the joint Borrowers; and
 - (ii) where the loan to value is equal to or less than 85 per cent., then the principal amount advanced will not exceed 10 times the assessed income of the joint Borrowers.
- (c) Customers who wish to self certify their income are required to make a full declaration of their total personal income on the application form and must still complete in full the employment section of the application form. Reasonability tests are applied to the customer's declared income with reference to their trade and location. Self certification of income by a customer to PFL was permitted by PFL until November 2009.
- (d) Borrowers with super pass credit scores may not have been required to provide evidence of income.

Solicitors

The firm of solicitors acting on behalf of the lender on the making of the Mortgage must be on the PFL Solicitors panel. If the applicant wishes to use a solicitor not on the PFL Bank Solicitors panel then the lender will instruct one of the solicitors on the PFL Solicitors panel to act for the lender at the applicant's expense.

Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 and the Housing (Northern Ireland) Order 1983 (as amended)

Some Mortgages ("**Right to Buy Mortgages**") may be subject to the Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 (as amended) and the Housing (Northern Ireland) Order 1983 (as amended).

Buy to Let Loans

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

- (a) the maximum LTV of each Loan is 90 per cent. excluding fees;
- (b) the rental payment received by the Borrower in respect of the relevant Property is at least 110 per cent. of the Borrower's monthly payment under the Loan; and
- (c) a more limited adverse credit history from the Borrower.

House Plus

The House Plus product is a conforming Buy To Let product. Income earned by the borrower replaces rental yield as the means by which the loan is repaid. The borrower self certifies their income to purchase a Buy To Let property. Income multiples are applied in the standard way for Owner Occupied Residential loans. However, 7 per cent. of the residential mortgage balance is deducted from gross income before income multipliers are applied, to reflect existing mortgage commitments. Normal self certification reasonability and verification measures are also applied.

House Plus lending guidelines also include:

- (a) with the exception of certain allowable fees added to the aggregate balance, the maximum House Plus Loan is £1,000,000;
- (b) the maximum LTV for a House Plus Loan of £300,000 is 85 per cent.;
- (c) the maximum LTV for a House Plus Loan of £1,000,000 is 75 per cent.;
- (d) the maximum House Plus Loan in respect of mortgaged Property which has been constructed in the last 12 months is £300,000; and
- (e) only one House Plus Loan per Borrower / household is permitted.

Exceptions to the PFL Lending Criteria

Exceptions to the PFL Lending Criteria may only be made by Platform Home Loans Limited ("**PHL**") mandate holders ("**PHL Mandate Holders**"). Within their individual mandate, PHL Mandate Holders may make any exception to the PFL Lending Criteria **provided that** such exception is (i) in line with prudent mortgage lending in the non conforming market and (ii) documented on the case.

Changes to PFL Lending Criteria

PFL may vary the PFL Lending Criteria from time to time in the manner of a Reasonable, Prudent Mortgage Lender.

GMAC-RFC Lending Criteria

The following is a summary of the criteria of GMAC-RFC (the "**GMAC-RFC Lending Criteria**") that were applied (subject to GMAC-RFC taking reasonable steps to ensure it was the case (and that any discretions to deviate from such criteria were exercised in accordance with GMAC-RFC's policies)) in respect of the MAS4 Mortgages and the MAS5 Mortgages.

Security

- (a) GMAC-RFC requires a first legal charge over the Property. It must be used by the Borrower(s) for private residential purposes only. Full vacant possession must be obtained at completion and no part let or part possession will be accepted.
- (b) Mortgage properties are required to be valued using an automated valuation model ("**AVM Valuation**") or by a suitably qualified valuer on GMAC-RFC's approved panel of valuers, as agreed from time to time and managed and monitored by credit risk. For a Buy To Let Loan, the valuation report must provide an estimate of the rental income that may be obtained and must also provide comparables in line with the valuation.
- (c) Property securing a Buy To Let Loan must be let on a six or 12 month assured shorthold tenancy or on a company let not exceeding 36 months. It must be let within three months of completion of the Loan, and remain available for letting throughout the term of the Loan.
- (d) Property securing a Buy To Let Loan may not be occupied by the borrower.
- (e) The following property types are considered unacceptable security:
 - (i) Freehold flats and maisonettes (in England & Wales only);
 - (ii) Residential flats above commercial premises, with an LTV of more than 85 per cent.;
 - (iii) Investment flats above commercial premises, with an LTV of more than 75 per cent.;
 - (iv) Studio flats;
 - (v) Properties with unexpired lease term of less than 30 years at end of the mortgage term;
 - (vi) Shared ownership properties;
 - (vii) Tenanted properties (residential only);
 - (viii) Investment properties (residential only);
 - (ix) Commercial properties;
 - (x) Properties subject to agricultural restrictions;
 - (xi) Properties under 10 years old without one of the following;
 - (A) NHBC Certificate;
 - (B) Zurich Municipal Guarantee;
 - (C) Architect's Certificate (RJOBA);
 - (D) Chartered Building Surveyor's Certificate;
 - (E) Premier Guarantee;
 - (xii) Properties where stage payments are required;
 - (xiii) Unimproved/uninhabitable properties i.e. no kitchen or bathroom;
 - (xiv) Properties with two kitchens and/or multiple services on Buy To Let Loans;
 - (xv) Properties with greater than two kitchens and/or multiple services on residential loans;
 - (xvi) Prefabricated or large panel concrete construction (LPS);
 - (xvii) Pre-fabricated reinforced concrete construction (PRC);

- (xviii) Concrete block construction designated Mundic;
- (xix) Properties of high alumina cement;
- (xx) BISF, metal and steel framed properties;
- (xxi) Any property designated defective under the Housing Act;
- (xxii) Properties of 100 per cent. timber construction;
- (xxiii) Properties with ongoing structural movement or movement that requires monitoring;
- (xxiv) Underpinned properties where no guarantees are available;
- (xxv) Uninsurable properties, or properties subject to an ongoing insurance claim;
- (xxvi) Properties likely to be adversely affected by local planning, e.g. road widening;
- (xxvii) Properties where an unsatisfactory mining search is received;
- (xxviii) Grade 1 listed buildings;
- (xxix) Second homes/holiday homes;
- (xxx) Mobile homes and houseboats;
- (xxxi) Properties with land in excess of 5 hectares/12 acres; and
- (xxxii) Where the valuation report indicates:
 - (A) The interior/exterior condition of the property is poor & demand is poor; and/or
 - (B) The saleability of the property is affected by local factors & demand is poor.

Loan size

GMAC-RFC will not originate a Loan that will be £25,000 or less at the time of completion. The maximum loan size is £1,100,000 for verified loans and £750,000 for self-certified Loans and £1,000,000 for Buy To Let Loans.

The loan to value ratio ("**LTV**") is calculated by dividing the gross principal amount (net of any fees) committed at completion of the Loan by the lower of the valuation of the Property or, in the case of a Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price that has been paid reflects a discount).

GMAC-RFC does not originate Loans with an LTV higher than 95 per cent. (89 per cent. for Buy To Let Loans), subject to exceptions in certain circumstances.

Term

Each Loan must have an initial term of between 5 and 30 years.

Borrowers

- (a) Borrowers must be natural persons, and have been at least 18 years of age (or, in the case of Buy To Let Loans, the primary applicant must be at least 25 years of age) prior to completion of the Loan and the term of mortgage loans usually must end before the primary applicant reaches his/her 76th birthday (subject to approved exceptions).
- (b) A maximum number of 4 Borrowers are allowed to be parties to a Loan or 2 Borrowers for Buy To Let Loans.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:

- (i) Search supplied by credit reference agency;
- (ii) Confirmation of voters roll entries or proof of residency;
- (iii) Reduced referencing telephone call to applicants employer to verify works there unless selected for an audit then a reference from current employers;
- (iv) Reduced referencing telephone call to applicants accountant to confirm acts for applicant unless selected for an audit then an Accountant's certificate;
- (v) Reference from current lenders; and
- (vi) Reference from current landlords.

CCJs/defaults for Buy To Let Loans are permitted with a total value of £10,000. CCJs/defaults are permitted for all other loans and in these instances there will be no limit on the number or value of CCJs/defaults permitted. For self-certified Loans, where the CCJ/default has been satisfied/settled within the last 12 months, it will not be acceptable regardless of number or value. Where satisfaction of CCJs is a requirement of the Loan, a certificate of satisfaction must have been provided.

- (d) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA will have provided a confirmation of satisfactory conduct of the IVA where appropriate.

Income

Buy To Let Loans are deemed to be self-funding. Applicants will declare on the application form details of income and occupation, but no further information is required. Unemployed applicants will be unacceptable. Gross monthly rental income must be at least 100 per cent. of the monthly mortgage interest payments. Affordability is calculated at the current interest rate of the Loan or the Bank of England repo rate plus a reference margin. The reference margin ranges from 1.00 per cent. to 1.25 per cent.

Solicitors

GMAC-RFC will normally instruct the applicant's solicitor to act on its behalf provided that the firm meets the following criteria:

- (a) Has a minimum of two partners;
- (b) Has indemnity insurance in place (minimum £1,000,000); and
- (c) All partners have current practising certificates.

Sole practitioners will not be instructed to act on behalf of the company. Licensed conveyancers will not normally be instructed to act on behalf of the company.

Exceptions/Changes to the GMAC-RFC Lending Criteria

GMAC-RFC took reasonable steps at the time of origination of the GMAC-RFC Loans to ensure that the GMAC-RFC Lending Criteria were satisfied (and that any discretions were exercised in accordance with GMAC-RFC's policies).

Remediation Project

As described in the section entitled "*The Co-operative Bank PLC*" above, the calculation of conduct and legal provisions requires significant judgement by management in determining appropriate assumptions. Currently, the size of the provisions for the Conduct Issues in relation to the Loans included in the Provisional Portfolio is £5.15 million.

This amount represents 0.28% of the Current Balance of the Loans in the Provisional Portfolio. Upon random selection of the Closing Date Portfolio from the Provisional Portfolio, that proportion may

change and the amount of rebate to the initial consideration to be provided by the Sellers for such amount to be deposited into the Make-Whole Ledger will be adjusted to reflect provisions on the Loans randomly selected for inclusion in the Closing Date Portfolio. The Cash Manager shall maintain a Make-Whole Ledger which shall be funded on the Closing Date in an amount equal to the Projected Costs as at the Closing Date and, where in any Collection Period the principal balance of a Loan has been permanently written down in the systems of the Servicer as a result of the Remediation Project, an amount corresponding to such write-down shall be debited from the Make-Whole Ledger and applied as Available Principal Receipts towards redemption of the Notes.

Further, from the Closing Date until the Make-Whole Ledger Discharge Date, if:

- (i) on any Monthly Pool Date the balance of the Make-Whole Ledger falls below the Projected Costs, each Seller will, on such date, be required to pay or procure payment of an additional amount, by way of a Rebate of Initial Consideration, equal to the amount of such deficit on the Make-Whole Ledger as is attributable to the Loans sold by that Seller into the Portfolio, for such additional amount to be credited to the Make-Whole Ledger by the Cash Manager on behalf of the Issuer; or
- (ii) on any date the Servicer has notified a Seller that insufficient funds stand to the credit of the Make-Whole Ledger to allow the Servicer to apply any Make-Whole Amounts which it has determined are required to be paid in respect of Loans sold by that Seller into the Portfolio, that Seller will, on such date, by way of a Rebate of Initial Consideration, pay or procure payment of such additional amount to the Issuer, such amount to be credited to the Make-Whole Ledger by the Cash Manager on behalf of the Issuer.

"Make-Whole Ledger Discharge Date" means the date on which (i) a Perfection Event occurs, or (ii) the Sellers deliver a certificate to the Issuer, Note Trustee and Security Trustee that no further claims are expected from Borrowers in relation to known Conduct Issues.

The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Sellers under the Mortgage Sale Agreements to provide additional Rebates of Initial Consideration.

Pursuant to the terms of the Mortgage Sale Agreements, the relevant Sellers may transfer their obligations and liabilities (other than any obligations relating to retentions of 5 per cent. of the nominal value of the securitised exposures) and assign their rights to the Co-op or one of its subsidiaries. In that event, the obligations, liabilities and rights of the relevant Seller will become the obligations, liabilities and rights of the entity acquiring them. The guarantee provided by the Co-operative Bank in relation to repurchase described above will continue to apply in respect of any such transferee.

On the Make-Whole Ledger Discharge Date, the Make-Whole Ledger will be closed and any amounts standing to its credit paid to the relevant Seller(s) as consideration for the Loans. The Sellers' obligation to apply any Rebate of the Initial Consideration will also cease to have effect.

For more information on the operation of the Make-Whole Ledger see "*Cashflows – Make-Whole Ledger*" below.

Servicing of the Portfolio

The Servicer will be required from the Closing Date to service the Portfolio as an agent of the Issuer and (following the delivery of a Note Enforcement Notice) the Security Trustee under and in accordance with the terms of the Servicing Agreement. The duties of the Servicer will include amongst other things:

- operating the Accounts and ensuring that payments are made into and from the Accounts in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their monthly payments or in the premium payable on any buildings insurance policy;
- providing a redemption statement upon the request of a Borrower's solicitor or licensed conveyancer;

- taking all reasonable steps to recover all sums due to the Issuer, including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage or any related security;
- taking all action and doing all things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in administering its mortgages;
- make all filings, give all notices and make all registrations and other notifications required in the day to day operation of the business of the Issuer;
- arranging for all payments due to be made by the Issuer under any of the Transaction Documents to be made;
- keeping general books of account and records of the Issuer, provide accounting services including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts and supervising and assisting in the preparation of tax returns;
- paying on behalf of the Issuer all the out of pocket expenses of the Servicer incurred in the performance of the Servicer's duties under the Servicing Agreement; and
- administering the remediation programme in accordance with the Remediation Policy and the terms of the Servicing Agreement.

The Servicer may delegate certain services including sub-delegation to any Seller or to the Co-operative Bank of the servicing of certain Loans where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-servicer.

Enforcement Procedures

The Servicer has established procedures for managing loans which are in arrear, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Servicer in many circumstances. These procedures, as from time to time varied in accordance with the practice of a Reasonable, Prudent Mortgage Lender or with the consent of, *inter alia*, the Issuer and the Security Trustee, are required to be used by the Servicer in respect of arrears arising on the Mortgages. In some cases, the Servicer may sub-delegate its duties in respect of certain Loans to the Co-operative Bank or the Sellers where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling.

English Loans

In order to realise its security in respect of a Property, the relevant mortgagee (be it the legal owner, the beneficial owner, the Security Trustee or its appointee (if the Security Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose; first, by taking physical possession (seldom done in practice), and second, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to

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

Scottish Loans

A proportion of the Loans are secured over properties in Scotland ("**Scottish Loans**"). These are secured by security taken over the relevant properties by way of standard security, being the only means of creating a fixed charge or security over heritable property in Scotland ("**Scottish Mortgages**"). In respect of Scottish Mortgages, references herein to a "**Mortgage**" and a "**Mortgagee**" (or the "**Legal proprietor**" of a Mortgage) are to be read as references to such a standard security and the heritable creditor thereunder, respectively.

A statutory set of *Standard Conditions* is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties.

The main provisions of the Standard Conditions, which cannot be varied by agreement, relate to enforcement. Generally, where a breach by a Borrower entitles the lender to enforce the security, an appropriate statutory notice must first be served. First, the lender has to serve a "calling up notice" requiring repayment, in which event the Borrower has two months to comply and on the expiry of such period where the Borrower is in default the lender has to obtain a court order before it may enforce its rights of sale under the standard security.

Prior to 30 September 2010, under the terms of the Mortgage Rights (Scotland) Act 2001 (the "**2001 Act**"), Scottish courts were permitted a discretion (upon application by a Borrower or other specified persons) to suspend the exercise of the lender's statutory enforcement remedies for such period and to such extent as the court considered reasonable, having regard, among other factors, to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation. The relevant provisions of the 2001 Act relating to the court's discretion to suspend such enforcement remedies were repealed with effect from 30 September 2010 under the terms of the Home Owner and Debtor Protection (Scotland) Act 2010 and replaced with the requirement (referred to above) on lenders to obtain a court order (except in very limited circumstances) when pursuing their statutory enforcement remedies, although the court will still have regard to the factors described above in exercising their discretion as to whether to grant the court order. See also the section entitled "*Risk Factors – Mortgage Repossessions*".

Northern Irish Loans

In cases of default by a Borrower in relation to a Mortgage secured over property situated in Northern Ireland, requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings. After a possession order is obtained the judgment is enforced through the Enforcement of Judgments Office (rather than by bailiffs) and it has its own procedures for enforcement.

By virtue of Article 51 of The Judgments Enforcement (Northern Ireland) Order 1981 an order charging land (i.e. a judgment mortgage), if founded on a judgment in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

Capital Costs, Further Advances and Product Switches

Capital Costs will (where applicable in accordance with the terms and conditions of the Loans) be added to the balance of the relevant Loan and will be funded out of the Retained Principal Receipts Ledger.

The Sellers no longer permit Product Switches or Further Advances. Neither the Issuer nor the Sellers are obliged to make Further Advances.

Insurance Contracts

Buildings Insurance

Buildings insurance or building and contents insurance is arranged by the relevant Borrower selecting an insurer and arranging cover accordingly (a "**Third Party Buildings Policy**").

In respect of the Mortgages to be sold by PFL pursuant to the PFL Mortgage Sale Agreement, PFL will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost.

In respect of the Mortgages to be sold by MAS4 and MAS5 pursuant to the MAS4 Mortgage Sale Agreement and MAS5 Mortgage Sale Agreement (as applicable), each of MAS4 and MAS5 will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company approved or not objected to by GMAC-RFC or MAS4 or MAS5 (as applicable) against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property.

Properties in Possession Insurance

In respect of certain Mortgages, the Sellers have the benefit of a properties in possession insurance policy issued by Legal & General to the Sellers (the "**L&G Policies**") in respect of any loss arising in respect of damage occurring to Properties that have been subject to repossession by a Seller.

Title Insurance Policies

Each of the Sellers has the benefit of a title insurance policy (the "**London & European Title Insurance Policy**") issued by London & European Title Insurance Services Limited in respect of any loss arising from the existence of any adverse matter which would have been revealed had the Seller instructed a solicitor to conduct a search or other procedure against the title to the relevant Property.

"**Insurance Policies**" means with respect to the Mortgages, the Title Insurance Policies (which are in favour of each of the Sellers), the L&G Policies (which are in favour of each of the Sellers) and any other insurance contracts in replacement, addition or substitution thereof from time to time which relates to the Loans and "**Insurance Policy**" means any one of them;

Information regarding the policies and procedures of each Seller

Each Seller has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation. The policies and procedures of each Seller in this regard broadly include the following:

- (a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits, as to which please see the information set out earlier in this section entitled "*The Loans – PFL Lending Criteria*", "*The Loans – GMAC-RFC Lending Criteria*" and "*Summary of Transaction Documents – Servicing Agreement*";
- (b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures, as to which we note that the Portfolio will be serviced in line with the usual servicing procedure of each Seller – please see further the section entitled "*Summary of Transaction Documents – Servicing Agreement*";
- (c) diversification of credit portfolios taking into account each Seller's target market and overall credit strategy, as to which, in relation to the Portfolio, please see the section entitled "*The Loans*";
- (d) policies and procedures in relation to risk mitigation techniques, as to which please see further the sections entitled "*The Loans – PFL Lending Criteria*" and "*The Loans – GMAC-RFC Lending Criteria*"; and
- (e) policies and procedures in relation to the Remediation Programme, as to which please see further the section entitled "*The Loans – Remediation Project*".

Governing law

Each of the Loans and any non-contractual obligations arising out of or in connection with them are governed by English law, or in respect of the Scottish loans, Scots law, or in respect of the Northern Irish loans, Northern Irish law.

Information regarding the Policies and Procedures of the Sellers

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

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus has been compiled by reference to certain Loans in portfolios owned by PFL, MAS4 and MAS5 as at the Portfolio Reference Date (the "**Provisional Portfolio**"). The Provisional Portfolio as at the Portfolio Reference Date consisted of 15,684 Loans originated by Platform Funding Limited ("**PFL**"), and GMAC-RFC Limited ("**GMAC**") secured over properties located in England, Wales, Northern Ireland and Scotland. The Current Balance of the Provisional Portfolio on the Portfolio Reference Date was £1,854,667,125. The portfolio that will be sold to the Issuer on the Closing Date (the "**Closing Date Portfolio**") will be randomly selected from the Provisional Portfolio on the Closing Date Portfolio Selection Date. In order to satisfy the risk retention requirements of Article 405 of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Delegated Act, Mortgage Loans will be randomly selected from the Provisional Portfolio constituting not less than 5 per cent. of the nominal value of the Closing Date Portfolio. See the section entitled "*Certain Regulatory Disclosures*" for further information. All loans held by the Sellers for the purposes of such compliance would have been eligible for the Closing Date Portfolio had they been randomly selected for inclusion.

The characteristics of the Closing Date Portfolio will differ from that set out below as a result of, *inter alia*, the random selection from the Provisional Portfolio, repayments and redemptions of the Loans from the Portfolio Reference Date to the Closing Date Portfolio Selection Date and removal of any Loans which do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date. If a Loan selected for the Closing Date Portfolio is repaid in full between the Closing Date Portfolio Selection Date and the Closing Date, the principal recoveries from that Loan will form part of Available Principal Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Portfolio Reference Date for the Loans in the Provisional Portfolio.

In this section:

"**Mortgage Accounts**" means the totality of the relevant Loans granted by the relevant Seller secured on the same Property and their Related Security;

"**Owner Occupied Loan**" means any Loan in the Portfolio which is not a Buy to Let Loan; and

"**Sub-Accounts**" means the individual relevant Loans granted by the relevant Seller secured on the same Property and their Related Security.

Columns in the tables below may not add up to 100 per cent. due to rounding.

SUMMARY STATISTICS

Cut-off Date	30/04/2015
Balance (£).....	1,854,667,125
Number of Loans	15,684
Number of Loan Parts	16,079
Average Loan Balance (£)	118,252
WA OLTV (%).....	77.16
WA Indexed CLTV (%)*.....	70.22
WAC (%).....	3.55
WA Seasoning (Years)	8.32
WA Time to Reset (Months).....	0
WA Remaining Term (Years).....	13.77
3M LIBOR Index (%).....	27.25
BBR Index (%)	47.99
SVR Index (%)**.....	24.76
BTL (%).....	26.33
IO (%).....	77.1
CCJs (%).....	7.8
Bankruptcy or IVA (%)	1.39
Self Certified (%).....	48.33
Current Loans (%)	83.06
30-60 Days in Arrears (%).....	6.37
60-90 Days in Arrears (%).....	3.42
90+ Days in Arrears (%).....	7.16

* Based on original valuation indexed using Halifax 2015 Q1 Non Seasonally Adjusted Regional House Price Indices

** Current SVR equals 5.75%

Originator

Originator	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
GMAC	1,146,428,341	61.81	9,033	57.59
PFL	708,238,784	38.19	6,651	42.41
Totals	1,854,667,125	100	15,684	100

Product Index Type

Product Index Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
3M LIBOR.....	505,396,435	27.25	4,684	29.13
BBR	889,975,695	47.99	7,868	48.93
SVR	459,294,995	24.76	3,527	21.94
Totals	1,854,667,125	100	16,079	100

Current Balances as at the Portfolio Reference Date

The following table shows the range of Mortgage Account Current Balances as at the Portfolio Reference Date.

Range of Current Balances*	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
£0 - £49,999.99	63,623,338	3.43	1,915	12.21
£50,000 - £99,999.99	414,245,978	22.34	5,482	34.95
£100,000 - £149,999.99	530,284,752	28.59	4,335	27.64
£150,000 - £199,999.99	360,425,982	19.43	2,104	13.41
£200,000 - £249,999.99	234,770,819	12.66	1,061	6.76
£250,000 - £299,999.99	111,467,479	6.01	412	2.63
£300,000 - £349,999.99	63,998,799	3.45	199	1.27
£350,000 - £399,999.99	32,148,741	1.73	87	0.55
£400,000 - £449,999.99	21,005,857	1.13	50	0.32
£450,000 - £499,999.99	5,672,886	0.31	12	0.08
£500,000 >=	17,022,495	0.92	27	0.17
Totals	1,854,667,125	100	15,684	100

The maximum, minimum and average Current Balance of the Loans as of the Portfolio Reference Date is £1,000,724, £285 and £118,252 respectively.

Current Interest Rates

Current Interest Rate (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
0.00 to 0.99	7,334,716	0.4	62	0.39
1.00 to 1.99	145,198,388	7.83	1,434	8.92
2.00 to 2.99	848,045,904	45.72	7,186	44.69
3.00 to 3.99	285,306,686	15.38	2,649	16.47
4.00 to 4.99	90,021,656	4.85	1,001	6.23
5.00 to 5.99	461,367,947	24.88	3,596	22.36
6.00 to 6.99	17,282,923	0.93	150	0.93
7.00 to 7.99	108,904	0.01	1	0.01
Totals	1,854,667,125	100	16,079	100

The maximum, minimum and weighted average Current Interest Rates of the Loans as of the Portfolio Reference Date is 7.35%, 0.94% and 3.55% respectively.

Loan to Value Ratios at Origination

The calculation for the first column below takes the earliest origination date on the property and aggregates the original advance amounts of any current loan parts which have an origination date equal to the earliest origination. This figure is then divided by the original valuation amount. The remaining columns show, by reference to the Portfolio Reference Date, for each of the original LTV ranges (i) the Current Balances and proportions of the Current Balances of the Loans, and (ii) the number of mortgage accounts and proportion of mortgage accounts.

Range of LTV Ratios at Origination (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
<= 50.00	84,687,242	4.57	1,269	8.09
50.01 to 55.00	46,741,308	2.52	536	3.42
55.01 to 60.00	70,767,061	3.82	701	4.47
60.01 to 65.00	92,638,058	4.99	896	5.71
65.01 to 70.00	141,797,121	7.65	1,248	7.96

Range of LTV Ratios at Origination (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
70.01 to 75.00	262,242,964	14.14	2,172	13.85
75.01 to 80.00	231,180,849	12.46	1,927	12.29
80.01 to 85.00	405,019,811	21.84	3,087	19.68
85.01 to 90.00	378,560,713	20.41	2,797	17.83
90.01 to 95.00	117,093,439	6.31	848	5.41
95.01 to 100.00	23,938,558	1.29	203	1.29
Totals	1,854,667,125	100	15,684	100

The original weighted average Loan to Value Ratio as at the Portfolio Reference Date of the Loans in the Portfolio is 77.16 per cent.

Current Indexed Loan to Value Ratios

The following table shows the range of Current Indexed Loan to Value Ratios, which are calculated by dividing the Current Balance of a Mortgage Account as at the Portfolio Reference Date by the indexed original valuation.

Range of Current Indexed LTV Ratios (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
<= 50.00.....	259,062,440	13.97	3,358	21.41
50.01 to 55.00	105,697,108	5.7	994	6.34
55.01 to 60.00	147,442,314	7.95	1,278	8.15
60.01 to 65.00	174,891,983	9.43	1,398	8.91
65.01 to 70.00	195,202,098	10.52	1,563	9.97
70.01 to 75.00	197,553,409	10.65	1,467	9.35
75.01 to 80.00	203,361,307	10.96	1,416	9.03
80.01 to 85.00	165,924,471	8.95	1,194	7.61
85.01 to 90.00	146,612,141	7.91	1,042	6.64
90.01 to 95.00	113,042,583	6.1	853	5.44
95.01 to 100.00	76,971,825	4.15	577	3.68
100.01 to 105.00	42,229,603	2.28	332	2.12
105.01 to 110.00	15,289,664	0.82	120	0.77
110.01 >=.....	11,386,179	0.61	92	0.59
Totals	1,854,667,125	100	15,684	100

Based on original valuation indexed using Halifax 2015 Q1 Non Seasonally Adjusted Regional House Price Indices.

The weighted average current indexed Loan to Value Ratio as at the Portfolio Reference Date of all the Loans is 70.22 per cent.

Origination Year

Origination Year	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
<= 2003.....	54,159,363	2.92	609	3.79
2004.....	124,414,530	6.71	1,266	7.87
2005.....	165,539,148	8.93	1,658	10.31
2006.....	189,579,264	10.22	1,521	9.46
2007.....	1,123,590,322	60.58	9,104	56.62
2008.....	175,770,646	9.48	1,588	9.88
2009 >=.....	21,613,852	1.17	333	2.07
Total.....	1,854,667,125	100	16,079	100

Arrears Analysis of Mortgage Accounts

Month(s) in Arrears*	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
0 < 1.....	1,540,405,375	83.06	13,176	84.01
>=1, <2	118,062,568	6.37	972	6.2
>=2, <3	63,359,763	3.42	512	3.26
>=3	132,839,419	7.16	1,024	6.53
Totals	1,854,667,125	100	15,684	100

* Months in arrears calculated as the aggregate of all arrears balances on a Mortgage Account divided by the aggregate of the monthly subscription amounts on a Mortgage Account.

Geographical Distribution

Region	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
East Anglia	56,094,495	3.02	494	3.15
East Midlands	113,475,025	6.12	1,143	7.29
Greater London.....	304,296,698	16.41	1,673	10.67
North.....	65,503,012	3.53	832	5.3
North West.....	196,557,643	10.6	2,061	13.14
Northern Ireland.....	9,137,494	0.49	115	0.73
Scotland	36,803,089	1.98	494	3.15
South East.....	518,004,419	27.93	3,467	22.11
South West.....	146,185,344	7.88	1,136	7.24
Wales	108,853,244	5.87	1,109	7.07
West Midlands.....	175,429,778	9.46	1,749	11.15
Yorkshire Humber	124,326,882	6.7	1,411	9
Totals	1,854,667,125	100	15,684	100

Seasoning of Loans

The following table shows the number of years since the date of origination of the Sub-Accounts.

Seasoning (years)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Sub-Accounts	Number of Sub-Accounts (%)
<= 5.99.....	18,307,110	0.99	274	1.7
6.00 to 6.99	67,414,208	3.63	676	4.2
7.00 to 7.99	996,702,846	53.74	8,091	50.32
8.00 to 8.99	359,881,901	19.4	2,952	18.36
9.00 to 9.99	152,584,452	8.23	1,365	8.49
10.00 to 10.99	185,668,596	10.01	1,884	11.72
11.00 >=.....	74,108,011	4	837	5.21
Totals	1,854,667,125	100	16,079	100

The maximum, minimum and weighted average seasoning of Loans in the Portfolio as at the Portfolio Reference Date is 13.58, 0.25 and 8.32 years, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Sub-Accounts as at the Portfolio Reference Date and are calculated with respect to the Maturity Date.

Years to Maturity	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Sub-Accounts	Number of Sub-Accounts (%)
0.00 to 4.99	115,037,444	6.2	1,174	7.3
5.00 to 9.99	245,986,406	13.26	2,318	14.42
10.00 to 14.99	598,618,440	32.28	5,236	32.56
15.00 to 19.99	764,034,368	41.2	6,137	38.17
20.00 to 24.99	129,808,245	7	1,206	7.5
25.00 >=.....	1,182,221	0.06	8	0.05
Totals	1,854,667,125	100	16,079	100

The remaining term of the Loans in the Portfolio as at the Portfolio Reference Date is anywhere between 0.08 and 32.25 years and the weighted average remaining term is 13.77 years.

Purpose of Loan

Use of Proceeds	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Sub-Accounts	Number of Sub-Accounts (%)
BTL Purchase	215,815,151	11.64	2,009	12.49
BTL Remortgage	270,715,904	14.6	2,413	15.01
Further Advance	6,659,780	0.36	339	2.11
Purchase.....	469,311,280	25.3	3,591	22.33
Remortgage.....	853,416,385	46.01	7,087	44.08
RTB Purchase	31,083,318	1.68	538	3.35
RTB Remortgage.....	7,665,307	0.41	102	0.63
Totals	1,854,667,125	100	16,079	100

Repayment Terms

Repayment Terms	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Sub-Accounts	Number of Sub-Accounts (%)
Capital & Interest.....	405,684,548	21.87	5,538	34.44
Interest Only	1,429,976,479	77.1	10,368	64.48
Mixed (Part & Part)	19,006,098	1.02	173	1.08
Totals	1,854,667,125	100	16,079	100

Buy to Let Loans and Owner Occupied Loans

Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
Buy to Let Loans	488,386,358	26.33	4,422	28.19
Owner Occupied Loans.....	1,366,280,767	73.67	11,262	71.81
Totals	1,854,667,125	100	15,684	100

Self-Certified Loans

Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Sub-Accounts	Number of Sub-Accounts (%)
Self-Certified Loans.....	896,326,334	48.33	6,994	43.5
Non-Self-Certified Loans.....	583,262,375	31.45	5,798	36.06
Non-Self-Certified Loans (GMAC Non Income Verified).....	375,078,415	20.22	3,287	20.44
Totals	1,854,667,125	100	16,079	100

Number of County Court Judgments

No. of County Court Judgements (CCJs)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
0.....	1,710,010,350	92.2	14,323	91.32
1.....	102,472,191	5.53	971	6.19
2.....	28,686,416	1.55	267	1.7
3 >=.....	13,498,168	0.73	123	0.78
Total.....	1,854,667,125	100	15,684	100

Prior Bankruptcy or Individual Voluntary Arrangement (IVA)

Prior Bankruptcy or Individual Voluntary Arrangement (IVA)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
No.....	1,822,335,030	98.26	15,389	98.12
No Data.....	6,496,840	0.35	47	0.3
Yes.....	25,835,255	1.39	248	1.58
Total.....	1,854,667,125	100	15,684	100

Base Rate Tracker Mortgages

As at the Portfolio Reference Date, approximately 47.99 per cent. of the aggregate Current Balance in the Portfolio are Base Rate Tracker Mortgages.

Margin over BBR (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Sub-Accounts	Number of Sub-Accounts (%)
0.00 to 0.49.....	7,334,716	0.82	62	0.79
0.50 to 0.99.....	105,829,868	11.89	1,026	13.04
1.00 to 1.49.....	39,058,379	4.39	400	5.08
1.50 to 1.99.....	107,317,589	12.06	1,084	13.78
2.00 to 2.49.....	569,234,333	63.96	4,668	59.33
2.50 >=.....	61,200,811	6.88	628	7.98
Totals	889,975,695	100	7,868	100

The maximum, minimum and weighted average margin over Base Rate of the Base Rate Tracker Mortgages as at the Portfolio Reference Date is 5.50%, 0.44% and 1.98%, respectively.

LIBOR Mortgages

As at the Portfolio Reference Date, approximately 27.25 per cent. of the aggregate Current Balance in the Portfolio are LIBOR linked Mortgages.

Margin over LIBOR (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date %	Number of Sub-Accounts	Number of Sub-Accounts (%)
0.00 to 0.49	0	0	0	0
0.50 to 0.99	251,699	0.05	6	0.13
1.00 to 1.49	306,540	0.06	7	0.15
1.50 to 1.99	4,009,093	0.79	50	1.07
2.00 to 2.49	183,780,995	36.36	1,507	32.17
2.50 to 2.99	121,516,469	24.04	1,052	22.46
3.00 to 3.49	95,255,382	18.85	967	20.64
3.50 to 3.99	58,892,106	11.65	615	13.13
4.00 to 4.49	25,758,857	5.1	317	6.77
4.50 to 4.99	11,512,520	2.28	110	2.35
5.00 >=.....	4,112,774	0.81	53	1.13
Totals	505,396,435	100	4,684	100

The maximum, minimum and weighted average margin over LIBOR of the LIBOR Linked Mortgages as at the Portfolio Reference Date is 6.73%, 0.75% and 2.83%, respectively.

SVR Mortgages

As at the Portfolio Reference Date, approximately 24.76 per cent. of the Aggregate Current Balance in the Portfolio are SVR Mortgages.

Margin Over SVR (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
0.00 to 0.49	445,826,296	97.07	3,417	96.88
0.50 to 0.99	0	0	0	0
1.00 to 1.49	13,468,699	2.93	110	3.12
Total	459,294,995	100	3,527	100

* SVR equal to 5.75% as at the Portfolio Reference Date.

The maximum, minimum and weighted average margin over SVR of the SVR Mortgages as at the Portfolio Reference Date is 1.00%, 0.00% and 0.03 %, respectively.

Tenure

Tenure	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
Absolute Owner	10,340,041	0.56	132	0.84
Feudal	18,958,323	1.02	279	1.78
Freehold	1,472,891,526	79.42	12,169	77.59

Leasehold.....	<u>352,477,235</u>	<u>19</u>	<u>3,104</u>	<u>19.79</u>
Total.....	<u>1,854,667,125</u>	<u>100</u>	<u>15,684</u>	<u>100</u>

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreements

Portfolio

Under the PFL Mortgage Sale Agreement, the MAS4 Mortgage Sale Agreement and the MAS5 Mortgage Sale Agreement on the Closing Date the Issuer will pay the applicable Initial Consideration to each applicable Seller and:

- (a) in the case of the PFL Mortgage Sale Agreement, the MAS4 Mortgage Sale Agreement and the MAS5 Mortgage Sale agreement, the English Loans and the English Mortgages and other Related Security will be assigned to the Issuer; and
- (b) in the case of the PFL Mortgage Sale Agreement:
 - (i) the relevant Seller will hold on trust under the Scottish Declaration of Trust the Scottish Loans, the associated first ranking standard securities and the Related Security for the benefit of the Issuer; and
 - (ii) the Northern Irish Loans, the Northern Irish Mortgages and other Related Security will be assigned by way of equitable assignment to the Issuer,

in each case referred to as the "**sale**" by the relevant Seller to the Issuer of the Loans and Related Security. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**".

The consideration due to the Sellers in respect of the sale of the Portfolio is payable on the Closing Date and is the aggregate of:

- (a) an amount equal to the proceeds of the Notes, *less* amounts required to fund the General Reserve Fund, the Retained Principal Required Amount, the Make-Whole Ledger and the Initial Expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date (such amount to be shared amongst the three Sellers in the proportion that the Current Balance of the Loans contributed by each Seller to the Closing Date Portfolio bears to the Current Balance of all the Loans and Further Advances in the Closing Date Portfolio, determined as at close of business on the Closing Date Portfolio Selection Date) (the "**Initial Consideration**"); and
- (b) an amount of £891,926.43 representing Accrued Interest accrued up to the Closing Date Portfolio Selection Date ("**Accrued Interest Consideration**"), which shall be payable to the relevant Seller after the Closing Date but on or before the first Interest Payment Date;
- (c) the Principal Residual Certificates issued to each Seller representing its right to the cashflows that are paid in item (s) in the Pre-Acceleration Principal Priority of Payments and in item (o) of the Post-Acceleration Priority of Payments; and
- (d) the Revenue Residual Certificates issued to each Seller representing its right to the cashflows that are paid in item (r) in the Revenue Priority of Payments and in item (q) of the Post-Acceleration Priority of Payments.

Any payment payable pursuant to the Residual Certificates will be paid (subject to the relevant Interest Payment Date not falling in a Determination Period) in accordance with the Priorities of Payments set out in the section headed "*Cashflows – Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*" and "*Cashflows – Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer*" below.

Title to the Mortgages, registration and notifications

The completion of the transfer, or, in the case of Scottish Loans and their Related Security, assignment, of the Loans and Related Security (and where appropriate their registration or recording) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security

therefore remains with the relevant Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

The transfers of legal title to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

- (a) the relevant Seller being required (i) by an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the relevant Seller or (iii) by any organisation of which the relevant Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the relevant Seller to comply, to perfect legal title to the Loans and their Related Security;
- (b) it becoming necessary by law to take any or all such actions referred to in (a) above;
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy;
- (d) the relevant Seller or the Co-operative Bank calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee;
- (e) the occurrence of a Seller Insolvency Event in relation to any Seller; or
- (f) the Standard Variable Rate of any Seller is less than Average Three-Month Sterling LIBOR *plus* two per cent. on a Rate Fixing Date and within the 30 days following that Rate Fixing Date, the Seller has not notified the Issuer and Servicer of a decision to increase its SVR to at least Average Three-Month Sterling LIBOR *plus* two per cent.

(each of the events set out in paragraphs (a) to (f) inclusive being a "**Perfection Event**").

If the Mortgage Loans are sold pursuant to the exercise of the Portfolio Option or pursuant to a market sale in accordance with the Liquidation Agent Agreement legal title shall be transferred to the purchaser or its nominee.

A "**Seller Insolvency Event**" will occur in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding up of the relevant Seller; or
- (b) the relevant Seller stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant Seller or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the relevant Seller is unable to pay its debts as they fall due.

The Title Deeds and Loan Files relating to the Portfolio are currently held by or to the order of the relevant Seller. The relevant Seller will undertake that all the Title Deeds 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 Security Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations, but each is relying entirely on the representations and warranties made by the relevant Seller contained in the relevant Mortgage Sale Agreement.

Loan Porting

If a Borrower ports a Loan comprised in the Portfolio prior to the occurrence of a Perfection Event, such Loan will be deemed to be redeemed and the principal element of such amount will be applied as

Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the Interest Payment Date immediately following the Collection Period in which the Loan was ported.

Eligibility Criteria

The sale of Loans and their Related Security to the Issuer will be subject to various conditions (the "**Eligibility Criteria**") being satisfied on the Closing Date, including no Event of Default shall have occurred which is continuing as at the Closing Date.

On the Closing Date, the Representations and Warranties (described below in "*Representations and Warranties*") will be given by the relevant Seller in respect of the Loans and their Related Security sold by the relevant Seller to the Issuer.

PFL, MAS4 and MAS5 no longer permit Product Switches or Further Advances. Neither the Issuer nor the Sellers are obliged to make Further Advances.

Representations and Warranties relating to the Mortgage Sale Agreements

On the Closing Date, the Representations and Warranties (described below under the sub-headings "*PFL Mortgage Sale Agreement*", "*MAS4 Mortgage Sale Agreement*" and "*MAS5 Mortgage Sale Agreement*", as applicable) will be given by the relevant Seller in respect of the Loans and their Related Security sold by the relevant Seller to the Issuer.

PFL Mortgage Sale Agreement

Subject to disclosure in this Prospectus in relation to the Conduct Issues and the Remediation Project, the warranties that will be given to the Issuer and separately to the Security Trustee by PFL pursuant to the PFL Mortgage Sale Agreement include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the PFL Mortgage Sale Agreement) and see also "*Insurance Contracts*" above:

- (a) each Loan was originated by and made by PFL on its own account;
- (b) as of the relevant cut off date, the particulars of the Loans set out in the Mortgage Sale Agreement were complete, true and accurate in all material respects in respect of the data fields described in the Mortgage Sale Agreement other than those marked with an asterisk in the datatape delivered on or prior to the Closing Date by PFL;
- (c) each Loan arose from the ordinary course of PFL's residential secured lending activities in England, Wales, Scotland or Northern Ireland and, in each case, at the time of origination, the Lending Criteria were satisfied;
- (d) each Loan and its Related Security was made on the terms of the standard documentation of PFL without any material variation thereto, or on terms of documentation similar to the standard documentation of PFL that would be acceptable to a Reasonable, Prudent Mortgage Lender, 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 (other than in cases where PFL's prior consent was obtained);
- (e) all of the Borrowers are individuals;
- (f) no Borrower, mortgagor or guarantor is an employee or director of PFL;
- (g) the amount outstanding under each Loan is a valid debt to PFL from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty does not apply in relation to any redemption fees or other charges that may be payable;

- (h) no Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent it is so regulated or partly regulated or treated as such, PFL has complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made thereto;
- (i) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140D of the CCA;
- (j) in relation to any Right to Buy Loan:
 - (i) PFL is an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing (NI) Order 1983 (as amended by the Housing (NI) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (NI) Order 2003) or, in Scotland, a recognised lending institution in terms of the Housing (Scotland) Act 1987;
 - (ii) the original advance or Further Advance was made to a person exercising the right to buy;
 - (iii) either the original advance (and, if relevant, any related Further Advance) was made for the sole purpose of enabling the recipient thereof to purchase or re-mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's (or, in the Northern Ireland, the Northern Ireland Housing Executive) statutory charge or standard security has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge or standard security; and
 - (iv) where the Property comprises an ex-council flat, the minimum property value is £25,000 and the block contains no more than 6 floors;
- (k) there are no outstanding obligations on PFL to make any Further Advances to any Borrower;
- (l) in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy (in relation to any English Loan) or a tenancy that is neither controlled by the Rent (Northern Ireland) Order 1978 nor a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006 (in relation to any Northern Irish Loan) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan);
- (m) in relation to any leasehold Property, in any case where PFL has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, PFL has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;
- (n) no Loan is currently repayable in a currency other than Sterling;
- (o) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was less than £1,100,000;
- (p) all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;
- (q) in the case of each Loan, PFL caused to be made on its behalf a valuation of the relevant Property either by a valuer approved by PFL (being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers for the valuation of a Property) or by an automated valuation model by Hometrack Data Systems Limited in all material respects in accordance with the Lending Criteria;
- (r) PFL has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security;
- (s) all of the Properties are residential and located in England, Wales, Scotland or Northern Ireland;

- (t) prior to making a Loan to a Borrower, PFL either:
 - (i)
 - (A) caused its approved solicitors (being: (A) any firm of solicitors authorised to practise law by the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland having at least two partners; (B) any firms of solicitors authorised to practice law by the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland having a sole principal; (C) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender ("**Approved Solicitors**") or its approved conveyancers (being: (1) any sole principal, partnership or incorporated practice of conveyancers authorised to practise conveyancing by the Council of Licensed Conveyancers; or (2) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender ("**Approved Conveyancers**") to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England, Wales, Scotland or Northern Ireland; and
 - (B) received a certificate of title prepared by Approved Solicitors or Approved Conveyancers (a "**Certificate of Title**") relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender in order to proceed with the Loan; or
 - (ii)
 - (A) arranged for PFL's interest in the Property to be insured under a title insurance policy (being a title insurance policy, in the form of London & European All Inclusive Lenders' Title Policy dated January 2007 together with a certificate of title insurance issued by the insurer to the relevant Seller and the underwriting criteria described as such applicable to a Loan, which is subject to each Title Insurance Policy (the "**Underwriting Criteria**") and any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Mortgages) (a "**Title Insurance Policy**") applicable to such Property and PFL is insured under such policy; and
 - (B) received a restricted certificate of title from Approved Solicitors or Approved Conveyancers relating to such Property relating to the title to the Property in a form approved by the insurer under each Title Insurance Policy ("**a Restricted Certificate of Title**");
- (u) in relation to each English Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (i) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (v) in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and, in relation to a Right to Buy Loan, any standard security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance

which would materially and adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

- (i) the lease cannot be irritated on the bankruptcy or sequestration of the tenant;
 - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (w) in relation to each Northern Irish Mortgage, the Borrower has a good and marketable title to the relevant Property (subject to registration or recording of the title at the Registers of Northern Ireland) free (save for the Northern Irish Mortgage and any subsequent ranking mortgage and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the Northern Ireland Housing Executive which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
- (i) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (x) all steps necessary to perfect PFL's title to each Mortgage were duly taken or are in the process of being taken with all due diligence and PFL is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
- (y) no Loan or Related Security is subject to any right of rescission, set off, lien, counterclaim or defence (including any equivalent or analogous right arising under the laws of Scotland) and there are no outstanding claims by PFL in respect of any material breaches of the terms of any Loan;
- (z) PFL has not waived any of its rights under or in relation to a Loan or Related Security which would materially reduce the value of the Loan;
- (aa) the terms of the Loan Agreement or Related Security relating to each Loan are not "**unfair terms**" within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- (bb) so far as PFL is aware, in relation to each Loan entered into before 31 October 2004, PFL has complied in all material respects with the Mortgage Code issued by the Council of Mortgage Lenders' Code of Practice;
- (cc) so far as PFL is aware, in respect of each Loan entered into before 21 July 2009, PFL has received no complaints that it has not complied with the terms of the Office of Fair Trading's November 1997 Guidelines for Non Status Mortgage Lenders;
- (dd) in relation to each English Mortgage and each Northern Irish Mortgage, every person who, at the date upon which the relevant Mortgage was made, had attained the age of seventeen and who had been notified to PFL as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a deed of consent and in relation to each Scottish Mortgage, all necessary documentation has been obtained so as to ensure that the relevant Property is not subject to any right of occupancy;
- (ee) in relation to each Scottish Mortgage relating to a Loan, all necessary MH/CP Documentation has been obtained so as to ensure that neither the relevant Property nor the relevant Mortgage is subject to any right of occupancy;

- (ff) each Property is insured (from the date of completion of the relevant Loan) (i) under the Third Party Buildings Policies, (ii) with a reputable insurance company approved by PFL, (iii) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England, Wales, Scotland or Northern Ireland, as applicable, advancing money on the security of residential property, and (iv) to an amount not less than the full reinstatement cost as determined by the relevant valuer or automated valuation model (as applicable);
- (gg) save in respect of any new mortgage indemnity insurance policy that PFL may enter into after the date of the PFL Mortgage Sale Agreement, the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as PFL is aware, the relevant policies are valid and enforceable and PFL has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- (hh) as far as PFL is aware, there is no claim outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and PFL is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- (ii) save for title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as applicable) all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by PFL or its agents and the title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as applicable) are held on the basis that any such title deeds shall be returned to PFL or its solicitors or agents;
- (jj) PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the PFL Mortgage Sale Agreement, the Borrower's equity of redemption and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as applicable) of PFL as proprietor or heritable creditor of the relevant Mortgage;
- (kk) PFL has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on PFL's title to any Loan or Related Security;
- (ll) PFL has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- (mm) PFL has at all relevant times held and continues to hold (i) a subsisting licence under the terms of the Consumer Credit Act 1974 and any applicable successor legislation to carry on consumer credit business in England, Wales, Scotland and Northern Ireland and (ii) a registration under the Data Protection Act 1998 or equivalent;
- (nn) all formal approvals, consents and other steps necessary to permit a legal transfer and assignment of the Loans and their related Mortgages and the other Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;
- (oo) PFL has, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of PFL as would be done by a Reasonable, Prudent Mortgage Lender;
- (pp) in respect of each Buy to Let Loan and in substitution for the Loan Warranties set out in (l), (q), (u), (v) and (w):
 - (i) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 or either a tenancy agreement not controlled by the Rent (Northern Ireland) Order 1978 or not a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006 (in relation to any English Loan or Northern Irish Loan) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan) (an "**Assured Shorthold Tenancy**") for a fixed term not more than 12 months or, where the Housing Act 1988, or the Housing (Scotland) Act 1988 do not apply to the tenancy, or the tenancy agreement is controlled by the Rent

(Northern Ireland) Order 1978 or is a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006, a tenancy agreement on terms no less favourable to PFL as would be the case if the tenancy had been an Assured Shorthold Tenancy (an "**Other Tenancy Agreement**" and together with the "**Assured Shorthold Tenancies**", the "**Existing Tenancy Agreements**") and (ii) PFL is not aware of any material breach of such Existing Tenancy Agreements;

- (ii) PFL caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except for a House Plus Loan which is assessed on a Borrower's self certified income) of the relevant Property by a valuer in all material respects in accordance with the Lending Criteria or by an automated valuation model;
- (iii) if the relevant Property is secured by an English Mortgage or Northern Irish Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry (in the case of an English Mortgage) or subject to registration of the title at the Registers of Northern Ireland (in the case of a Northern Irish Mortgage)) free from any encumbrance (except the English Mortgage or the Northern Irish Mortgage (as applicable), any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority or Northern Ireland Housing Executive (as applicable) which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (A) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (C) a copy of the consent or notice has been or will be placed with the title deeds;
- (iv) if the relevant Property is secured by a Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any Standard Security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (A) the lease cannot be irritated on the bankruptcy or sequestration of the tenant;
 - (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (C) a copy of the consent or notice has been or will be placed with the title deeds;
- (v) PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland of PFL as proprietor or registered owner or heritable creditor of the relevant Mortgage;
- (qq) PFL has at all relevant times held and continues to hold authorisation and appropriate permissions from the FCA for conducting all regulated activities specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;
- (rr) PFL has complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loan and Related Security, in particular the

provisions of the FCA Mortgages and Home Finance: Conduct of Business sourcebook as amended from time to time;

- (ss) no Borrower has made any complaint and there is no pending or threatened action or proceeding by an applicant against PFL in respect of the Loans or Related Security;
- (tt) each officer or employee of PFL in any capacity which involves a controlled function (as defined in the rules, guidance and evidential provisions as amended from time to time contained in the FCA Handbook of Rules and Guidance (the "**FCA Rules**")) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "approved person" in accordance with the FCA Rules;
- (uu) PFL has created and maintained all records in respect of the Mortgages in accordance with the FCA Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
- (vv) no Related Security comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of Stamp Act 1891); chargeable securities (within the meaning of section 99 of the Finance Act 1986) or a chargeable interest (within the meaning of section 48 of Finance Act 2003);
- (ww) PFL has not altered in any material respect the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed in any material respect any of the terms and conditions relating to any Loans other than in accordance with the terms and conditions of the letter of offer relating to a Loans as accepted by the applicable Borrower;
- (xx) each Loan sold by PFL to the Issuer pursuant to the PFL Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan, a "**financial asset**" 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); and
- (yy) no Loan is a Flexible Loan.

The representations and warranties are limited by the disclosures given in this prospectus in relation to the Conduct Issues and the Remediation Project. Where a Loan has its principal balance written down as a result of the Conduct Issues, a corresponding amount from the Make-Whole Ledger will be applied as Available Principal Receipts towards redemption of the Notes. The Sellers are under an obligation (which such obligation is guaranteed by the Co-operative Bank) to top-up the Make-Whole Ledger in the event that the amount standing to the credit of the Make-Whole Ledger falls below the Projected Costs. For more information please see "*The Loans – Remediation Project*".

Neither the Security Trustee nor the Arranger have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the warranties referred to above which will be made by PFL to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

For the avoidance of doubt, each reference to a 'Loan' in a Loan Warranty shall where the context requires include any Further Advances made in respect of that Loan on or prior to the Closing Date. References in Loan Warranties to the "FCA" shall be taken to include the Financial Services Authority ("**FSA**") as the context requires.

MAS4 Mortgage Sale Agreement

Subject to disclosure in this Prospectus in relation to the Conduct Issues and the Remediation Project, the warranties that will be given to the Issuer and separately to the Security Trustee by MAS4 pursuant to the MAS4 Mortgage Sale Agreement include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the MAS4 Mortgage Sale Agreement) and see also "*Insurance Contracts*" above:

- (a) each Loan was originated by and made by GMAC-RFC on its own account and each Loan and its Related Security have been sold to MAS4 on arm's length terms, all consideration payable under that agreement has been paid in full and an application for the transfer or assignment of the relevant Mortgage to MAS4 has been delivered to the Land Registry;
- (b) each Loan arose from the ordinary course of GMAC-RFC's residential secured lending activities in England and Wales and, in each case, at the time of origination, the Lending Criteria were materially satisfied;
- (c) each Loan and its Related Security was made on the terms of the standard documentation of GMAC-RFC without any material variation thereto, or on terms of documentation similar to the standard documentation of GMAC-RFC that would be acceptable to a Reasonable, Prudent Mortgage Lender, 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 (other than in cases where GMAC-RFC's or, as the case may be, MAS4's prior written consent was obtained);
- (d) all of the Borrowers are individuals;
- (e) no Borrower, mortgagor or guarantor is or was at any time after the date of his or her Loan an employee or director of MAS4 or GMAC-RFC;
- (f) the amount outstanding under each Loan is a valid debt to MAS4 from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any redemption fees;
- (g) no Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent it is so regulated or partly regulated or treated as such, MAS4 has complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made thereto;
- (h) no agreement for any Unregulated Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 140A to 140D of such Act) or any modification or re enactment thereof;
- (i) there are no outstanding obligations on the Originator to make any Further Advances to any Borrower;
- (j) in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy;
- (k) in relation to any leasehold Property, in any case where MAS4 has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, MAS4 has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;
- (l) no Loan is currently repayable in a currency other than Sterling;
- (m) the original advance being made under each Loan was less than £1,100,000;
- (n) insofar as MAS4 is aware, all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;
- (o) not more than six months prior to making an advance, either a valuation of the relevant Property was undertaken on behalf of GMAC-RFC by a valuer and a valuation report addressed to GMAC-RFC was obtained or an AVM Valuation was carried out and, other than the contents of the valuation report (or AVM Valuation) were such as to be acceptable to an underwriter of GMAC-RFC acting prudently and reasonably;

- (p) MAS4 has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security;
- (q) all of the Properties are residential and located in England and Wales;
- (r) prior to making a Loan to a Borrower, GMAC-RFC either:
 - (i) both of:
 - (A) caused its Approved Solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property in England and Wales; and
 - (B) save in relation to a Certificate of Insurance Loan, GMAC-RFC instructed its solicitors and received, not more than six months prior to making the relevant advance, a Certificate of Title from such solicitors and a signed copy of that Certificate of Title is with the Loan File and the Certificate of Title did not reveal anything as a result of which a Reasonable, Prudent Mortgage Lender would not have proceeded with the relevant Loan on the terms upon which it was made; or
 - (ii) procured that GMAC-RFC's interest in the Property was insured under the London & European Title Insurance Policy;
- (s) in relation to each Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage or in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) which would materially adversely affect such title;
- (t) the whole of each Loan, is secured by a Mortgage (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (u) each Mortgage constitutes a valid and subsisting first charge and/or has first priority (where a second or subsequent mortgage exists) by way of legal mortgage over the relevant Property for the whole amount of the relevant Loan subject only to registration of such Mortgage at the Land Registry and there is nothing to prevent such registration being effected with absolute title in due course (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (v) in relation to any Right to Buy Loan, either the Loan (and Further Advance, if applicable) was made for the sole purpose of enabling the recipient thereof to purchase or re mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's statutory charge has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge;
- (w) no Loan is subject to any right of set off, lien counterclaim or defence and there are no outstanding claims by MAS4 in respect of any material breaches of the terms of any Loan;
- (x) MAS4 has not waived and, so far as MAS4 is aware, GMAC-RFC has not waived any of its rights under or in relation to a Loan, which would materially reduce the value of the Loan;
- (y) in respect of any Mortgage Loan, each of GMAC-RFC and MAS4 has complied in all material respects with the FCA Handbook;
- (z) each officer or employee of GMAC-RFC or MAS4 in any capacity which involves a controlled function (as defined in the FCA Rules) or involves the supervision of any person or persons so

engaged is and was at all relevant times a validly registered "**approved person**" in accordance with the FCA Rules;

- (aa) GMAC-RFC has created and MAS4 has maintained all records in respect of the Loans in accordance with the FCA Rules and any other Regulatory Requirements;
- (bb) no Related Security comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of Stamp Act 1891); chargeable securities (within the meaning of section 99 of the Finance Act 1986) or a chargeable interest (within the meaning of section 48 of Finance Act 2003);
- (cc) neither GMAC-RFC nor MAS4 has altered in any material respect the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed in any material respect any of the terms and conditions relating to any Loan other than in accordance with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower;
- (dd) in relation to each Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to MAS4 or GMAC-RFC as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a Deed of Consent (except in relation to any Buy to Let Loans);
- (ee) each Property is insured (from the date of completion of the relevant Loan):
 - (a) under a Third Party Buildings Policies;
 - (b) with a reputable insurance company approved or not objected to by MAS4 or GMAC-RFC; and
 - (c) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England and Wales as applicable, advancing money on the security of residential property;
- (ff) the Insurance Policies are in full force and effect and, all premiums payable thereon have been paid and, so far as MAS4 is aware, the relevant Insurance Policies are valid and enforceable and MAS4 has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- (gg) as far as MAS4 is aware, there is no claim disputed and outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and MAS4 is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- (hh) save for Title Deeds held at the Land Registry or in relation to a Certificate of Insurance Loan to the Title Deeds held or being dealt with by Approved Solicitors acting on behalf of GMAC-RFC, all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by (i) MAS4 or its agents or (ii) GMAC-RFC's agents or solicitors to the order of MAS4 and the Title Deeds held at the Land Registry are held on the basis that any such Title Deeds shall be returned to MAS4 or its solicitors or agents;
- (ii) MAS4 has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the MAS4 Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at Land Registry of MAS4 as proprietor of the relevant Mortgage;
- (jj) MAS4 has not and, so far as MAS4 is aware, GMAC-RFC has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on MAS4's title to any Loan or Related Security;
- (kk) MAS4 has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;

- (ll) each of MAS4 and GMAC-RFC have at all relevant times held (i) a subsisting licence under the terms of the Consumer Credit Act 1974 and any applicable successor legislation to carry on consumer credit business in England and Wales and (ii) registration under the Data Protection Act 1998 or equivalent;
- (mm) each intermediary that introduced a customer to GMAC-RFC for the purposes of GMAC-RFC entering into a Loan with that customer was authorised by the FSA at the time of introduction;
- (nn) from and including 31 October 2004:
 - (i) each of MAS4 and GMAC-RFC has been, and continues to be, authorised by and hold appropriate permissions from the FCA to conduct all applicable Regulated Mortgage Activities in respect of the Loans; and
 - (ii) each of MAS4 and GMAC-RFC has complied with the provisions of MCOB where applicable in respect of all Loans;
- (oo) so far as MAS4 is aware, each intermediary that introduced a Loan to GMAC-RFC on or after 31 October 2004 was authorised by the FSA; and
- (pp) each of MAS4 and GMAC-RFC have, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of MAS4;
- (qq) each Loan sold by MAS4 to the Issuer pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan, a "**financial asset**" 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);
- (rr) MAS4 is authorised by, holds appropriate permissions from the FCA to conduct all Regulated Mortgage Activities and has complied with the provisions of MCOB in respect of each Further Advance.
- (ss) no Borrower, Mortgagor or Guarantor in respect of a Further Advance is an employee of MAS4.
- (tt) in respect of each Buy to Let Loan and in substitution for the Loan Warranties set out in (j) and (o) above:
 - (i) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 (an "**Assured Shorthold Tenancy**") for a fixed term not more than 12 months or, where the Housing Act 1988 does not apply to the tenancy, a tenancy agreement on terms no less favourable to MAS4 as would be the case if the tenancy had been an Assured Shorthold Tenancy (an "**Other Tenancy Agreement**" and together with the Assured Shorthold Tenancies, the "**Existing Tenancy Agreements**") and (ii) MAS4 is not aware of any material breach of such Existing Tenancy Agreements;
 - (ii) GMAC-RFC caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except in the case of a House Plus Loan which is assessed on a Borrowers' self certified income) of the relevant Property by a valuer in all material respects in accordance with the Lending Criteria; if the relevant Property is secured by a Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry, any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (A) the lease cannot be forfeited on the bankruptcy of the tenant;

- (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
- (C) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (uu) MAS4 has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the MAS4 Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry of MAS4 as proprietor or registered owner of the relevant Mortgage; and
- (vv) no Loan is a Flexible Loan.

The representations and warranties are limited by the disclosures given in this prospectus in relation to the Conduct Issues and the Remediation Project. Where a Loan has its principal balance written down as a result of the Conduct Issues, a corresponding amount from the Make-Whole Ledger will be applied as Available Principal Receipts towards redemption of the Notes. The Sellers are under an obligation (which such obligation is guaranteed by the Co-operative Bank) to top-up the Make-Whole Ledger in the event that the amount standing to the credit of the Make-Whole Ledger falls below the Projected Costs. For more information please see "*The Loans – Remediation Project*".

For the avoidance of doubt, each reference to a 'Loan' in a Loan Warranty shall where the context requires include any Further Advances made in respect of that Loan on or prior to the Closing Date. References in Loan Warranties to the "FCA" shall be taken to include the Financial Services Authority as the context requires.

MAS5 Mortgage Sale Agreement

Subject to disclosure in this Prospectus in relation to the Conduct Issues and the Remediation Project, the warranties that will be given to the Issuer and separately to the Security Trustee by MAS5 pursuant to the MAS5 Mortgage Sale Agreement include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the MAS5 Mortgage Sale Agreement) and see also "*Insurance Contracts*" above:

- (a) each Loan was originated by and made by GMAC-RFC on its own account and each Loan and its Related Security have been sold to MAS5 on arm's length terms, all consideration payable under that agreement has been paid in full and an application for the transfer or assignment of the relevant Mortgage to MAS5 has been delivered to the Land Registry;
- (b) each Loan arose from the ordinary course of GMAC-RFC's residential secured lending activities in England and Wales and, in each case, at the time of origination, the Lending Criteria were materially satisfied;
- (c) each Loan and its Related Security was made on the terms of the standard documentation of GMAC-RFC without any material variation thereto, or on terms of documentation similar to the standard documentation of GMAC-RFC that would be acceptable to a Reasonable, Prudent Mortgage Lender, 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 (other than in cases where GMAC-RFC's, or, as the case may be, MAS5's prior written consent was obtained);
- (d) all of the Borrowers are individuals;
- (e) no Borrower, mortgagor or guarantor is or was at any time after the date of his or her Loan an employee or director of MAS5 or GMAC;
- (f) the amount outstanding under each Loan is a valid debt to MAS5 from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any redemption fees;

- (g) no Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent it is so regulated or partly regulated or treated as such, MAS5 has complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made thereto;
- (h) no agreement for any Unregulated Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 140A to 140D of such Act) or any modification or re enactment thereof;
- (i) there are no outstanding obligations on the Originator to make any Further Advances to any Borrower;
- (j) in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy;
- (k) in relation to any leasehold Property, in any case where MAS5 has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, MAS5 has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;
- (l) no Loan is currently repayable in a currency other than Sterling;
- (m) the original advance being made under each Loan was less than £1,100,000;
- (n) insofar as MAS5 is aware, all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;
- (o) not more than six months prior to making an advance, either a valuation of the relevant Property was undertaken on behalf of GMAC-RFC by a valuer and a valuation report addressed to GMAC-RFC was obtained or an AVM Valuation was carried out and, other than the contents of the valuation report (or AVM Valuation) were such as to be acceptable to an underwriter of GMAC-RFC acting prudently and reasonably;
- (p) MAS5 has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security;
- (q) all of the Properties are residential and located in England and Wales;
- (r) prior to making a Loan to a Borrower, GMAC-RFC either:
 - (i) both of:
 - (A) caused its Approved Solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property in England and Wales; and
 - (B) save in relation to a Certificate of Insurance Loan, GMAC-RFC instructed its solicitors and received, not more than six months prior to making the relevant advance, a Certificate of Title from such solicitors and a signed copy of that Certificate of Title is with the Loan File and the Certificate of Title did not reveal anything as a result of which a Reasonable, Prudent Mortgage Lender would not have proceeded with the relevant Loan on the terms upon which it was made; or
 - (ii) procured that GMAC-RFC's interest in the Property was insured under the London & European Title Insurance Policy;
- (s) in relation to each Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage or in relation to a Right to Buy Loan, any charge

or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) which would materially adversely affect such title;

- (t) the whole of each Loan, is secured by a Mortgage (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (u) each Mortgage constitutes a valid and subsisting first charge and/or has first priority (where a second or subsequent mortgage exists) by way of legal mortgage over the relevant Property for the whole amount of the relevant Loan subject only to registration of such Mortgage at the Land Registry and there is nothing to prevent such registration being effected with absolute title in due course (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (v) in relation to any Right to Buy Loan, either the Loan (and Further Advance, if applicable) was made for the sole purpose of enabling the recipient thereof to purchase or re mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's statutory charge has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge;
- (w) no Loan is subject to any right of set off, lien counterclaim or defence and there are no outstanding claims by MAS5 in respect of any material breaches of the terms of any Loan;
- (x) MAS5 has not waived and, so far as MAS5 is aware, GMAC-RFC has not waived any of its rights under or in relation to a Loan, which would materially reduce the value of the Loan;
- (y) in respect of any Mortgage Loan, each of GMAC-RFC and MAS5 has complied in all material respects with the FCA Handbook;
- (z) each officer or employee of GMAC-RFC or MAS5 in any capacity which involves a controlled function (as defined in the FCA Rules) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "**approved person**" in accordance with the FCA Rules;
- (aa) GMAC-RFC has created and MAS5 has maintained all records in respect of the Loans in accordance with the FCA Rules and any other Regulatory Requirements;
- (bb) no Related Security comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of Stamp Act 1891); chargeable securities (within the meaning of section 99 of the Finance Act 1986) or a chargeable interest (within the meaning of section 48 of Finance Act 2003);
- (cc) neither GMAC-RFC nor MAS5 has altered in any material respect the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed in any material respect any of the terms and conditions relating to any Loan other than in accordance with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower;
- (dd) in relation to each Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to MAS5 or GMAC-RFC as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a Deed of Consent (except in relation to any Buy to Let Loans);
- (ee) each Property is insured (from the date of completion of the relevant Loan):
 - (a) under a Third Party Buildings Policies;
 - (b) with a reputable insurance company approved or not objected to by MAS5 or GMAC-RFC; and
 - (c) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England and Wales as applicable, advancing money on the security of residential property;

- (ff) the Insurance Policies are in full force and effect and, all premiums payable thereon have been paid and, so far as MAS5 is aware, the relevant Insurance Policies are valid and enforceable and MAS5 has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- (gg) as far as MAS5 is aware, there is no claim disputed and outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and MAS5 is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- (hh) save for Title Deeds held at Land Registry or in relation to a Certificate of Insurance Loan to the Title Deeds held or being dealt with by Approved Solicitors acting on behalf of GMAC-RFC, all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by (i) MAS5 or its agents or (ii) GMAC-RFC's agents or solicitors to the order of MAS5 and the Title Deeds held at the Land Registry are held on the basis that any such Title Deeds shall be returned to MAS5 or its solicitors or agents;
- (ii) MAS5 has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the MAS5 Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at Land Registry of MAS5 as proprietor of the relevant Mortgage;
- (jj) MAS5 has not and, so far as MAS5 is aware, GMAC-RFC has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on MAS5's title to any Loan or Related Security;
- (kk) MAS5 has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- (ll) each of MAS5 and GMAC-RFC have at all relevant times held (i) a subsisting licence under the terms of the Consumer Credit Act 1974 and any applicable successor legislation to carry on consumer credit business in England and Wales and (ii) registration under the Data Protection Act 1998 or equivalent;
- (mm) each intermediary that introduced a customer to GMAC-RFC for the purposes of GMAC-RFC entering into a Loan with that customer was authorised by the FSA at the time of introduction;
- (nn) from and including 31 October 2004:
 - (i) each of MAS5 and GMAC-RFC has been, and continues to be, authorised by and hold appropriate permissions from the FCA to conduct all applicable Regulated Mortgage Activities in respect of the Loans; and
 - (ii) each of MAS5 and GMAC-RFC has complied with the provisions of MCOB where applicable in respect of all Loans;
- (oo) so far as MAS5 is aware, each intermediary that introduced a Loan to GMAC-RFC on or after 31 October 2004 was authorised by the FSA;
- (pp) each of MAS5 and GMAC-RFC have, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of MAS5 as would be done by a Reasonable, Prudent Mortgage Lender;
- (qq) each Loan sold by MAS5 to the Issuer pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan, a "**financial asset**" 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);

- (rr) MAS5 is authorised by, holds appropriate permissions from the FSA to conduct all Regulated Mortgage Activities and has complied with the provisions of MCOB in respect of each Further Advance.
- (ss) no Borrower, Mortgagor or Guarantor in respect of a Further Advance is an employee of MAS5.
- (tt) in respect of each Buy to Let Loan and in substitution for the Loan Warranties set out in (j) and (o) above:
 - (i) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 (an "**Assured Shorthold Tenancy**") for a fixed term not more than 12 months or, where the Housing Act 1988 does not apply to the tenancy, a tenancy agreement on terms no less favourable to MAS5 as would be the case if the tenancy had been an Assured Shorthold Tenancy (an "**Other Tenancy Agreement**" and together with the Assured Shorthold Tenancies, the "**Existing Tenancy Agreements**") and (ii) MAS5 is not aware of any material breach of such Existing Tenancy Agreements;
 - (ii) GMAC-RFC caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except in the case of a House Plus Loan which is assessed on a Borrowers' self certified income) of the relevant Property by a valuer in all material respects in accordance with the Lending Criteria; if the relevant Property is secured by a Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry, any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (A) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (C) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (uu) MAS5 has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the MAS5 Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry of MAS5 as proprietor or registered owner of the relevant Mortgage; and
- (vv) no Loan is a Flexible Loan.

The representations and warranties are limited by the disclosures given in this prospectus in relation to the Conduct Issues and the Remediation Project. Where a Loan has its principal balance written down as a result of the Conduct Issues, a corresponding amount from the Make-Whole Ledger will be applied as Available Principal Receipts towards redemption of the Notes. The Sellers are under an obligation (which such obligation is guaranteed by the Co-operative Bank) to top-up the Make-Whole Ledger in the event that the amount standing to the credit of the Make-Whole Ledger falls below the Projected Costs. For more information please see "*The Loans – Remediation Project*".

For the avoidance of doubt, each reference to a 'Loan' in a Loan Warranty shall, where the context requires, include any Further Advances made in respect of that Loan on or prior to the Closing Date. References in Loan Warranties to the "FCA" shall be taken to include the Financial Services Authority as the context requires.

"**Flexible Loans**" means loans where the Borrower has exercisable redraw rights under the relevant loan.

"Loan Warranty" means the warranties as described in the PFL Mortgage Sale Agreement, the MAS4 Mortgage Sale Agreement and the MAS5 Mortgage Sale Agreement, as applicable.

"MH/CP Documentation" means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or property secured thereby;

"Mortgage Conditions" means all the terms and conditions applicable to a Loan, including without limitation those set out in the relevant Seller's relevant mortgage conditions booklet and the relevant Seller's relevant general conditions, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

"Regulated Mortgage Activity" means each and any of the activities falling within articles 25A, 53A, 61 and 64 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

"Regulatory Requirements" means any applicable requirement of law or of any person who has regulatory authority which has the force of law;

"Underpayments or Payment Holidays" means any underpayment and payment holiday feature of a product where the borrower who is not in arrears can apply to defer one or more monthly payments or apply to underpay.

Capital Costs, Further Advances and Product Switches

Capital Costs will (where applicable in accordance with the terms and conditions of the Loans) be added to the balance of the relevant Loan and will be funded out of the Retained Principal Receipts Ledger.

The Issuer no longer permits Further Advances or Product Switches.

"Capital Costs" means any costs relating to any works required to protect the security of the Issuer over the property where the relevant Borrower has not been able to remedy any damage caused to such property (for example as a result of the Borrower not being able to claim under its insurance policy) and where such costs can be capitalised in accordance with the terms and conditions of the Mortgage Loan.

As used in this Prospectus, **"Initial Advance"** means all amounts advanced by the relevant Seller to a Borrower under a Loan other than a Further Advance.

"Further Advance" means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, 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.

"Product Switch" means any variation in the financial terms and conditions applicable to a Loan other than any variation:

- (a) agreed with a Borrower to control or manage arrears on the Loan;
- (b) from interest-only to repayment or part-repayment to control or manage repayment of capital shortfalls;
- (c) in the maturity date of the Loan unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes; or
- (d) imposed by statute.

Repurchase by the Seller

If a Loan or its Related Security does not comply with the Loan Warranties, such non-compliance causes a material adverse effect on the value of that Loan (as determined by the Servicer in accordance with the Servicing Agreement), and if the default (if capable of remedy) cannot be or is not cured within 90 Business Days of the relevant Seller receiving notice of such non compliance, then the relevant Seller will, upon receipt of notice from the Issuer, be required to repurchase the relevant Loan and its Related Security (and any other Loans secured or intended to be secured by that Related Security or any part of it)

from the Issuer in accordance with the relevant Mortgage Sale Agreement. The repurchase price shall be the Current Balance of the relevant loan *plus* any Accrued Interest on the Monthly Pool Date immediately following a determination by the relevant Seller that such breach or breaches cannot be remedied or failure by the relevant Seller to remedy such breach or breaches.

The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Sellers under the Mortgage Sale Agreements. If a Seller is required to repurchase a Loan pursuant to the terms of the relevant Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan at a repurchase price equal to its Current Balance *plus* any Accrued Interest.

"**Business Day**" means a day other than a Saturday or Sunday on which banks are open for business in London.

"**Calculation Date**" means the 8th of March, June, September and December or if such day is not a Business Day, the next following Business Day.

"**Collection Period**" means the quarterly period commencing on and including the Collection Period Start Date and ending on and including the last calendar day before the immediately following Collection Period Start Date except that the first Collection Period will commence on 2 September 2015 and end on 30 November 2015.

"**Collection Period Start Date**" means the 1st of March, June, September and December except that the first Collection Period Start Date will be 2 September 2015 and the second Collection Period Start Date will be 1 December 2015.

"**Collection Period End Date**" means the last day of February, May, August and November in each calendar year.

The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the 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 (including, for the avoidance of doubt, Capital Costs and any costs or fees incurred in connection with the recovery of that Loan) which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent 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, Arrears of Interest and any costs or fees incurred in connection with the recovery of that Loan) 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 but which is secured or intended to be secured by the related Mortgage (but excluding any Accrued Interest),

as at the end of the Business Day immediately preceding that given date less any repayment or payment 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.

"**Insolvency Event**" means, in respect of the Issuer, the Co-operative Bank, the Servicer, the Corporate Services Provider, the Liquidation Agent, the Back-Up Servicer, any Agent or the Cash Manager (each, for the purposes of this definition, a "**Relevant Entity**"):

- (a) an order is made or an effective resolution passed for the winding up of the Relevant Entity; or
- (b) the Relevant Entity ceases or threatens to cease to carry on the whole of its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act or becomes unable to pay its

debts as they fall due or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or

- (c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or the substantial part of the undertaking or assets of the Relevant Entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 15 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness.

"Loan Files" means the file or files relating to each Loan (including files kept in microfiche form or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing *inter alia* correspondence between the relevant Borrower and the relevant Seller and including mortgage documentation applicable to the Loan, each letter of offer for that Loan, a valuation report (if applicable) and, to that extent available, the solicitor's, licensed or qualified conveyancer's certificate of title.

"Monthly Period" means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on 2 September 2015 and end on the last calendar day of September 2015.

"Monthly Period End Date" means the last day of the calendar month.

"Monthly Pool Date" means (a) the first day of the calendar month immediately following each Monthly Period End Date; or (b) where such day is not a Business Day, the following Business Day.

"Mortgage" means in respect of any English Loan each first fixed charge by way of legal mortgage, or in respect of any Northern Irish Loan each legal charge or legal mortgage, or in respect of any Scottish Loan each first ranking standard security which is, or is to be held in trust, sold, assigned or transferred by the relevant Seller to the Issuer pursuant to the relevant Mortgage Sale Agreement which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

"Property" means a freehold, heritable, leasehold or commonhold property which is subject to a Mortgage.

"Reasonable, Prudent Mortgage Lender" means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Scotland and Northern Ireland of the type contemplated in the relevant Lending Criteria on terms similar to those set out in the relevant Lending Criteria.

"Related Security" means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the relevant Mortgage Sale Agreement.

"Right to Buy Loan" means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under section 156 of the Housing Act 1985 excluding however such Loans in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired (in the case of English Mortgages) or a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under section 61 of the Housing (Scotland) Act 1987 (as amended) (in the case of Scottish Mortgages) excluding however any such Loans in respect of which the period during which the standard security in favour of the seller of the Property referred to in section 72

of the Housing (Scotland) Act 1987 is of effect has expired or (c) under the relevant provisions of the Housing (NI) Order 1983 (as amended by the Housing (NI) Order 1986, the Housing (NI) Order 1992 and the Housing (NI) Order 2003) excluding however such loan in respect of which the charge in favour of the Northern Ireland Housing Executive has expired.

"Scottish Mortgage" means a first ranking standard security over a Property located in Scotland.

"Seller Standard Variable Rate" means the relevant standard variable rate set by the relevant Seller in relation to applicable Standard Variable Rate Mortgages beneficially owned by that Seller on such Seller's residential mortgage book.

"Standard Variable Rates" or **"SVR"** means the Seller Standard Variable Rates and the Issuer Standard Variable Rates, as the context may require.

"Title Deeds" means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds, certificates and all other documents which relate to 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.

Transfer of obligations

Pursuant to the terms of the Mortgage Sale Agreements, the relevant Sellers may assign, transfer or novate any of their rights, obligations and liabilities (other than any obligations relating to retentions of 5 per cent. of the nominal value of the securitised exposures, except to the extent such obligation is capable of being transferred or novated in accordance with the applicable legislation and regulation and would not cause the transaction to cease to be compliant with the risk retention requirements under Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Delegated Act) to the Co-op or one of its subsidiaries. In that event, the obligations, liabilities and rights of the relevant Seller will become the obligations, liabilities and rights of the entity acquiring them. The guarantee provided by the Co-operative Bank in relation to repurchase described above will continue to apply in respect of any such transferee.

Governing Law

The relevant Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law (other than, in respect of the PFL Mortgage Sale Agreement, certain aspects relating to the Scottish Loans and their Related Security which are governed by Scots law, and certain aspects relating to the Northern Irish Loans and their Related Security which are governed by Northern Irish law).

Servicing Agreement

Introduction

The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Security Trustee, the Sellers, the Back-Up Servicer, the Back-Up Servicer Facilitator, the Cash Manager and the Servicer.

On or about the Closing Date, the Servicer will be appointed by the Issuer. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof including sub-delegation to any Seller or to the Co-operative Bank of the servicing of certain Loans where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

Powers

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

- (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 servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer has undertaken, among other things, to:

- (a) service the Loans and their Related Security sold by each Seller to the Issuer as if the same had not been sold to the Issuer but had remained with the relevant Seller in accordance with the relevant Seller's servicing, arrears and enforcement policies and procedures forming part of the relevant Seller's policy from time to time as they apply to those Loans (in each case the "**Seller's Policy**" and together the "**Sellers' Policies**");
- (b) calculate on each Business Day, based upon balances obtained from the Collection Account Bank, amounts of cleared funds available to be transferred to the Relevant Deposit Account and on the same Business Day to instruct the Collection Account Bank to make transfers of such amounts to the Relevant Deposit Account;
- (c) deliver to the Issuer, Sellers and Security Trustee and/or the Rating Agencies a report in a prescribed form in order meet the Bank of England's Discount Window Facility requirements for residential mortgage backed securities;
- (d) deliver certain reports to the Cash Manager and (upon request) any Seller;
- (e) assess and service any Capitalisation in accordance with the Capitalisation Policy as it applies to the relevant Loans from time to time;
- (f) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;
- (g) comply with any proper directions, orders and instructions which the Issuer may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (h) maintain all approvals, authorisations, permissions, consents and licences required in order properly to service the Loans and their Related Security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act 1998 and any authorisation and permissions under the FSMA;
- (i) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services;
- (j) 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 by law;
- (k) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents save in accordance with their terms;

- (l) as soon as reasonably practicable upon becoming aware of any event which may reasonably give rise to an obligation of the relevant Seller to repurchase any Loan sold by the relevant Seller to the Issuer pursuant to the relevant Mortgage Sale Agreement, notify the Issuer in writing of such event;
- (m) deliver to the Issuer, the Back-Up Servicer Facilitator and the Security Trustee as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same; and
- (n) take all steps as it may consider necessary or as it may be directed to take towards execution of the Remediation Project and promptly provide the Cash Manager with loan-level reports on each claim and payment made under the Remediation Project;
- (o) provide to the Cash Manager reports (as described more fully in the Servicing Agreement) and such other related data or information as the Cash Manager may request; and
- (p) comply with the Sellers' Policies.

Setting of Interest Rates on the Loans

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, the standard variable rate applicable to Loans in the Portfolio (the "**Issuer Standard Variable Rate**") and any other discretionary rates or margins applicable in relation to the Loans comprising the Portfolio from time to time. Prior to the occurrence of a Perfection Event, the Servicer will set the Issuer Standard Variable Rate applicable to any Loans with a Standard Variable Rate in the Portfolio at the same level as the standard variable rate which applies to similar Loans beneficially owned by the various Sellers outside the Portfolio.

If, on any Rate Fixing Date, the Seller Standard Variable Rate is less than Average Three-Month Sterling LIBOR *plus* two per cent., then after 30 days from that Rate Fixing Date (the "**Issuer SVR Resetting Trigger Date**"), the Servicer is required to set the Issuer Standard Variable Rate at Average Three-Month Sterling LIBOR *plus* two per cent., subject to an appropriate notice to the Borrowers. Further, on the Issuer SVR Resetting Trigger Date, the Servicer shall only if the Sellers have not notified the Issuer and Servicer of a decision to increase its SVR to a rate at least equal to Average Three-Month Sterling LIBOR *plus* two per cent. as at the preceding Rate Fixing Date, initiate the process to perfect legal title to the Mortgage Loans. The new Issuer Standard Variable Rate in relation to each Mortgage Loan will take effect from the payment date from which such rate is permitted to be applied to the relevant Borrower in compliance with the Mortgage Conditions and applicable law.

Following the occurrence of a Perfection Event in relation to a Seller, the Servicer shall set the Issuer Standard Variable Rate (including publishing any notice which is required in accordance with the Mortgage Conditions to effect such change in the Issuer Standard Variable Rate) quarterly on the relevant Rate Fixing Date at a rate equal to the higher of: (i) three-month Sterling LIBOR (as at that Rate Fixing Date) *plus* the SVR LIBOR Margin; and (ii) three-month Sterling LIBOR (as at that Rate Fixing Date) *plus* two per cent.

"**Average Three-Month Sterling LIBOR**" means, on a Rate Fixing Date, the average rate for Three-Month Sterling LIBOR, calculated on the basis of the number of days for which Three-Month Sterling LIBOR is available in the 30 day period immediately preceding that Rate Fixing Date.

"**Rate Fixing Dates**" means the first Business Day of March, June, September and December.

"**SVR LIBOR Margin**" means, following a Perfection Event, the difference between (i) the Standard Variable Rate of the Seller, and (ii) three-month Sterling LIBOR, both as at the date immediately preceding the date on which the Perfection Event occurs.

Compensation of the Servicer

The Servicer receives a fee for servicing the Loans and their Related Security. The Issuer pays to the Servicer a servicing fee (exclusive of any applicable VAT):

- (a) in relation to each Collection Period, a fee calculated on the basis of the number of days elapsed (for which the Servicer was performing the Services) in a 365 day year (or 366 day year in a leap year) at the rate of 0.0875 per cent. per annum on the aggregate Current Balance of all Loans comprising the Portfolio as at the close of business on the last calendar day of each Collection Period;
- (b) £50 per Loan which is in Arrears per month, charged once per Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period; and
- (c) £100 per Loan which has been repaid in full during a Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period in which such repayment occurred.

The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the applicable Priority of Payments.

Removal or Resignation of the Servicer

The Issuer (subject to the prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement (and give notice (the "**Back-Up Servicer Notice**") to the Back-up Servicer that it is to commence its duties under the Back-Up Servicing Agreement and the Replacement Servicing Agreement within 60 calendar days (the "**Back-Up Servicer Succession Date**") if any of the following events (each a "**Servicer Termination Event**") occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notes) the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document to which it is a party, which (i) in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee, is materially prejudicial to their interests, 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, the Sellers or (following the service of a Note Acceleration Notice) the Security 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 thirty Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may in its reasonable discretion specify to remedy such default or to indemnify and/or secure and/or pre-fund the Issuer and/or the Security Trustee to its satisfaction (as applicable) against the consequences of such default; or
- an Insolvency Event occurs in relation to the Servicer.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) **provided that** either (i) the Back-up Servicer is appointed as substitute servicer, on the terms set out in the Back-Up Servicing Agreement; or (ii) a substitute servicer qualified to act as such under the FSMA and with a management team with

experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on (i) the then current ratings of the Notes issued by the Issuer not being withdrawn, qualified or downgraded as a result of such termination, unless the termination is otherwise agreed by an Extraordinary Resolution of the holders of the Notes. Following resignation, the substitute servicer shall assume and perform all the duties and obligations of the Servicer on substantially the same terms as the Servicing Agreement

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the Title Deeds and Loan Files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Issuer. The Servicing Agreement will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

If a Servicer Termination Event occurs, then the Issuer will use reasonable endeavours (with the assistance of the Back-Up Servicer Facilitator) to appoint the Back-Up Servicer or another back-up servicer with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require and enter, within 60 days, into a back-up servicing agreement.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

Liability of the Servicer

The Servicer will indemnify each Seller and the Issuer for any reasonably foreseeable Liability suffered or incurred by a Seller and/or the Issuer in respect of any breach on the part of the Servicer (or any of its subcontractors or delegates) of its duties in carrying out its functions as Servicer under the Servicing Agreement or the other Transaction Documents (including, for the avoidance of doubt, a breach by the Servicer or its subcontractor or delegate in respect of any legal, regulatory or governmental requirements that brings about a Liability to be suffered or incurred by a Seller and/or the Issuer).

"**Liability**" means, in respect of any person, any loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability including, but without limitation, legal costs and expenses properly incurred (including, in each case, Irrecoverable VAT in respect thereof).

"**Irrecoverable VAT**" means any amount in respect of VAT incurred by a party to the Transaction Documents (for the purposes of this definition, a "**Relevant Party**") as part of a payment in respect of which it is entitled to be reimbursed or indemnified under the relevant Transaction Documents to the extent that the Relevant Party does not or will not receive and retain a credit or repayment of such VAT as input tax (as that expression is defined in section 24(1) of the Value Added Tax Act 1994).

Back-Up Servicer and Back-Up Servicer Facilitator

The Issuer covenants that it shall use reasonable efforts to at all times (with the assistance of the Back-Up Servicer Facilitator) maintain a back-up servicing agreement with a third party.

Governing Law

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

The Back-Up Servicing Agreement

On or prior to the Closing Date, the Issuer will enter into the Back-up Servicing Agreement with, *inter alios*, the Back-up Servicer and the Security Trustee.

The Back-up Servicing Agreement provides for the Back-up Servicer to undertake the servicing services 60 calendar days from the date of the termination of the Servicer in accordance with the Replacement Servicing Agreement. An invocation fee of £200,000 (exclusive of any applicable VAT) is payable to the Back-Up Servicer on the Interest Payment Date immediately following delivery of a Back-Up Servicer Notice, in advance of such undertaking of servicing services.

Under the terms of the Replacement Servicing Agreement, the liability of the Back-Up Servicer is limited to £500,000 in aggregate per calendar year (prior to invocation) or £2,500,000 in aggregate per calendar year (following invocation) and in each case shall not include any claim for any increased costs and expenses, loss of profits, business contracts, revenues or anticipated savings, or any special, indirect or consequential damage whatsoever for which liability is hereby excluded.

The Back-up Servicing Agreement and any non-contractual obligations arising out of or in respect of it will be governed by English law.

Deed of Charge

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the "**Security**") as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Subscription Agreement, the Trust Deed, the Deed of Charge and the Scottish Declaration of Trust);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans and the Mortgages and their other Related Security and other related rights comprised in the Portfolio (other than in respect of the Scottish Loans);
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignment in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the relevant Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust) (the "**Scottish Supplemental Charge**")
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and any sums standing to the credit thereof; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of fixed charges or fixed security as aforesaid).

"**Issuer Power of Attorney**" means each of the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge on the Closing Date and the power of attorney granted by the Issuer in favour of the Servicer under the Servicing Agreement on the Closing Date, and "**Issuer Powers of Attorney**" shall be construed accordingly.

"**Secured Creditors**" means the Security Trustee, the Note Trustee, any Receiver, any Appointee of the Note Trustee or the Security Trustee, the Noteholders, the Certificateholders, the Sellers, the Servicer, the Back-Up Servicer, the Cash Manager, the Citi Account Bank, the BNPP Account Bank, the Back-Up Servicer Facilitator, the Replacement Cash Manager Facilitator, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank, the Liquidation Agent and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

"**Secured Obligations**" means any and all of the monies and liabilities which the Issuer covenants to pay or discharge under the Deed of Charge and all other amounts owed by it to the Secured Creditors under and pursuant to the Transaction Documents.

"**Seller Power of Attorney**" means each power of attorney granted by a Seller in favour of the Issuer and the Security Trustee under the relevant Mortgage Sale Agreement on the Closing Date, and each power of attorney granted by a Seller in favour of the Servicer under the Servicing Agreement on the Closing Date, and "**Seller Powers of Attorney**" shall be construed accordingly.

"**Transaction Documents**" means the Servicing Agreement, the Back-Up Servicing Agreement, the Replacement Servicing Agreement, the Agency Agreement, the Citi Bank Account Agreement, the BNPP Bank Account Agreement, the Cash Management Agreement, the Liquidation Agent Agreement, the Corporate Services Agreement, the Subscription Agreement, the Deed of Charge (including each Scottish Supplemental Charge, any Scottish Sub-Security and any other documents entered into pursuant to the Deed of Charge), the Collection Account Declaration of Trust, the Share Trust Deed, the Issuer Powers of Attorney, the Master Definitions and Construction Schedule, any Mortgage Sale Agreement (including each Scottish Declaration of Trust, any Scottish Transfer and any other documents entered into pursuant to any Mortgage Sale Agreement), the Seller Powers of Attorney, the Trust Deed, the Deed Poll, the Conditions, the Residual Certificates Conditions and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

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

Pre-Acceleration Priorities of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (*Events of Default*) declaring the Residual Certificates to be immediately due and payable the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Deposit Accounts as described in "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*", "*Application of amounts standing to the credit of the General Reserve Fund Prior to the Service of a Note Acceleration Notice on the Issuer*", "*Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Application of amounts standing to the credit of the General Reserve Fund Prior to the Service of a Note Acceleration Notice on the Issuer*" below.

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (*Events of Default*) declaring that any Residual Payments pursuant to the Residual Certificates are immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (*Events of Default*) declaring that any Residual Payments pursuant to the Residual Certificates are immediately due and payable, **provided that**, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes and/or the Residual Certificates, the Security Trustee will not be entitled to dispose of the assets comprised in the

Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of the relevant Priority of Payments) or, once all of the Noteholders have been repaid, to the Certificateholders (and all persons ranking in priority thereto) or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of the relevant Priority of Payments) or, once all of the Noteholders have been repaid, to the Certificateholders (and all persons ranking in priority thereto), which opinion shall be binding on the Secured Creditors and reached after considering at anytime and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law and aspects relating to Scottish Loans and their Related Security (including the Scottish Supplemental Charge entered into pursuant thereto) will be governed by Scots law and aspects relating to Northern Irish loans and their Related Security will be governed by Northern Irish law.

Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions, the Residual Certificates Conditions, the forms of the Notes and the Residual Certificates are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes and the Residual Certificates on trust for the Noteholders and the Certificateholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

Retirement of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The holders of the Most Senior Class of Notes outstanding (or, if no Notes remain outstanding, the Most Senior Class of Certificateholders) may by Extraordinary Resolution remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trustee (being a Trust Corporation) in office after such retirement or being removed by Extraordinary Resolution. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed.

"**Trust Corporation**" means a corporation entitled by rules made under the Public Trustee Act 1906 to carry out the functions of a custodian trustee.

Governing Law

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

Agency Agreement

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Registrar and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

Governing Law

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

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, the Sellers, the Replacement Cash Manager Facilitator and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Deposit Accounts. In addition, the Cash Manager will:

- (a) apply, or cause to be applied, Available Revenue Receipts, Available Principal Receipts, the General Reserve Fund and the Liquidity Reserve Fund in accordance with the relevant Priority of Payments;
- (b) record credits to, and debits from, the General Reserve Ledger, the Retained Principal Receipts Ledger, the Principal Deficiency Ledgers, the Principal Ledger, the Revenue Ledger, the Issuer Profit Amount Ledger and the Liquidity Reserve Fund Ledger as and when required;
- (c) if required (i) during a Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Principal Receipts and (ii) following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, reconcile the calculations to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with Condition 5.9(c) and the Cash Management Agreement; and
- (d) act as the designated reporting entity for the purposes of complying with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3).

In addition, the Cash Manager will:

- (a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
 - (i) the "**Principal Ledger**", which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (ii) the "**Revenue Ledger**", which will record Available Revenue Receipts received by the Issuer and distribution of the same in accordance with the relevant Priority of Payments;
 - (iii) the "**General Reserve Ledger**" which will record amounts credited to the general reserve fund (the "**General Reserve Fund**") on the Closing Date and withdrawals from the General Reserve Ledger on each Interest Payment Date (see "*Credit Structure — General Reserve Fund and General Reserve Fund Ledger*" below);
 - (iv) the "**Retained Principal Receipts Ledger**" which will record (A) amounts credited to such ledger on the Closing Date from the proceeds of issuance of the Notes for such purpose and on each Interest Payment Date thereafter from Available Principal Receipts

in accordance with the Pre-Acceleration Principal Priority of Payments on each Interest Payment Date and (B) withdrawals from such ledger on any Business Day to pay all Capital Costs. Any amounts not applied by the Cash Manager on behalf of the Issuer towards Capital Costs will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date (see "*Credit Structure — Retained Principal Receipts Ledger*" and "*Cashflows – Definition of Available Principal Receipts*" below);

- (v) the "**Principal Deficiency Ledger**" which will record on the appropriate sub-ledger as a debit, deficiencies arising from (i) Losses of (x) principal and (y) Un-Capitalised Receipts on the Portfolio; (ii) Principal Receipts applied pursuant to items (b) to (k) inclusive of the Pre-Acceleration Principal Priority of Payments (if any); and (iii) application of any Liquidity Reserve Fund Drawing in respect of any item of the Liquidity Reserve Fund Priority of Payments (see "*Credit Structure — Principal Deficiency Ledger*" below);
 - (vi) the "**Liquidity Reserve Fund Ledger**" which will record amounts credited to and debited from the Liquidity Reserve Fund (to fund senior expenses and interest payments on the Class A Notes and the Class B Notes) in accordance with the applicable Priority of Payments (see "*Credit Structure — Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*" below);
 - (vii) the "**Issuer Profit Amount Ledger**" which shall record, as a credit, amounts retained by the Issuer as profit in accordance with the Revenue Priority of Payments and the Post-Acceleration Priority of Payments; and
 - (viii) the "**Make-Whole Ledger**" which shall record (i) as a credit, any Make-Whole Payments credited to such ledger and (ii) as a debit, any withdrawals of amounts equal to the aggregate Make-Whole Amounts and Excess Amounts.
- (b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date; and
 - (c) provide the Issuer, the Sellers, the Security Trustee, the Back-Up Servicer, the Noteholders, the Certificateholders and the Rating Agencies with the Investor Report by no later than 20 Business Days following the relevant Monthly Period End Date.

Remuneration of Cash Manager

The Cash Manager will be paid a fee (exclusive of any applicable VAT) for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date. Further, the Issuer will pay to the Cash Manager a single payment of £2,000 (exclusive of any applicable VAT) on the Closing Date. Each payment will be made in the manner contemplated by and in accordance with the relevant Priority of Payments.

Termination of Appointment and Replacement of Cash Manager

In certain circumstances the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may terminate the appointment of the Cash Manager and, with the assistance of the Replacement Cash Manager Facilitator, use reasonable endeavours to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher). Such circumstances are as follows (each a "**Cash Manager Termination Event**"):

- (a) *Non-payment*: default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of ten Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following service of a Note Acceleration Notice, the Security Trustee, as the case may be, requiring the same to be remedied; or

- (b) *Breach of other obligations*: default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations 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 the Cash Manager becoming aware of such default (where capable of remedy) and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee (following the service of a Note Acceleration Notice), as the case may be, requiring the same to be remedied (where capable of remedy); or
- (c) *Insolvency Event*: an Insolvency Event occurs with respect to the Cash Manager.

For the avoidance of doubt, if after using reasonable endeavours to enter into such a back-up cash management agreement, the Issuer (or Security Trustee, as applicable) is unable to find a suitable third party willing to act as a Replacement Cash Manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

Replacement Cash Manager Facilitator

The Replacement Cash Manager Facilitator shall, within 60 days of the date on which a Cash Manager Termination Event occurs, use best efforts to identify, on behalf of the Issuer, a suitable Replacement Cash Manager (the "**Replacement Cash Manager**") which meets the requirements for a substitute Cash Manager provided for by the Cash Management Agreement.

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any Liability suffered or incurred by it as a direct result of the negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such), other than where such Liability suffered or incurred by either of them is a direct result of the gross negligence, fraud or wilful default of the Issuer or the Security Trustee (as applicable).

Governing Law

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

The Citi Bank Account Agreement

Pursuant to the terms of the Citi Bank Account Agreement entered into on or about the Closing Date between the Issuer, the Citi Account Bank, the Cash Manager, the Sellers and the Security Trustee, the Issuer will maintain with the Citi Account Bank the Citi Deposit Account which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

For so long as the Citi Deposit Account is the Relevant Deposit Account, the Issuer will deposit amounts in the Citi Deposit Account. If the Citi Deposit Account ceases to be the Relevant Deposit Account, the Cash Manager shall deposit all amounts already deposited in the Citi Deposit Account and all amounts received thereafter in the then Relevant Deposit Account.

There are provisions in the fee letter relating to the Citi Bank Account Agreement that allow the Citi Account Bank to charge negative interest on amounts in the Citi Deposit Account. Where negative interest is payable on, in certain circumstances, the Citi Deposit Account, it will cease to be the Relevant Deposit Account and funds shall be transferred to the BNPP Deposit Account or a Replacement Deposit Account, subject to the definition of Replacement Deposit Account.

Governing Law

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

The BNPP Bank Account Agreement

Pursuant to the terms of the BNPP Bank Account Agreement entered into on or about the Closing Date between the Issuer, the BNPP Account Bank, the Cash Manager, the Sellers and the Security Trustee, the Issuer will maintain with the BNPP Account Bank the BNPP Deposit Account and which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

Where the BNPP Deposit Account is the Relevant Deposit Account, the Issuer will deposit amounts in the BNPP Deposit Account. If the BNPP Deposit Account ceases to be the Relevant Deposit Account, the Cash Manager shall deposit all amounts already deposited in the BNPP Deposit Account and all amounts received thereafter in the then Relevant Deposit Account.

There are provisions in the BNPP Bank Account Agreement that allow the BNPP Account Bank to charge negative interest on amounts in the BNPP Deposit Account. Where negative interest is payable on, in certain circumstances, the BNPP Deposit Account, it will cease to be the Relevant Deposit Account and funds shall be transferred to the Citi Deposit Account or a Replacement Deposit Account, subject to the definition of Replacement Deposit Account.

Governing Law

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

"**Account Bank Rating**" means a long-term unsecured, unsubordinated and unguaranteed debt rating of A by S&P and a short-term deposit rating of P-1 by Moody's, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Notes.

The Corporate Services Agreement

On or prior to the Closing Date, *inter alia*, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings, the Sellers and the Security Trustee will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

Governing Law

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

CREDIT STRUCTURE

The Notes and the Residual Certificates are obligations of the Issuer only. The Notes and the Residual Certificates are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes and the Residual Certificates are not obligations of, or the responsibility of, or guaranteed by, any of the Sellers, the Originators, the Arranger, the Joint Lead Managers, Holdings, the Servicer, the Back-Up Servicer, the Cash Manager, the Corporate Services Provider, the Back-Up Servicer Facilitator, the Replacement Cash Manager Facilitator, the Share Trustee, the Liquidation Agent the Citi Account Bank, the BNPP Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the Note Trustee, the Security Trustee, the Co-operative Bank, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes or the Residual Certificates shall be accepted by any of the Sellers, the Originators, the Arranger, the Joint Lead Managers, Holdings, the Servicer, the Back-Up Servicer, the Cash Manager, the Corporate Services Provider, the Back-Up Servicer Facilitator, the Replacement Cash Manager Facilitator, the Share Trustee, the Liquidation Agent the Citi Account Bank, the BNPP Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the Note Trustee, the Security Trustee, the Co-operative Bank or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. **Credit Support for the Notes provided by Available Revenue Receipts**

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (q) (inclusive) of the Revenue Priority of Payments. The actual amount of any excess payable under item (r) of the Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see "*Interest Rate Risk*") and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Revenue Priority of Payments) on each Interest Payment Date in accordance with the Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio (excluding any entries on the Principal Residual Certificate Principal Deficiency Sub-Ledger).

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 under items (a) to (p) (inclusive) of the Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

2. **General Reserve Fund and General Reserve Ledger**

On the Closing Date, the Issuer will establish a fund called the "**General Reserve Fund**", to provide credit enhancement for the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes, which will be credited with the General Reserve Required Amount on the Closing Date. The General Reserve Fund will be funded from the proceeds of the sale of the Notes on the Closing Date.

After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount from Available Revenue Receipts in accordance with the provisions of the Revenue Priority of Payments on each Interest Payment Date. Any amounts standing to the credit of the General Reserve Fund over and above the General Reserve Fund Required Amount (the "**General Reserve Fund Excess Amount**") will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Revenue Priority of Payments.

The General Reserve Fund will be deposited in the General Reserve Deposit Account with a corresponding credit being made to the General Reserve Ledger. For more information about the

application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

"**General Reserve Deposit Account**" means:

- (a) if (A) the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the BNPP Account Bank are at the relevant time, and have been since the Closing Date, rated at least the Account Bank Ratings, and (B) there has not been a BNPP Account Bank Termination, and (C) the applicable BNPP Deposit Rate is at least zero per. cent. per annum, the BNPP Deposit Account; or
- (b) if (A) the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the BNPP Account Bank have, at any time since the Closing Date, ceased to be rated or were not rated at least the Account Bank Ratings (whether or not such ratings have since recovered), or (B) there has been a BNPP Account Bank Termination, or (C) the applicable BNPP Deposit Rate is less than zero per. cent. per annum, the Relevant Deposit Account.

The Cash Manager will maintain the General Reserve Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

The "**General Reserve Required Amount**" will:

- (a) on the Closing Date and on any Interest Payment Date up to the last Interest Payment Date falling within 72 months after the Closing Date, be an amount equal to 2 per cent. of the Current Balance of the Loans sold to the Issuer by the Sellers as at the Closing Date;
- (b) on any Interest Payment Date falling after 72 months from the Closing Date, be an amount equal to the lower of:
 - (i) 2 per cent. of the aggregate Current Balance of the Loans sold to the Issuer by the Sellers as at the Closing Date; or
 - (ii) 3 per cent. of the aggregate Current Balance (as at the Monthly Pool Date immediately preceding that Interest Payment Date) of the Loans in the Portfolio; and
- (c) from the Interest Payment Date on which the Notes will be redeemed in full pursuant to Condition 7 (*Redemption*), zero. From this date any amounts held in the General Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the Revenue Priority of Payments.

3. **Liquidity Reserve Fund and Liquidity Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a fund called the "**Liquidity Reserve Fund**" to provide credit enhancement in respect of the items set out in the Liquidity Reserve Fund Priority of Payments. The Liquidity Reserve Fund will be funded on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments. For more information about the application of the amounts standing to the credit of the Liquidity Reserve Fund, see the section "*Cashflows – Applications of Monies Released from the Liquidity Reserve Fund*".

"**Liquidity Reserve Fund Required Amount**" shall be calculated as follows:

- (a) on the Closing Date, the Liquidity Reserve Fund Required Amount shall be zero;
- (b) on any Interest Payment Date following the Closing Date, on which the amount standing to the credit of the General Reserve Fund as at such Interest Payment Date (after application of Available Revenue Receipts) is less than 1.5% of the aggregate Current Balance of the Loans in the Portfolio calculated as at the end of the immediately preceding month, the Liquidity Reserve Fund Required Amount shall be 2.2% of the sum of:

- (i) the Principal Amount Outstanding of the Class A Notes on that Interest Payment Date (as calculated prior to any redemptions of the Class A Notes on that Interest Payment Date), and
 - (ii) the Principal Amount Outstanding of the Class B Notes on that Interest Payment Date (as calculated prior to any redemptions of the Class B Notes on that Interest Payment Date).
- (c) from the Interest Payment Date on which the Notes are redeemed in full pursuant to Condition 7 (*Redemption*), zero.

The Liquidity Reserve will, subject to paragraph (c) above, amortise on each Interest Payment Date to 2.2% of the aggregate Principal Amount Outstanding (as calculated prior to any redemptions of the Class A Notes and Class B Notes on that Interest Payment Date) of the Class A Notes and Class B Notes as of such Interest Payment Date.

Any surplus released from the Liquidity Reserve Fund over and above the Liquidity Reserve Fund Required Amount (the "**Liquidity Reserve Fund Excess Amounts**") will be applied as and form part of Available Principal Receipts.

4. **Retained Principal Receipts Ledger**

The Cash Manager will maintain the Retained Principal Receipts Ledger pursuant to the Cash Management Agreement. The Retained Principal Receipts Ledger will be funded from the proceeds of issuance of the Notes on the Closing Date and on each Interest Payment Date thereafter from Available Principal Receipts (the "**Retained Principal Receipts**"). The Retained Principal Receipts will be credited to the Retained Principal Receipts Ledger of the Relevant Deposit Account.

The Retained Principal Receipts Ledger will be funded up to the Retained Principal Required Amount in accordance with the Pre-Acceleration Principal Priority of Payments. Amounts standing to the credit of the Retained Principal Receipts Ledger will be applied by the Issuer on any Business Day to pay all Capital Costs. Any amounts standing to the credit of the Retained Principal Receipts Ledger on any Interest Payment Date and not applied by the Cash Manager on the Issuer's behalf towards Capital Costs will be applied by the Issuer (or the Cash Manager on its behalf) on such Interest Payment Date as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

"**Retained Principal Required Amount**" means (i) on any Calculation Date other than the final Calculation Date, £50,000; (ii) on the final Calculation Date or upon the occurrence of an Event of Default, zero.

5. **Principal Deficiency Ledger**

A Principal Deficiency Ledger, comprising seven sub ledgers, known as the "**Class A Principal Deficiency Sub-Ledger**" (relating to the Class A Notes), the "**Class B Principal Deficiency Sub-Ledger**" (relating to the Class B Notes), the "**Class C Principal Deficiency Sub-Ledger**" (relating to the Class C Notes), the "**Class D Principal Deficiency Sub-Ledger**" (relating to the Class D Notes), the "**Class E Principal Deficiency Sub-Ledger**" (relating to the Class E Notes), the "**Class F Principal Deficiency Sub-Ledger**" (relating to the Class F Notes) and the "**Principal Residual Certificate Principal Deficiency Sub-Ledger**" (relating to the Principal Residual Certificates) (each a "**Principal Deficiency Sub-Ledger**" and, together, the "**Principal Deficiency Ledger**"), will be established on the Closing Date in order to record any: (i) Losses of (x) principal and (y) Un-Capitalised Receipts on the Portfolio as allocated against each of the Classes of Notes referenced above; and/or (ii) any use of Available Principal on an Interest Payment Date to fund items referred to in parts (b) to (k) of the Pre-Acceleration Principal Priority of Payments; and/or (iii) any debiting of the Liquidity Reserve Fund on an Interest Payment Date to fund items referred to in the Liquidity Reserve Fund Priority of Payments.

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 or debits recorded on the Class

C Principal Deficiency Sub-Ledger shall be recorded in respect of the Class C Notes. Losses or debits recorded on the Class D Principal Deficiency Sub-Ledger shall be recorded in respect of the Class D Notes. Losses or debits recorded on the Class E Principal Deficiency Sub-Ledger shall be recorded in respect of the Class E Notes. Losses or debits recorded on the Class F Principal Deficiency Sub-Ledger shall be recorded in respect of the Class F Notes. Available Revenue Receipts will include recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio and/or the use of Available Principal Receipts to fund items referred to in parts (b) to (k) of the Pre-Acceleration Principal Priority of Payments and/or any debiting of the Liquidity Reserve Fund on an Interest Payment Date to fund items referred to in the Liquidity Reserve Fund Priority of Payments will be recorded as a debit:

- (a) *first*, to the Principal Residual Certificate Principal Deficiency Sub-Ledger up to a maximum of the PRC Overcollateralisation Amount less the aggregate amount of all Residual Payments that have been made in respect of the Principal Residual Certificates since the Closing Date;
- (b) *second*, to the Class F Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class F Notes;
- (c) *third*, to the Class E Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class E Notes;
- (d) *fourth*, to the Class D Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class D Notes;
- (e) *fifth*, to the Class C Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class C Notes;
- (f) *sixth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes; and
- (g) *seventh*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Amounts allocated to each Principal Deficiency Sub-Ledger (other than the Principal Residual Certificate Principal Deficiency Sub-Ledger) shall be reduced to the extent of Available Revenue Receipts and General Reserve Fund Drawing available for such purpose on each Interest Payment Date in accordance with the applicable Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

"PRC Overcollateralisation Amount" means the amount by which the Current Balance of the Loans exceeds the Principal Amount Outstanding of the Notes, both as at the Closing Date.

"Losses" means the aggregate of (a) all realised losses on the Loans which are not recovered from the proceeds following the sale of the Property to which such Loan relates or, if later, upon completion of all relevant enforcement procedures and (b) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Loan;

6. **Make-Whole Ledger**

The Cash Manager will maintain a ledger (the **"Make-Whole Ledger"**) pursuant to the Cash Management Agreement, on which funds constituting Make-Whole Amounts will be recorded. The Make-Whole Ledger will be funded on the Closing Date, from the proceeds of the sale of the Notes, in an amount equal to the Projected Costs as at the Closing Date. Following the Closing Date until the Make-Whole Ledger Discharge Date, if on any Monthly Pool Date the balance of the Make-Whole Ledger falls below the Projected Costs, the Sellers will pay an amount

sufficient to make the amount standing to the credit of the Make-Whole Ledger equal to the Projected Costs by way of a Rebate of the Initial Consideration to the Issuer and such amounts will be credited to the Make-Whole Ledger.

"Projected Costs" means as at the Closing Date and thereafter as at each Monthly Pool Date, the aggregate principal amount determined by the Sellers in good faith by which the Loans of Affected Borrowers who have not yet been remediated will be written-down.

"Rebate of Initial Consideration" means as at each Monthly Pool Date the greater of zero and the amount by which the Projected Costs exceed the amount standing to the credit of the Make-Whole Ledger or the amount notified by the Servicer to the relevant Seller, in accordance with the Servicing Agreement and the relevant Mortgage Sale Agreement, as being required to apply Make-Whole Amounts to Borrowers;

"Affected Borrowers" means Borrowers that have suffered a loss arising out of the Conduct Issues and have not yet been remediated under the Remediation Project.

The Make-Whole Ledger will be debited:

- (a) on each Interest Payment Date by an amount equal to the aggregate of the Make-Whole Amounts for the immediately preceding Collection Period. Such debited amounts shall become Available Principal Receipts. Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date;
- (b) on any date (whether or not an Interest Payment Date), upon notice from the Sellers to the Cash Manager, by an amount equal to the lesser of the Excess Amount (if any) and the balance standing to the credit of the Make-Whole Ledger, such amounts to be paid as further consideration for the Loans to the Sellers; and
- (c) on the Make-Whole Ledger Discharge Date, and any amounts standing to the credit of the Make-Whole Ledger shall be paid to the relevant Seller(s) as further consideration for the Loans.

Further, from the Closing Date until the Make-Whole Ledger Discharge Date, if on any Monthly Pool Date the balance of the Make-Whole Ledger falls below the Projected Costs, the relevant Seller will pay by way of a Rebate of the Initial Consideration to the Issuer, such amounts to be credited to the Make-Whole Ledger.

"Make-Whole Amount" means, in relation to a Collection Period, the amount by which the principal balance of a Loan has been permanently written down in the systems of the Servicer in that Collection Period as a result of the Remediation Project.

"Excess Amount" means as at the Make-Whole Ledger Discharge Date any amounts standing to the credit of the Make-Whole Ledger.

7. **Available Revenue Receipts and Available Principal Receipts**

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the relevant Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer, which for the avoidance of doubt does not include £1,000 which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the General Reserve Ledger or the Liquidity Reserve Fund Ledger.

If, on any Interest Payment Date whilst there are Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest (other than on the Most Senior Class of Notes then outstanding) then the Issuer will be entitled under Condition 17 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default.

Failure to pay interest on the Most Senior Class of Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

CASHFLOWS

Definition of Revenue Receipts

"**Revenue Receipts**" means (a) payments of interest and other fees due from time to time under the Loans (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, and (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed.

Definition of Available Revenue Receipts

"**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 or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date and further excluding any amount representing proceeds of the sale of the Loans pursuant to the exercise of the Portfolio Option or pursuant to a Market Portfolio Sale;
- (b) interest payable to the Issuer on the Deposit Accounts to be received on the last day of the immediately preceding Collection Period;
- (c) the General Reserve Excess Amounts;
- (d) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (e) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c);
- (f) any insurance proceeds received beneficially; and
- (g) any amount which has been provided for on an Interest Payment Date in accordance with item (a), (b) or (d) of the Revenue Priority of Payments, item (a), (b) or (d) of the General Reserve Fund Revenue Priority of Payments or item (b), (c) or (e) of the Principal Priority of Payments that has not actually been paid within 15 months of that Interest Payment Date;

less:

- A. amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Sellers) such as (but not limited to):
 - (i) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (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; and
 - (iii) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller;
 - (iv) fees charged by the providers of the Collection Accounts or any costs incurred by the Sellers in relation to the Collection Accounts; and
 - (v) amounts due to the Account Banks (if any) towards payment of interest,

(items within (A) being collectively referred to herein as "**Third Party Amounts**"). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Deposit Accounts to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere; and

- B. Revenue Receipts in an amount equal to the Accrued Interest Consideration, which may be applied by the Cash Manager on behalf of the Issuer to make payments of Accrued Interest Consideration to the Sellers during the first Collection Period or on the first Interest Payment Date.

Definition of Available Principal Receipts

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period or retained in the Retained Principal Receipts Ledger on the last Interest Payment Date (less an amount equal to the aggregate of all amounts applied towards the payment of Capital Costs during the immediately preceding Collection Period) and (ii) received by the Issuer from the Sellers (or, as applicable, any entity to which the relevant Seller has transferred its obligations and liabilities and assigned its rights) during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Sellers (or, as applicable, any entity to which the relevant Seller has transferred its obligations and liabilities and assigned its rights) pursuant to the relevant Mortgage Sale Agreement, in each case other than any amount representing the purchase price received by the Issuer upon sale of Loans further to the exercise of the Portfolio Option or as by way of a Market Portfolio Sale;
- (b) the Liquidity Reserve Fund Excess Amounts (including amounts standing to the credit of the Liquidity Reserve Fund on the date on which the Class A Notes and Class B Notes are redeemed in full);
- (c) (in respect of the first Interest Payment Date only) the amount paid into the Relevant Deposit Account on the Closing Date and recorded on the Retained Principal Receipts Ledger to fund the Retained Principal Receipts Ledger for the first Collection Period;
- (d) the amounts (if any) calculated on that Interest Payment Date pursuant to the applicable Pre-Acceleration Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger, the Class D Principal Deficiency Sub-Ledger, the Class E Principal Deficiency Sub-Ledger and/or the Class F Principal Deficiency Sub-Ledger is reduced;
- (e) if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c);
- (f) amounts debited from the Make-Whole Ledger equal to the lesser of the Make-Whole Amounts for the preceding Collection Period and the balance standing to the credit of the Make-Whole Ledger; and
- (g) the purchase price received by the Issuer upon sale of the Loans further to the exercise of the Portfolio Option or sale of the Loans by way of a Market Portfolio Sale.

Application of Amounts standing to the credit of the Retained Principal Receipts Ledger

Prior to the service of a Note Acceleration Notice monies standing to the credit of the Retained Principal Receipts Ledger will be applied on any Business Day to pay all Capital Costs. To the extent funds are not applied by the Cash Manager on behalf of the Issuer towards Capital Costs, funds standing to the credit of the Retained Principal Receipts Ledger will form part of Available Principal Receipts.

Accrued Interest Consideration

Pursuant to the terms of the Mortgage Sale Agreements and the Cash Management Agreement, the Issuer will agree to pay, on or before the first Interest Payment Date, an amount equal to the Accrued Interest Consideration to the relevant Seller from Revenue Receipts received during the first Collection Period.

Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, on each Interest Payment Date the Cash Manager shall apply or provide for the application of 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 "**Revenue 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 (including by way of indemnity) then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts then due and payable to the Servicer and Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer and Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement or Back-Up Servicing Agreement (respectively) (including any invocation fee due to the Back-Up Servicer), together with VAT (if payable) thereon as provided therein;
 - (ii) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iv) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
 - (v) any amounts then due and payable to the Account Banks or Collection Account Bank and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the such party in the immediately succeeding Interest Period under the provisions of the relevant Bank Account Agreement, together with VAT (if payable) thereon as provided therein;

- (vi) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (vii) any amounts then due and payable to the Replacement Cash Manager Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Replacement Cash Manager Facilitator in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided; and
 - (viii) any fees and Liabilities due and payable by the Issuer to the Liquidation Agent in accordance with the terms of the Liquidation Agent Agreement;
- (c) *third*, to pay the Issuer an amount equal to the Issuer Profit Amount;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (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 for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (c) above); and
 - (ii) any Transfer Costs which the Servicer has failed to pay pursuant to Clause 18.3 of the Servicing Agreement;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class A Notes;
- (f) *sixth* (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (g) *seventh* to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class B Notes;
- (h) *eighth* (so long as the Class B Notes will remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (i) *ninth* to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class C Notes;
- (j) *tenth* so long as the Class C Notes will remain outstanding following such Interest Payment Date), to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (k) *eleventh* to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class D Notes;
- (l) *twelfth* so long as the Class D Notes will remain outstanding following such Interest Payment Date), to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate

any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);

- (m) *thirteenth* to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class E Notes;
- (n) *fourteenth* so long as the Class E Notes will remain outstanding following such Interest Payment Date), to credit the Class E Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (o) *fifteenth* to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class F Notes;
- (p) *sixteenth* so long as the Class F Notes will remain outstanding following such Interest Payment Date), to credit the Class F Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (q) *seventeenth*, (so long as any one or more of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes will remain outstanding following such Interest Payment Date) an amount to be credited to the General Reserve Fund so that the amount standing to the credit of the General Reserve Fund is the General Reserve Required Amount; and
- (r) *eighteenth*, provided that the Interest Payment Date on which these payments are being made does not fall within a Determination Period, any remaining amounts *pro rata* and *pari passu* to the holders of the Revenue Residual Certificates.

Application of amounts standing to the credit of the General Reserve Fund Prior to the Service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, on each Interest Payment Date the Cash Manager (on behalf of the Issuer) shall, after application of the Available Revenue Receipts in accordance with the Revenue Priority of Payments, apply a General Reserve Fund Drawing in the following order of priority (in each case only if and to the extent that such payments have not already been made as a result of the operation of the Revenue Priority of Payments and payments or provisions of a higher priority have been made in full): (the "**General Reserve Fund Revenue Priority of Payments**"):

- (a) *first*, the amount specified in item (a) of the Revenue Priority of Payments;
- (b) *second*, the amount specified in item (b) of the Revenue Priority of Payments;
- (c) *third*, the amount specified in item (c) of the Revenue Priority of Payments;
- (d) *fourth*, the amount specified in item (d) of the Revenue Priority of Payments;
- (e) *fifth*, the amount specified in item (e) of the Revenue Priority of Payments;
- (f) *sixth*, the amount specified in item (f) of the Revenue Priority of Payments;
- (g) *seventh*, the amount specified in item (g) of the Revenue Priority of Payments, only if Cumulative Default Ratio 1 is met;
- (h) *eighth*, the amount specified in item (h) of the Revenue Priority of Payments;
- (i) *ninth*, the amount specified in item (i) of the Revenue Priority of Payments, only if Cumulative Default Ratio 2 is met;
- (j) *tenth*, the amount specified in item (j) of the Revenue Priority of Payments;

- (k) *eleventh*, the amount specified in item (k) of the Revenue Priority of Payments, only if Cumulative Default Ratio 3 is met;
- (l) *twelfth*, the amount specified in item (l) of the Revenue Priority of Payments;
- (m) *thirteenth*, the amount specified in item (m) of the Revenue Priority of Payments, only if Cumulative Default Ratio 4 is met;
- (n) *fourteenth*, the amount specified in item (n) of the Revenue Priority of Payments;
- (o) *fifteenth*, the amount specified in item (o) of the Revenue Priority of Payments, only if Cumulative Default Ratio 5 is met; and
- (p) *sixteenth*, the amount specified in item (p) of the Revenue Priority of Payments.

"General Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the General Reserve Fund of an amount equal to the lesser of (a) and (b) where:

- (a) is the balance standing to the credit of the General Reserve Fund Ledger; and
- (b) is the greater of zero or the amount equal to (i) minus (ii) where:
 - (i) equals the maximum amount the Issuer would pay in respect of the items referred to the General Reserve Fund Priority of Payment if sufficient funds were available to in the Issuer (excluding any amounts that are not to be paid if the relevant Cumulative Default Ratio has not been met); and
 - (ii) equals the amount available to the Issuer to make payments in respect of the items listed in (i) above taking into account the Available Revenue Receipts.

Application of Available Principal Receipts Prior to the service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall, after application of the Available Revenue Receipts in accordance with the Revenue Priority of Payments and application of the General Reserve Fund in accordance with the General Reserve Fund Priority of Payments, apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Acceleration Principal Priority of Payments**") (in each case only if and to the extent that such payments have not already been made as a result of the operation of the Revenue Priority of Payments and the General Reserve Fund Priority of Payments and payments or provisions of higher priority have been paid in full):

- (a) *first*, to fund the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount;
- (b) *second*, the amount specified in item (a) of the Revenue Priority of Payments;
- (c) *third*, the amount specified in item (b) of the Revenue Priority of Payments;
- (d) *fourth*, the amount specified in item (c) of the Revenue Priority of Payments;
- (e) *fifth*, the amount specified in item (d) of the Revenue Priority of Payments;
- (f) *sixth*, the amount specified in item (e) of the Revenue Priority of Payments;
- (g) *seventh*, the amount specified in item (g) of the Revenue Priority of Payments, only if Cumulative Default Ratio 1 is met;
- (h) *eighth*, the amount specified in item (i) of the Revenue Priority of Payments, only if Cumulative Default Ratio 2 is met;
- (i) *ninth*, the amount specified in item (k) of the Revenue Priority of Payments, only if Cumulative Default Ratio 3 is met;

- (j) *tenth*, the amount specified in item (m) of the Revenue Priority of Payments, only if Cumulative Default Ratio 4 is met;
- (k) *eleventh*, the amount specified in item (o) of the Revenue Priority of Payments, only if Cumulative Default Ratio 5 is met;
- (l) *twelfth*, provided that Interest Payment Date is not the final Interest Payment Date of the transaction, towards a credit to the Retained Principal Receipts Ledger of an amount equal to the Retained Principal Required Amount;
- (m) *thirteenth*, *pro rata* and *pari passu* according to the outstanding amounts thereof, principal due and payable on the Class A Notes, until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (n) *fourteenth*, *pro rata* and *pari passu* according to the outstanding amounts thereof, principal due and payable on the Class B Notes, until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (o) *fifteenth*, *pro rata* and *pari passu* according to the outstanding amounts thereof, principal due and payable on the Class C Notes, until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (p) *sixteenth*, *pro rata* and *pari passu* according to the outstanding amounts thereof, principal due and payable on the Class D Notes, until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (q) *seventeenth*, *pro rata* and *pari passu* according to the outstanding amounts thereof, principal due and payable on the Class E Notes, until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (r) *eighteenth*, *pro rata* and *pari passu* according to the outstanding amounts thereof, principal due and payable on the Class F Notes, until the Principal Amount Outstanding on the Class F Notes has been reduced to zero; and
- (s) *nineteenth*, provided that the Interest Payment Date on which these payments are being made does not fall within a Determination Period, any remaining amounts *pro rata* and *pari passu* to the holders of the Principal Residual Certificates.

If any amounts are applied from the Principal Ledger to pay or provide for items (b) to (k) of the Pre-Acceleration Principal Priority of Payments on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Sub-Ledger.

Application of Liquidity Reserve Fund Prior to the service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall, after application of the Available Revenue Receipts in accordance with the Revenue Priority of Payments, application of the General Reserve Fund in accordance with the General Reserve Fund Priority of Payments and application of Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments, apply a Liquidity Reserve Fund Drawing on each Interest Payment Date in the following order of priority (in each case only if and to the extent that such payments have not already been made as a result of the operation of the Revenue Priority of Payments, the General Reserve Fund Priority of Payments and the Pre-Acceleration Principal Priority of Payments and payments or provisions of higher priority have been paid in full) (the "**Liquidity Reserve Fund Priority of Payments**", and together with the Revenue Priority of Payments, the General Reserve Fund Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, "**Pre-Acceleration Priorities of Payments**"):

- (a) *first*, the amount specified in item (a) of the Revenue Priority of Payments;
- (b) *second*, the amount specified in item (b) of the Revenue Priority of Payments;

- (c) *third*, the amount specified in item (c) of the Revenue Priority of Payments;
- (d) *fourth*, the amount specified in item (d) of the Revenue Priority of Payments;
- (e) *fifth*, the amount specified in item (e) of the Revenue Priority of Payments; and
- (f) *sixth*, the amount specified in item (g) of the Revenue Priority of Payments, only if Cumulative Default Ratio 1 is met.

If any amounts are applied from the Liquidity Reserve Fund Ledger to pay or provide for any such item on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Sub-Ledger.

"Liquidity Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Liquidity Reserve Fund of an amount equal to the lesser of (a) and (b) where:

- (a) is the balance standing to the credit of the Liquidity Reserve Fund Ledger; and
- (b) the greater of either zero or the amount equal to (i) minus (ii) where:
 - (i) equals the maximum amount the Issuer would pay in respect of the items referred to in the Liquidity Reserve Fund Priorities of Payment if sufficient funds were available to the Issuer; and
 - (ii) equals the amount available to the Issuer to make payments in respect of the items listed in (i) above taking into account the Available Revenue Receipts, any General Reserve Fund Drawing and Available Principal Receipts.

Any surplus released from the Liquidity Reserve Fund over and above the Liquidity Reserve Fund Required Amount on any Interest Payment Date (the **"Liquidity Reserve Fund Excess Amounts"**) will be applied as and form part of Available Principal Receipts.

As used in this Prospectus:

"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.

"Appointee" means any attorney, manager, agent, delegate, nominee, Receiver, receiver and manager, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions.

"Arrears of Interest" means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date.

"Capitalised Arrears" means, in relation to a Loan, at any date, amounts which are overdue in respect of that Loan and which as at that date have been included in the Current Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

"Capitalised Expenses" means, in relation to a Loan, the amount of all expenses charges, fees, premiums or payments capitalised and included in the Current Balance in respect of such Loan in accordance with the relevant 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 Current 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).

"Cumulative Default Ratio 1" means Cumulative Defaults represent less than 35% of the aggregate Current Balance on the Closing Date.

"**Cumulative Default Ratio 2**" means Cumulative Defaults represent less than 30% of the aggregate Current Balance on the Closing Date.

"**Cumulative Default Ratio 3**" means Cumulative Defaults represent less than 27% of the aggregate Current Balance on the Closing Date.

"**Cumulative Default Ratio 4**" means Cumulative Defaults represent less than 24% of the aggregate Current Balance on the Closing Date.

"**Cumulative Default Ratio 5**" means Cumulative Defaults represent less than 18% of the aggregate Current Balance on the Closing Date, and together with Cumulative Default Ratio 1, Cumulative Default Ratio 2, Cumulative Default Ratio 3 and Cumulative Default Ratio 4, the "**Cumulative Default Triggers**".

"**Cumulative Defaults**" means at any time, the Current Balance of all Loans that have been repossessed.

"**Early Repayment Fee**" means any fee (other than a Redemption Fee) which a Borrower is required to pay in the event that the Borrower is in default or his or her Loan becomes repayable for any other mandatory reason or he or she repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions.

"**Early Repayment Fee Receipts**" means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Fees.

"**Interest Period**" means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note to (but excluding) the next Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date).

"**Issuer Profit Amount**" means an aggregate of £1,000, paid in equal instalments on each Interest Payment Date falling within the first accounting reference period of the Issuer (determined in accordance with Chapter 3, Part 15 Companies Act 2006), and £250 on each Interest Payment Date falling thereafter, which shall be credited to the Issuer Profit Amount Ledger for the Issuer to retain as a profit for entering into the transaction;

"**Redemption Fee**" means the standard redemption fee charged to the Borrower by the relevant Seller where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan.

"**Transfer Costs**" means the Issuer's costs and expenses associated with the transfer of servicing to a substitute servicer.

"**Un-Capitalised Receipts**" means amounts that meet the description of limb (c) of the definition of Current Balance up to the Closing Date Portfolio Selection Date.

Definition of Principal Receipts

"**Principal Receipts**" means (a) principal repayments under the Loans (including any overpayments, payments of arrears of principal, Capitalised Interest and Capitalised Expenses and Capitalised Arrears), (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, (d) the proceeds of the repurchase of any Loan by the relevant Seller from the Issuer pursuant to the Mortgage Sale Agreement (for the avoidance of doubt (i) including amounts attributable to Arrears of Interest thereon as at the relevant repurchase date, to the extent such Arrears of Interest are Un-Capitalised Receipts, and (ii) excluding (A) any Accrued Interest thereon as at the relevant repurchase date, and (B) amounts attributable to Arrears of Interest thereon as at the relevant repurchase date, to the extent such Arrears of Interest are not Un-Capitalised Receipts), and (e) the Un-Capitalised Receipts.

Distribution of Available Principal Receipts, Available Revenue Receipts, Amounts Standing to the Credit of the General Reserve Fund and, Amounts Standing to the Credit of the Liquidity Reserve Fund Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (in each case only if and to the extent that such payments have not already been made as a result of the operation of the Revenue Priority of Payments and the General Reserve Priority of Payments and payments or provisions of a higher priority have been made in full) (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Priorities of Payments, the "**Priorities 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 (including by way of indemnity) then due and payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts then due and payable to the Servicer and Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer or Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement or Back-Up Servicing Agreement (respectively) (including any invocation fee due to the Back-Up Servicer), together with VAT (if payable) thereon as provided therein;
 - (ii) any amounts then due and payable to the Account Banks or Collection Account Bank and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Account Banks in the immediately succeeding Interest Period under the provisions of Bank Account Agreements, together with VAT (if payable) thereon as provided therein;
 - (iii) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and
 - (v) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;

- (vi) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
- (vii) any amounts then due and payable to the Replacement Cash Manager Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Replacement Cash Manager Facilitator in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided; and
- (viii) any fees and Liabilities due and payable by the Issuer to the Liquidation Agent in accordance with the terms of the Liquidation Agent Agreement;
- (c) *third*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class A Notes;
- (d) *fourth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class B Notes;
- (f) *sixth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (g) *seventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class C Notes;
- (h) *eighth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (i) *ninth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class D Notes;
- (j) *tenth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class E Notes;
- (l) *twelfth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (m) *thirteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class F Notes;
- (n) *fourteenth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
- (o) *fifteenth*, to be applied *pro rata* and *pari passu* towards the Principal Residual Certificates up to the PRC Overcollateralisation Amount less the aggregate amount of all payments in respect of Principal Residual Certificates which have been made since the Closing Date;
- (p) *sixteenth*, to pay an amount equal to the Issuer Profit Amount; and

- (q) *seventeenth*, any remaining amounts to be applied *pro rata* and *pari passu* towards the Revenue Residual Certificates.

DESCRIPTION OF THE GLOBAL NOTES AND GLOBAL RESIDUAL CERTIFICATES

The issue of the Notes and the Residual Certificates is authorised by resolutions of the Board of Directors of the Issuer passed on 28 August 2015. The Notes and the Residual Certificates will be constituted by a trust deed (the "**Trust Deed**") expected to be dated the Closing Date between the Issuer and the Note Trustee as trustee for the Noteholders. The Notes and the Residual Certificates will be freely transferable.

General

The Notes as at the Closing Date will each be represented by a global note certificate (a "**Global Note**"). The Principal Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate (a "**Global Principal Residual Certificate**"). The Revenue Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate (a "**Global Revenue Residual Certificate**") and together with the Global Principal Residual Certificate, the "**Global Residual Certificates**"). All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes, the Global Principal Residual Certificate and the Global Revenue Residual Certificate will be registered in the name of the nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depository as the owner of the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate, as applicable.

Upon confirmation by the Common Depository that it has custody of the Global Notes, Global Principal Residual Certificates and Global Revenue Residual Certificates, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note, Global Principal Residual Certificate and Global Revenue Residual Certificate attributable thereto ("**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof (an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests 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 Depository is the registered holder of the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate, as applicable, underlying the Book-Entry Interests, the nominee for the Common Depository will be considered the sole Noteholder of the Global Note, sole Certificateholder of the Global Principal Residual Certificate or sole Certificateholder of the Global Revenue Residual Certificate, as applicable, for all purposes under the Trust Deed. Except as set forth under "*Issuance of Registered Definitive Notes and Registered Definitive Residual Certificates*", 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, Principal Residual Certificates or Revenue Residual Certificates 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, Principal

Residual Certificates or Revenue Residual Certificates under the Trust Deed. See — "*Action in Respect of the Global Note and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, Principal Residual Certificates or Revenue Residual Certificates, 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, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Registered Definitive Notes, Registered Definitive Principal Residual Certificates or Registered Definitive Revenue Residual Certificates are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of a Global Note, Global Principal Residual Certificate or a Global Revenue Residual Certificate, unless and until Book-Entry Interests are exchanged for Registered Definitive Notes or Registered Definitive Residual Certificates, the Global Note, Global Principal Residual Certificate or a Global Revenue Residual Certificate held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

Purchasers of Book-Entry Interests in a Global Note, Global Principal Residual Certificate or a Global Revenue Residual Certificate will hold Book-Entry Interests in the Global Note, Global Principal Residual Certificate or Global Principal Residual Certificate relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note, Global Principal Residual Certificate or a Global Revenue Residual Certificate 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 the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Payments on the Global Notes and the Global Residual Certificates

Payment of principal and interest on, and any other amount due in respect of, the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate will be made in Sterling by or to the order of Citibank, N.A., London Branch (the "**Principal Paying Agent**") on behalf of the Issuer to the order of the Common Depository or its nominee as the registered holder thereof with respect to the Global Note, Global Principal Residual Certificate or a Global Revenue Residual Certificate. 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 Depository or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Depository, the respective systems will promptly credit their Participants' accounts with

payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes or the Residual Certificates, (i) where the Notes or the Residual Certificates are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Notes or the Residual Certificates are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arrangers, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

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

Redemption

In the event that a Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the order of the Common Depository and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant

Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

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

Transfers and Transfer Restrictions

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

Issuance of Registered Definitive Notes, Registered Definitive Principal Residual Certificates and Registered Definitive Revenue Residual Certificates

Holders of Book-Entry Interests in the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate will be entitled to receive Definitive Notes or the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate in registered form ("**Registered Definitive Notes**", "**Registered Definitive Principal Residual Certificates**" "**Registered Definitive Revenue Residual Certificates**") as applicable 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 Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes, Revenue Residual Certificates or Principal Residual Certificates which would not be required were the Notes or Residual Certificates in definitive registered form. Any Registered Definitive Notes, Registered Definitive Principal Residual Certificates or Registered Definitive Revenue Residual Certificates issued in exchange for Book-Entry Interests in the Global Note, the Global Principal Residual Certificate or the Global Revenue Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes, Registered Definitive Principal Residual Certificates or Registered Definitive Revenue Residual Certificates issued in exchange for Book-Entry Interests in the Global Note, the Global Principal Residual Certificate or the Global Revenue Residual Certificate will not be entitled to exchange such Registered Definitive Note, Registered Definitive Principal Residual Certificate or Registered Definitive Revenue Residual Certificate for Book-Entry Interests in such Global Note, Global Principal Residual Certificate or the Global Residual Revenue Certificate. Any Notes, Principal Residual Certificates or Revenue Residual Certificates 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 and **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note, Principal Residual Certificate or Revenue Residual Certificates or, as the case may be (in the case of Notes), the due date for redemption. Registered Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum authorised denomination. See "*Risk Factors — Denominations*" above.

Action in Respect of the Global Notes, Global Principal Residual Certificates or Global Revenue Residual Certificates and the Book-Entry Interests

Not later than ten days after receipt by the Issuer of any notices in respect of a Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate 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, Global Principal Residual Certificates or Global Revenue Residual Certificates.

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. In addition, notices regarding the Notes, Principal Residual Certificates or Revenue Residual Certificates will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the *Financial Times*); **provided that** if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the *Financial Times* shall not be required with respect to such information so long as the rules of the London Stock Exchange allow. See also Condition 15 (*Notice to Noteholders*) of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions (the "**Conditions**" of the Notes and any reference to a "**Condition**" shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).

1. GENERAL

The £1,241,400,000 Class A mortgage backed floating rate Notes due September 2049 (the "**Class A Notes**"), the £89,200,000 Class B mortgage backed floating rate Notes due September 2049 (the "**Class B Notes**"), the £66,000,000 Class C mortgage backed floating rate Notes due September 2049 (the "**Class C Notes**"), the £57,800,000 Class D mortgage backed floating rate Notes due September 2049 (the "**Class D Notes**"), the £46,200,000 Class E mortgage backed floating rate Notes due September 2049 (the "**Class E Notes**" and the £56,100,000 Class F mortgage backed floating rate Notes due September 2049 (the "**Class F Notes**" and, together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the "**Notes**"), in each case of Warwick Finance Residential Mortgages Number Two PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 25 September 2015 (the "**Closing Date**") and made between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the "**Conditions**") to a "**Class**" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

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

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

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

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

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

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

For so long as the Notes are represented by Global Notes and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and integral multiples of £1,000 in excess thereof.

A Global Note will be exchanged for the relevant Notes in definitive registered form (such exchanged Global Note, the "**Registered Definitive Notes**") only if either of the following applies:

- (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 is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the relevant Notes in definitive registered form.

If Definitive Notes are issued in respect of the Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Registered Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Notes in global and (if issued and printed) definitive form will be £100,000.

References to "**Notes**" in these Conditions shall include the Global Notes and the Registered Definitive Notes.

2.2 Title

Title to the Global Notes shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note shall only pass by and upon registration of the transfer in the Register.

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 2.1 (*Form and Denomination*) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set forth on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity and/or security and/or prefunding as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 Status and relationship between the Notes

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times.
- (b) The Class B Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class B Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B Noteholders will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).
- (c) The Class C Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class C Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes and Class B Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class C Noteholders will be subordinated to the interests of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or Class B Notes remain outstanding).
- (d) The Class D Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class D Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class D Noteholders will be subordinated to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (so long as any Class A Notes, Class B Notes and/or Class C Notes remain outstanding).
- (e) The Class E Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class E Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class E Noteholders will be subordinated to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders (so long as any Class A Notes, Class B Notes, Class C Notes and/or Class D Notes remain outstanding).

- (f) The Class F Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class F Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class F Noteholders will be subordinated to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders (so long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes and/or Class E Notes remain outstanding).
- (g) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of each Class of Noteholders and Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee, **provided that**, the Note Trustee in its sole opinion shall have regard to the interests of:
- (A) only the Class A Noteholders if, (for so long as there are any Class A Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
- (1) the Class A Noteholders; and
 - (2) the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders; and
- (B) subject to (A) above, only the Class B Noteholders if, (for so long as there are any Class B Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
- (1) the Class B Noteholders; and
 - (2) the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders;
- (C) subject to (A) and (B) above, only the Class C Noteholders if, (for so long as there are any Class C Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
- (1) the Class C Noteholders; and
 - (2) the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders;
- (D) subject to (A), (B) and (C) above, only the Class D Noteholders if, (for so long as there are any Class D Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
- (1) the Class D Noteholders; and
 - (2) the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders;
- (E) subject to (A), (B), (C) and (D) above, only the Class E Noteholders if, (for so long as there are any Class E Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
- (1) the Class E Noteholders; and

- (2) the Class F Noteholders and/or the Certificateholders;
- (F) subject to (A), (B), (C), (D) and (E) above, only the Class F Noteholders if, (for so long as there are any Class F Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
 - (1) the Class F Noteholders; and
 - (2) the Certificateholders;
- (G) subject to (A), (B), (C), (D), (E) and (F) above, only the Principal Residual Certificateholders if, (for so long as there are any Principal Residual Certificateholders outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
 - (1) the Principal Residual Certificateholders; and
 - (2) the Revenue Residual Certificateholders;
- (h) The Trust Deed also contains provisions limiting the powers of any Class to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class. Except in certain circumstances described in Condition 12, the Trust Deed contains no such limitation on the powers of the Most Senior Class, the exercise of which (save in respect of a Basic Terms Modification) will be binding on the holders of all other Classes of Notes and Residual Certificates then outstanding, in each case irrespective of the effect thereof on their respective interests

3.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:**

create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:**
 - (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:**

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

- (d) **Equitable Interest:**
 permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:**
 pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:**
 incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (g) **Merger:**
 consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (h) **No modification or waiver:**
 permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:**
 have an interest in any bank account other than the Deposit Accounts, unless such account or interest therein is charged to the Security Trustee for itself and on trust for the other Secured Creditors on terms acceptable to the Security Trustee;
- (j) **US activities:**
 engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles;
- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006; or
- (l) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same.

5. INTEREST

5.1 Interest Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such

Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 Interest Payment Dates

The first Interest Payment Date will be the Interest Payment Date falling in December 2015.

Interest will be payable quarterly in arrear on the 21st day of March, June, September and December, in each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an "**Interest Payment Date**"), for all classes of Notes.

In these Conditions, "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding Interest Payment Date.

5.3 Rate of Interest and Step-up Margins

(a) The rate of interest payable from time to time in respect of each class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be determined on the basis of the following provisions:

- (i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for two and three month deposits in Sterling) of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (I) the Relevant Margin and (II) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)); and
- (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest, subject to a floor of zero.

- (b) From the Interest Payment Date falling in June 2020 (the "**Step-up Date**") and thereafter, a higher interest amount will be payable by the Issuer with respect to each of the Notes. The Notes (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to attract a relevant Step-up Margin from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event the Step-up Margin shall continue to accrue as provided in the Trust Deed.
- (c) The Step-up Margin set out in paragraph (d)(vi) below will be payable quarterly in arrear on each Interest Payment Date from (and including) the Interest Payment Date following the Step-up Date for each of the Notes.
- (d) In these Conditions (except where otherwise defined), the expression:
- (i) "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;
 - (ii) "**Interest Determination Date**" means the first Business Day of the Interest Period for which the Relevant Screen Rate will apply;
 - (iii) "**Reference Banks**" means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, **provided that**, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
 - (iv) "**Relevant Margin**" means:
 - (A) prior to the Step-up Date, in respect of each Class of the Notes the following percentage per annum:
 - (1) in respect of the Class A Notes, 1.50 per cent. per annum (the "**Class A Margin**");
 - (2) in respect of the Class B Notes, 1.60 per cent. per annum (the "**Class B Margin**");
 - (3) in respect of the Class C Notes, 1.80 per cent. per annum (the "**Class C Margin**");
 - (4) in respect of the Class D Notes, 2.00 per cent. per annum (the "**Class D Margin**");
 - (5) in respect of the Class E Notes, 2.20 per cent. per annum (the "**Class E Margin**");
 - (6) in respect of the Class F Notes, 2.50 per cent. per annum (the "**Class F Margin**"); and
 - (B) on and after the Step-up Date, the Step-up Margin;
 - (v) "**Relevant Screen Rate**" means in respect of the Notes the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for two and three month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;
 - (vi) "**Step-up Margin**" means, from and including the Step-Up Date:
 - (A) in respect of the Class A Notes, 2.25 per cent. per annum;
 - (B) in respect of the Class B Notes, 2.80 per cent. per annum;

- (C) in respect of the Class C Notes, 3.30 per cent. per annum;
- (D) in respect of the Class D Notes, 4.00 per cent. per annum;
- (E) in respect of the Class E Notes, 4.75 per cent. per annum; and
- (F) in respect of the Class F Notes, 5.25 per cent. per annum.

5.4 Determination of Rates of Interest and Interest Amounts

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

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

5.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest, the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 Notifications, etc to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period,

the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

5.9 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive the Servicer Reports with respect to a Collection Period (each such period, a "**Determination Period**"), then the Cash Manager may use the Servicer Reports in respect of the three most recent Collection Periods (or, where there are not Servicer Reports in respect of the three most recent Collection Periods, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.9 (*Determinations and Reconciliation*). When the Cash Manager receives the Servicer Reports relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 5.9(b) and/or 5.9(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 5.9(b) and/or 5.9(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) In respect of any Determination Period the Cash Manager shall:
- (i) determine the Interest Determination Ratio (as defined below) by reference to the most recent three Collection Periods for which there are Servicer Reports available for each of the three months in such Collection Period (or, where there are not at least three such Collection Periods, any previous Collection Periods) received in the preceding Collection Periods;
 - (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated 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 5.9(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined below) as follows:
- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and
 - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available 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 Security Trustee of such Reconciliation Amount.

"Interest Determination Ratio" means (a) the aggregate Revenue Receipts calculated in the most recent three Collection Periods for which there are Servicer Reports available for each of the three months in such Collection Period (or, where there are not at least three such Collection Periods, any previous Collection Periods) divided by (b) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Collection Periods.

"Reconciliation Amount" means in respect of any Collection Period, (a) the actual Principal Receipts as determined in accordance with the Servicer Reports available for each of the three months in such Collection Period, *less* (b) the Calculated Principal Receipts in respect of such Collection Period, *plus* (c) any Reconciliation Amount not applied in previous Collection Periods.

"Servicer Reports" means the reports to be provided by the Servicer to the Cash Manager in accordance with Clause 12.5 the Servicing Agreement (each a **"Servicer Report"**).

6. PAYMENTS

6.1 Payment of Interest and Principal

Payments of principal and interest shall be made upon application by the relevant Noteholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account 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 Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent.

6.2 Laws and Regulations

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, U.S. Treasury regulations or administrative guidance promulgated thereunder or any law or agreement implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and Condition 5.3(b) (*Rate of Interest and Step-up Margins*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) above and, in respect of any Registered Definitive Note, in accordance with this Condition 6.

6.4 Change of Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents **provided that**:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London and the Registrar with a specified office in Luxembourg or in London; and

- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 **No Payment on non-Business Day**

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 **Partial Payment**

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register, indicating the amount and date of such payment.

6.7 **Payment of Interest**

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

7. **REDEMPTION**

7.1 **Redemption at Maturity**

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in September 2049 (and for the avoidance of doubt, the order of priority on such redemption shall be as set out in the Pre-Acceleration Priority of Payments).

7.2 **Mandatory Redemption**

- (a) Each Class of Notes shall, subject to Condition 7.3 (*Optional Redemption of the Notes in Full*), 7.4 (*Optional Redemption for Taxation or Other Reasons*) and 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*) be redeemed on each Interest Payment Date and prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose (to the extent not used to credit the General Reserve Fund or the Liquidity Reserve Fund (if required)) which shall be applied on a *pro rata* basis: (i) to repay the Class A Notes until they are each repaid in full; and thereafter (ii) to repay the Class B Notes until they are each repaid in full; and thereafter (iii) to repay the Class C Notes until they are each repaid in full; and thereafter (iv) to repay the Class D Notes until they are each repaid in full; and thereafter (v) to repay the Class E Notes until they are each repaid in full; and thereafter (vi) to repay the Class F Notes until they are each repaid in full.
- (b) The principal amount redeemable in respect of each of the Notes (the "**Note Principal Payment**") on any Interest Payment Date shall be in the case of the Notes, the Available Principal Receipts available for such purpose on the Calculation Date immediately preceding the Interest Payment Date to be applied in redemption of that Class divided by

the number of Notes in that Class in the relevant denomination then outstanding. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of manifest error) be final and binding on all persons.

- (c) The Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange) the London Stock Exchange, and will immediately cause notice of each such determination to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on any Class of Notes on any Interest Payment Date a notice to this effect will be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

7.3 **Optional Redemption of the Notes in Full**

- (a) On giving not more than 60 nor less than 10 days' notice to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and the Note Trustee, and **provided that:**
 - (i) on or prior to the Interest Payment Date on which such notice expires (such Interest Payment Date on which the redemption occurs, the "**Optional Redemption Date**"), no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee (upon which certificate the Note Trustee may rely without further enquiry or liability) that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Priority of Payments); and
 - (iii) the Optional Redemption Date is any Interest Payment Date on which the aggregate 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 on the Closing Date,

the Issuer may redeem on any Optional Redemption Date all of the Notes on such Optional Redemption Date.

- (b) Any Notes redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Notes to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Notes up to but excluding the Optional Redemption Date.

7.4 **Optional Redemption for Taxation or Other Reasons**

If by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax then the Issuer shall, if the same would avoid the effect of such relevant event described above, 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 Note Trustee as principal debtor under the Notes and the Trust Deed, **provided that** (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders of any Class (and in making such determination, the Note Trustee may rely absolutely, without liability and without investigation or inquiry, on (A) any written confirmation from each of the Rating Agencies that the then current ratings of the Notes would not be adversely affected by such substitution) or (B) a written certification from the Issuer (on the basis of the appropriate advice having been received by the Issuer) to the Note 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) would not have an adverse effect on the rating of the Notes (upon which confirmation or certificate the Note Trustee shall be entitled to rely absolutely, without further enquiry and without liability to any person for so doing), and (ii) such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer certifies to the Note Trustee (upon which certification the Note Trustee may be entitled to rely absolutely and without further enquiry or liability), immediately before giving the notice referred to below that the event described above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee and Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption **provided that**, prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that (i) the circumstances referred to above prevails, (ii) setting out details of such circumstances and (iii) 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 Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer and each of the Paying Agents has or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept without enquiry or liability such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee (upon which certification the Note Trustee may be entitled to rely absolutely and without further enquiry) that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Revenue Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 **Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale**

- (a) On giving not more than 60 days' nor less than 3 Business days' notice to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and the Note

Trustee, upon the occurrence of a Portfolio Purchase in accordance with the provisions of the Deed Poll or a Market Portfolio Sale in accordance with the provisions of the Liquidation Agent Agreement, the consideration received by the Issuer will be applied in accordance with the Pre-Acceleration Principal Priority of Payments on the immediately succeeding Interest Payment Date with the result that the Notes will be redeemed in full in accordance with this Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

- (b) Any Note redeemed pursuant to Condition 7.5(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the Interest Payment Date on which the redemption occurred.

7.6 **Principal Amount Outstanding**

The "**Principal Amount Outstanding**" of the Notes on any date shall be their original principal amount of £1,241,400,000 in respect of the Class A Notes, £89,200,000 in respect of the Class B Notes, £66,000,000 in respect of the Class C Notes, £57,800,000 in respect of the Class D Notes, £46,200,000 in respect of the Class E Notes and £56,100,000 in respect of the Class F Notes, less the aggregate amount of all principal payments in respect of such Class of Notes which have been made since the Closing Date.

7.7 **Notice of Redemption and Priority of Redemption**

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Notes in Full*), Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) or 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (*Optional Redemption of the Notes in Full*), Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) or 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase*) may be relied on by the Note Trustee without further investigation or liability and, if so relied on, shall be conclusive and binding on the Noteholders.

Amounts to be applied towards redemption of Notes pursuant to this Condition 7 shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments.

7.8 **Liquidation of Portfolio**

If the Issuer is required to or proposes to exercise its rights to redeem the Notes in full pursuant to Condition 7.3 (*Optional Redemption of the Notes in Full*), Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) or Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*), the Issuer shall (except where the Notes are proposed to be redeemed in full pursuant to a Portfolio Purchase) direct the Liquidation Agent to effect a Market Portfolio Sale pursuant to the terms of the Liquidation Agent Agreement.

7.9 **Purchase by the Issuer**

The Issuer may at any time purchase Notes using Principal Receipts provided that all of the Notes in each Class in respect of which payment of principal ranks in order of priority ahead of payment of principal in respect of the Notes to be purchased have been redeemed in full and, in the case of any purchase of Definitive Notes, all unmatured coupons, receipts appertaining thereto are attached thereto or surrendered therewith.

7.10 **Cancellation**

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

8. **TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 7.4, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. **PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

10. **EVENTS OF DEFAULT**

10.1 **Notes**

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the Most Senior Class of Notes shall, (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction) give a notice (a "**Note Acceleration Notice**") to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest and all Residual Payments are immediately due and payable as provided in the Trust Deed, if any of the following events (each, an "**Event of Default**") occur:

- (a) subject to Condition 17, if default is made in the payment of any principal or interest due in respect of the Most Senior Class of Notes and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 **General**

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (*Notes*), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest and the Residual Certificates will become immediately due and payable as provided in the Trust Deed.

11. **ENFORCEMENT**

11.1 **General**

The Note Trustee may, at any time, at its discretion and without notice, take such proceedings (including lodging an appeal in any proceedings), actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or any of the other Transaction Documents to which it is a party or, for as long as any Notes or Residual Certificates are outstanding, direct the Security Trustee to enforce the Security in accordance with the terms of the Deed of Charge. However the Note Trustee and the Security Trustee (as applicable) shall not be bound to take any such proceedings, action or steps, and the Security Trustee shall not be bound to act on any such direction or instruction, unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders or Certificateholders (including the provisions set out in Clause 10 (*Action, Proceedings and Indemnification*) and Schedule 3 to the Trust Deed), the Note Trustee shall have been so directed (or the Note Trustee shall have been directed to direct the Security Trustee) by an Extraordinary Resolution of the holder of the Most Senior Class of Notes or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if all of the Notes have been redeemed, it has been directed to do so by an Extraordinary Resolution of the Most Senior Class of Certificateholders or in writing by the holders of at least 25 per cent. in number of the Most Senior Class of Residual Certificates; and
- (b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to their satisfaction.

No Noteholder or Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing. Any proceeds received by a Noteholder or a Certificateholder pursuant to any such proceedings shall be paid promptly following receipt thereof to the Note Trustee (for application pursuant to the Priorities of Payment).

11.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Property or any part thereof unless either:

- (a) a sufficient amount would be realised to allow discharge in full on a pro rata and pari passu basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders pursuant to the Post-Acceleration Priority of Payments) (or (I) once all of the Class A Noteholders have been repaid, to the Class B Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (II) once all the Class A Noteholders and the Class B Noteholders have been repaid, to the Class C Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (III) once all the Class A Noteholders, Class B Noteholders and Class C Noteholders have been repaid, to the Class D Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (IV) once all the Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders have been repaid, to the Class E Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (V) once all the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and the Class E Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments) have been repaid, to the Class F Noteholders, (VI) once all the Noteholders have been repaid, to the Principal Residual Certificateholders (when taken together with any earlier payment made to the Principal Residual Certificateholders, such amount paid to the Principal Residual Certificateholders not to exceed the PRC Overcollateralisation Amount) (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments)) and (VII) once payments due to the Principal Residual Certificateholders have been made (as above), to the Revenue Residual Certificateholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments); or
- (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders pursuant to the Post-Acceleration Priority of Payments) (or (I) once all of the Class A Noteholders have been repaid, to the Class B Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (II) once all the Class A Noteholders and the Class B Noteholders have been repaid, to the Class C Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (III) once all the Class A Noteholders, Class B Noteholders and Class C Noteholders have been repaid, to the Class D Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (IV) once all the Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders have been repaid, to the Class E Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (V) once all the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and the Class E Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments) have been repaid, to the Class F Noteholders, (VI) once all the Noteholders have been repaid, to the Principal Residual Certificateholders (when taken together with

any earlier payment made to the Principal Residual Certificateholders, such amount paid to the Principal Residual Certificateholders not to exceed the PRC Overcollateralisation Amount) (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments) and (VII) once payments due to the Principal Residual Certificateholders have been made (as above), to the Revenue Residual Certificateholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments)).

11.3 **Limitations on Enforcement**

No Noteholder or Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

11.4 **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 a Note 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 Payments Priorities,

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable Priority of Payments, to pay in full all claims ranking in priority to the Notes and all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (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 paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 11:

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Relevant Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

"Charged Property" means the property of the Issuer which is subject to the Security.

12. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

- 12.1 The Trust Deed contains provisions for convening meetings of the Noteholders and Certificateholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

For the purposes of these Conditions, **"Most Senior Class"** means:

- (a) the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes or, if there are no Class C Notes then outstanding, the Class D Notes or, if there are no Class D Notes outstanding, the Class E Notes or, if there are no Class E Notes then outstanding, the Class F Notes; and

- (b) if there are no Notes outstanding, the Principal Residual Certificates or, if there are no Principal Residual Certificates then outstanding, the Revenue Residual Certificates.

12.2 Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders

Other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of each of the relevant affected Classes of Notes and/or the Residual Certificates passed at separate meetings(s) of the holders of such classes and/or such Residual Certificates:

- (a) A resolution (including an Extraordinary Resolution) passed at any meeting of the holders of the Most Senior Class shall be binding on holders of all other Classes of Notes and the Residual Certificates irrespective of the effect it has upon them.
- (b) A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them.
- (c) A resolution (including an Extraordinary Resolution) passed at any meeting of Principal Residual Certificateholders shall be binding on the Revenue Residual Certificateholders.
- (d) No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders.

12.3 Quorum

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons present and holding or representing not less than 50% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes. The quorum at any meeting of any Class or Classes of Certificateholders for passing an Extraordinary Resolution will be one or more persons present and holding or representing not less than 50% of the number of the relevant Class or Classes of Residual Certificates then outstanding.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any of any Class or Classes of Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification of the date of payment of Residual Payments in respect of the Residual Certificates, or where applicable, of the method of calculating the date of payment in respect of the Residual Certificates, (iv) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (v) sanction a modification of the definitions of Residual Payment or Residual Payment Amount (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes senior to such Class or the Residual Certificates), (vi) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vii) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (viii) alter the definition of outstanding (as defined in the Master Definitions and Construction Schedule), or (ix) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons present and holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes or one or more persons present and

holding or representing in the aggregate not less than three-quarters of the number of the relevant Class or Classes of Residual Certificates then outstanding. The quorum at any adjourned meeting shall be one or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 10 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business including the passing of an Ordinary Resolution. The quorum at any adjourned meeting for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 25 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 25 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum for passing a Basic Terms Modification at any adjourned meeting shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 50 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. Any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at separate meetings of each Class of Noteholders or Class of Certificateholders, if so affected.

The Trust Deed contains similar provisions in relation to directions in writing from the Noteholders or Certificateholders upon which the Note Trustee is bound to act.

- 12.4 Subject to Condition 12.14 (*Mandatory Consents*) the Note Trustee may, from time to time and at any time, only with the consent of the Secured Creditors which are party to the relevant Transaction Document, and without the consent or sanction of the Noteholders or the Certificateholders or the other Secured Creditors, concur with the Issuer or any other person or (for as long as there are any Notes or Residual Certificates outstanding) instruct the Security Trustee to concur with the Issuer or any other person, in making or sanctioning any modification:
- (a) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, other than in respect of a Basic Terms Modification, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the holders of the Most Senior Class; or
 - (b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

The Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Note Trustee or the Security Trustee, as applicable, to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights, powers, authorities, indemnification or protections, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions and/or the Residual Certificates Conditions.

- 12.5 The Note Trustee may also without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any subsequent breach or Event of Default at any time and from time to time but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Most Senior Class shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Trust Deed or any other Transaction Document or determine that any Event of Default shall not be treated as such (and so long as there are any Notes or Residual Certificates outstanding direct the Security Trustee to do any of the foregoing), **provided that** the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class or by a direction under Condition 10 (*Events of Default*) or Residual Certificates Condition 9 (*Events of*

Default) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

- 12.6 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders and the Certificateholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*).
- 12.7 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.8 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption for Taxation Reasons*), the Note Trustee may also agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions, the Residual Certificates, the Residual Certificates Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders or Certificateholders of any Class.
- 12.9 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Rated Notes. It is agreed and acknowledged by the Note Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Note Trustee, the Noteholders, the Certificateholders or any other person or create any legal relations between each of the Rating Agencies and the Note Trustee, the Noteholders, the Certificateholders or any other person whether by way of contract or otherwise.
- 12.10 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes or to the Certificateholders, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class or to the Certificateholders as a whole but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) or Certificateholders and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Certificateholders.
- 12.11 **"Extraordinary Resolution"** means:
- (a) in respect of the holders of any Class of Notes:
 - (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such

meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or

- (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders;
- (b) in respect of the Certificateholders:
- (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed, these Conditions and the Residual Certificates Conditions, by a majority consisting of persons present and holding or representing in the aggregate not less than three quarters of the number of Residual Certificates of such Class then outstanding and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
 - (ii) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters of the number of Residual Certificates of such Class then outstanding, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders.

12.12 "Ordinary Resolution"

- (a) means in respect of the holders of any Class of Notes:
- (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a clear majority of the persons eligible to attend and vote at such meeting and voting at such meeting on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or
 - (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders;
- (b) means in respect of the Certificateholders:
- (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of persons present and holding or representing in the aggregate more than half of the number of Residual Certificates of such Class then outstanding and vote at such meeting and voting at such meeting on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or
 - (ii) a resolution in writing signed by or on behalf of the Certificateholders by a majority consisting of persons present and holding or representing in the aggregate more than half of the number of Residual Certificates of such Class then outstanding, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders. Details of any Extraordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Principal Paying Agent on behalf of the Issuer.

12.13 Issuer Substitution Condition

The Note Trustee may concur, with the Issuer to any substitution under these Conditions and subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and the Residual Certificates and in respect of the other Secured Obligations, **provided that** the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.13, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders or the Certificateholders, to a change in law governing the Notes and/or the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders of any Class.

12.14 **Mandatory consents**

Without prejudice to the provisions of Conditions 12.4 and 12.5, the Issuer, Servicer or the Cash Manager (each a "**Requesting Party**") may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Notes or Residual Certificates remain outstanding) direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect the closure of the Collection Account held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be the Co-operative Bank) as the replacement collection account bank (the "**Replacement Collection Account Bank**"), the opening of one or more replacement collection accounts with the Replacement Collection Account Bank (which may each be used to collect direct debit payments in respect of one or more Sellers and/or other payments in respect of loans not in the Portfolio) (each a "**Replacement Collection Account**"), the transfer of any monies from the Collection Account to a Replacement Collection Account and the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account) (the "**Transaction Amendments**"), irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any Certificateholder, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or the Certificateholders or any other Secured Creditors if the Amendment Conditions are satisfied. "**Amendment Conditions**", means:

- (i) the Replacement Collection Account Bank meets the Collection Account Rating Agency Required Ratings;
- (ii) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that Moody's and any other Rating Agency not included in the definition of Collection Account Rating Agency Required Ratings have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objections thereto;
- (iii) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and
- (iv) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (i) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or the Security Trustee or (ii) exposing the Note Trustee or the Security Trustee to any liability which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

For the avoidance of doubt and notwithstanding anything to the contrary in the other Transaction Documents, neither the Note Trustee nor the Security Trustee shall consider the interests of any other person in entering into (or, where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them shall rely without liability and without investigation on any confirmation provided to it in connection with the Transaction Amendments and shall not monitor or investigate whether the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be) is acting in a commercially reasonable manner, nor shall either of them be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on any written notification or confirmation it receives from the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be).

Reference in this Condition 12.14 to a confirmation in writing of a Requesting Party shall be to a written confirmation signed by, in the case of the Issuer, two directors thereof and in all other cases two authorised signatories of such Requesting Party.

12.15 **Additional Right of Modification**

Notwithstanding any of the provisions of Condition 12 (*Meetings of Noteholders, Modifications, Consents, Waiver and Substitution*) and Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*), the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, Certificateholders, or, subject to proviso (C) below, any of the other Secured Creditors, to concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modification (other than in respect of a Basic Terms Modification) to these Conditions or any other Transaction Document to which either the Note Trustee or the Security Trustee is a party or in relation to which the Security Trustee holds Security that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that the Issuer (or the Servicer on its behalf) certifies in writing to the Note Trustee and the Security Trustee (as applicable) that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
- (b) for the purpose of complying with any changes in the requirements of Article 405 of Regulation (EU) No. 575/2013 (the "**CRR**"), Article 17 of the Alternative Investment Fund Managers Directive ("**AIFMD**"), Article 51(1) of Regulation (EU) No 231/2013 (the "**AIFMR**") and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**") after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMD, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on the London Stock Exchange, provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or any other person that is party to a Transaction Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of

such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or the Servicer on its behalf) or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto, provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee (as applicable) 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 Servicer on its behalf) or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (e) above being a "**Modification Certificate**"), (upon which the Note Trustee and the Security Trustee (as applicable) may rely absolutely and without further enquiry or liability to any person for so doing), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee (as applicable);
- (B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee (as applicable) both at the time the Note Trustee and the Security Trustee (as applicable) is notified of the proposed modification and on the date that such modification takes effect;
- (C) the prior written consent of each Secured Creditor (other than any Noteholder and Certificateholder) which is party to the Relevant Document has been obtained;
- (D) either:
 - (1) the Issuer (or the Servicer on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate 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 the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or
 - (2) the Issuer (or the Servicer on its behalf) certifies in the Modification Certificate 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 the 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 and the Certificateholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes; and

- (F) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if no Notes are outstanding, Certificateholders representing at least 10 per cent. in number of the Most Senior Class of Residual Certificates then outstanding have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or (as applicable) the Residual Certificates may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders or Certificateholders object to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Most Senior Class then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes or the Certificateholder's holding of the Residual Certificates.

Where such Noteholders or Certificateholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Most Senior Class then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*), then the Note Trustee shall be obliged to agree to the modification and such modification will be made.

Other than where specifically provided in this Condition 12.15 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 12.15 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee or the Security Trustee shall not consider the interests of the Noteholders, Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 12.15 (*Additional Right of Modification*) and shall not be liable to the Noteholders, Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) the Note Trustee (or as the case may be, the Security Trustee) shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or these Conditions.

Any such modification shall be binding on all Noteholders and Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors;
- (c) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*); and
- (d) the Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*).

13. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. **REPLACEMENT OF NOTES**

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

15. **NOTICE TO NOTEHOLDERS**

15.1 **Publication of Notice**

- (a) Subject to paragraph (c) below any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, **provided that** if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the 4th day after the date of posting.

- (c) Whilst the Notes are represented by Global Note, notices to Noteholders will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

15.2 **Note Trustee's Discretion to Select Alternative Method**

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

16. **REPLACEMENT NOTES**

- 16.1 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Noteholders or of the Certificateholders, issue one or more Classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of the Notes, each Class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, **provided that** the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Notes in Full*).

- 16.2 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is not satisfied, the Issuer may, without the consent of the Noteholders, issue one or more Classes of Replacement Notes to replace one or more Classes of the Notes, each class of which shall have the same terms and conditions in all respects as the Class of Notes which is replaced (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the Class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a "**Financial Guarantee**")) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Class of Notes which it replaces, **provided that** the Class or Classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Notes in Full*), in respect of such issue of Replacement Notes and **provided further that**, for the purposes of this Condition 16.2, where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

17. **SUBORDINATION BY DEFERRAL**

17.1 **Interest**

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 17, include any interest previously deferred under this Condition 17.1 and accrued interest thereon) payable (other than in respect of the Notes) after having paid or provided for items of higher priority in the Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the relevant Class of Notes (other than the Most Senior Class of Notes) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Revenue Priority of Payments).

17.2 **General**

Any amounts of Deferred Interest in respect of any Class of Notes shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 17.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes become due and repayable in full in accordance with these Conditions.

17.3 **Notification**

As soon as practicable after becoming aware that any part of a payment of interest on any Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 17, the Issuer will give notice thereof to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 17 will not constitute an Event of Default. The provisions of this Condition 17 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all Deferred Interest and Additional Interest thereon shall become due and payable.

18. **GOVERNING LAW**

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law (other than certain supplemental security documents to be granted pursuant to the Deed of Charge which will be governed by and shall be construed in accordance with Scots law).

19. **RIGHTS OF THIRD PARTIES**

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

TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

*The following are the Terms and Conditions of the Residual Certificates (the "**Residual Certificates Conditions**") and any reference to a Residual Certificate Condition shall be construed accordingly) in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)*

1. GENERAL

The 100 principal residual certificates (the "**Principal Residual Certificates**") and 100 revenue residual certificates (the "**Revenue Residual Certificates**" and together with the Principal Residual Certificates the "**Residual Certificates**") of Warwick Finance Residential Mortgages Number Two PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 25 September 2015 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Certificateholders (in such capacity, the "**Note Trustee**").

Any reference in these Residual Certificates Conditions to a Class of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, or to the respective holders thereof. Any reference in these Residual Certificates Conditions to a Class of Residual Certificates or Residual Certificateholders shall be a reference to the Principal Residual Certificates, the Revenue Residual Certificates or as the case may be to the respective holders thereof. Any reference in these Residual Certificates Conditions to the Certificateholders means the registered holders for the time being of the Residual Certificates.

The security for the Residual Certificates is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

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

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

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

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM AND TITLE

2.1 Form and Denomination

Each Principal Residual Certificate will initially be represented by a Global Principal Residual Certificate in registered form (a "**Global Principal Residual Certificate**"). Each Revenue

Residual Certificate will initially be represented by a Global Revenue Residual Certificate in registered form (a "**Global Revenue Residual Certificate**").

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

A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate, the "**Registered Definitive Residual Certificates**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
 - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or
 - (ii) announce an intention permanently to cease business and do so cease to do business

and in either case no alternative clearing system satisfactory to the Note Trustee is available; or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Registered Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to Residual Certificates in these Residual Certificates Conditions shall include the Global Residual Certificates and the Registered Definitive Residual Certificates.

2.2 **Title**

Title to the Global Residual Certificates shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Registered Definitive Residual Certificates may be transferred upon the surrender of the relevant Registered Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Registered Definitive Residual Certificates are subject to any restrictions on transfer set forth on the Registered Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Residual Certificate to be issued upon transfer of such Registered Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Registered Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity and/or security and/or prefunding as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Residual Certificates are not issuable in bearer form.

3. STATUS AND SECURITY

3.1 Status of the Residual Certificates

- (a) The Principal Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 10 (*Enforcement*)) unconditional obligations of the Issuer. The Principal Residual Certificates rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payments on the Principal Residual Certificates. Payments of principal on the Notes will at all times rank in priority to payments on the Principal Residual Certificates.
- (b) The Revenue Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 10 (*Enforcement*)) unconditional obligations of the Issuer. The Revenue Residual Certificates rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payments on the Revenue Residual Certificates. Payments of interest on the Notes will at all times rank in priority to payments on the Revenue Residual Certificates.
- (c) The Trust Deed also contains provisions requiring the Note Trustee to have regard to the interests of the Residual Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee but requiring the Note Trustee in any such case to have regard only to the interests of the Noteholders for so long as there are any Notes outstanding, **provided that**, the Note Trustee in its sole opinion shall have regard to the interests of only the Principal Residual Certificateholders if, (for so long as there are any Principal Residual Certificates outstanding), in the Note Trustee's opinion, there is a conflict between the interests of the Principal Residual Certificateholders and the Revenue Residual Certificateholders.

3.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Certificateholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;

- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Deposit Accounts, unless such account or interest therein is charged to the Security Trustee for itself and on trust for the other Secured Creditors on terms acceptable to the Security Trustee;
- (j) **Purchase Residual Certificates:** purchase or otherwise acquire any Residual Certificates; or
- (k) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

5. RESIDUAL PAYMENTS

5.1 Right to Residual Payments

Each Principal Residual Certificate represents a *pro rata* entitlement to receive Principal Residual Payments. Each Revenue Residual Certificate represents a *pro rata* entitlement to receive Revenue Residual Payments.

5.2 Payment

Residual Payments will be payable on the Interest Payment Dates, determined in accordance with the Conditions of the Notes, subject to such Interest Payment Date not falling within a Determination Period (as determined in accordance with the Conditions of the Notes) (in which event, no Residual Payments will be payable in respect of the Residual Certificates).

In these Residual Certificates Conditions:

- (a) **"Interest Payment Date"** means, each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.
- (b) **"Principal Residual Payment"** means:
 - (i) prior to the delivery of a Note Acceleration Notice, for an Interest Payment Date, the amount by which the Available Principal Receipts exceeds the amounts required to satisfy items (a) to (r) of the Pre-Acceleration Principal Priority of Payments; and
 - (ii) following the delivery of a Note Acceleration Notice, for any date on which amounts are to be applied in accordance with the Post-Acceleration Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Acceleration Priority of Payments exceeds the amounts required to satisfy items (a) to (n) of the Post-Acceleration Priority of Payments on that date, provided that the aggregate Principal Residual Payments paid pursuant to this sub-paragraph shall not exceed an amount equal to the PRC Overcollateralisation Amount *less* the aggregate amount of all payments in respect of the Principal Residual Certificates which have been made since the Closing Date.
- (c) **"Principal Residual Payment Amount"** means for each Principal Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Priority of Payments, the Principal Residual Payment for that date, divided by 100.
- (d) **"Revenue Residual Payment"** means:
 - (i) prior to the delivery of a Note Acceleration Notice, for an Interest Payment Date, the amount by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (q) of the Revenue Priority of Payments on that Interest Payment Date; and
 - (ii) following the delivery of a Note Acceleration Notice, for any date on which amounts are to be applied in accordance with the Post-Acceleration Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Acceleration Priority of Payments exceeds the amounts required to satisfy items (a) to (p) of the Post-Acceleration Priority of Payments on that date.
- (e) **"Revenue Residual Payment Amount"** means for each Revenue Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Priority of Payments, the Revenue Residual Payment for that date, divided by 100.
- (f) **"Residual Payment"** means a Principal Residual Payment or a Revenue Residual Payment as the context may require.
- (g) **"Residual Payment Amount"** means for each Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Priority of Payments, the Residual Payment for that date, divided by 100.

5.3 **Determination of Residual Payment**

The Cash Manager shall, as soon as practicable after 11.00 a.m. (London time) on each Calculation Date occurring immediately prior to an Interest Payment Date but in no event later than the third Business Day thereafter, determine the Principal Residual Payment and Revenue Residual Payment, in respect of each Residual Certificate, the Principal Residual Payment Amount and Revenue Residual Payment Amount as applicable.

5.4 **Publication of Residual Payment and Residual Payment Amount**

The Cash Manager shall cause each Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. Each Residual Payment and Residual Payment Amount may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.5 **Determination by the Note Trustee**

The Note Trustee may, without liability therefor, if the Cash Manager defaults at any time in its obligation to determine the Residual Payments and Residual Payment Amounts (if any) in accordance with the above provisions and the Note Trustee has been notified of this default, determine or cause to be determined the Residual Payments and Residual Payment Amounts (if any), in the manner provided in this Residual Certificates Condition 5. Any such determination shall be deemed to be determinations made by the Cash Manager.

5.6 **Notifications, etc to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 5, whether by the Cash Manager or the Note Trustee, will (in the absence of manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Residual Certificates Condition 5.

5.7 **Termination of Payments and cancellation of Residual Certificates**

Following the redemption in full of the Notes and the realisation of the Charged Property, and payment of the proceeds on accordance with the relevant Priority of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be cancelled.

6. **PAYMENTS**

6.1 **Payment of Residual Payment Amounts**

Payments of the Principal Residual Payment Amount and Revenue Residual Payment Amount shall be made upon application by the relevant Certificateholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London.

6.2 **Laws and Regulations**

Payments of Residual Payment Amounts are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an

intergovernmental approach thereto. Certificateholders will not be charged commissions or expenses on payments.

6.3 **Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Luxembourg or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*) and will notify the Rating Agencies of such change or addition.

6.4 **No Payment on non-Business Day**

If the date for payment of any amount in respect of a Residual Certificate is not a Presentation Date, Certificateholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Residual Certificates Condition 6.4, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

7. **TAXATION**

All payments of Residual Payment Amounts by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

8. **PRESCRIPTION**

Claims in respect of Residual Payment Amounts will be prescribed after five years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 8, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*).

9. **EVENTS OF DEFAULT**

9.1 **Residual Certificates**

Provided all of the Notes have been redeemed in full, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. of the of the Most Senior

Class of Residual Certificates then outstanding or if so directed by an Extraordinary Resolution of the of the Most Senior Class of Residual Certificates then outstanding shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction) give a notice (a "**Note Acceleration Notice**") to the Issuer that any Residual Payments pursuant to the Residual Certificates of all Classes are immediately due and payable if any of the following events (each, an "**Event of Default**") occur:

- (a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of 14 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

9.2 **General**

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Residual Certificates Condition 9.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

10. ENFORCEMENT

10.1 General

The Note Trustee may, at any time, at its discretion and without notice, take such proceedings (including lodging an appeal in any proceedings), actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Residual Certificates or the Trust Deed (including the Conditions or these Residual Certificates Conditions) or any of the other Transaction Documents to which it is a party or, for as long as any Notes or Residual Certificates are outstanding, direct the Security Trustee to enforce the Security in accordance with the terms of the Deed of Charge. However the Note Trustee and the Security Trustee (as applicable) shall not be bound to take any such proceedings, action or steps, and the Security Trustee shall not be bound to act on any such direction or instruction, unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking Class or Classes of Noteholders or Certificateholders (including the provisions set out in Clause 13 (*Action, Proceedings and Indemnification*) and Schedule 3 to the Trust Deed), the Note Trustee shall have been so directed (or the Note Trustee shall have been directed to direct the Security Trustee) by an Extraordinary Resolution of the holders of the Most Senior Class of Residual Certificates or directed in writing by the holders of at least 25 per cent. in number of the Residual Certificates; and
- (b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to their satisfaction.

No Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing. Any proceeds received by a Certificateholder pursuant to any such proceedings shall be paid promptly following receipt thereof to the Note Trustee (for application pursuant to the Priorities of Payment).

10.2 Limitations on Enforcement

No Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

10.3 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 a Note Acceleration Notice; and
- (b) realisation of the Charged Property and application in full of any amounts available to pay amounts outstanding under the Residual Certificates (including Residual Payments),

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable Priority of Payments, to pay all amounts outstanding under the Residual Certificates (including Residual Payments) then due and payable then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 10:

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Relevant Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

"Charged Property" means the property of the Issuer which is subject to the Security.

11. **MEETINGS OF CERTIFICATEHOLDERS AND NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

11.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class, and the Certificateholders of each Class and, in certain cases, more than one Class, to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions, the Residual Certificates Conditions or the provisions of any of the Transaction Documents.

For the purposes of these Residual Certificates Conditions, **"Most Senior Class"** means:

- (a) the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes or, if there are no Class C Notes then outstanding, the Class D Notes or, if there are no Class D Notes outstanding, the Class E Notes or, if there are no Class E Notes then outstanding, the Class F Notes; and
- (b) if there are no Notes outstanding, the Principal Residual Certificates or, if there are no Principal Residual Certificates then outstanding, the Revenue Residual Certificates.

11.2 **Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders**

Other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of each of the relevant affected Classes of Notes and/or the Residual Certificates passed at separate meetings of the holders of such classes and/or such Residual Certificates:

- (a) A resolution (including an Extraordinary Resolution) passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and the Residual Certificates irrespective of the effect it has upon them.
- (b) A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them.
- (c) A resolution (including an Extraordinary Resolution) passed at any meeting of Principal Residual Certificateholders shall be binding on the Revenue Residual Certificateholders.
- (d) No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders.

11.3 **Quorum**

- (a) Subject as provided below, the quorum at any meeting of Certificateholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons present and holding or representing not less than 50% of the number of Residual Certificates of the relevant Class or Classes then outstanding.

- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any of any Class or Classes of Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification the date of payment of Residual Payments in respect of the Residual Certificates, or where applicable, or of the method of calculating the date of payment in respect of the Residual Certificates, (iv) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (v) sanction a modification of the definitions of Residual Payment or Residual Payment Amount (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes senior to such Class or the Residual Certificates) (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (vi) alter the quorum or majority required in relation to this exception, (vii) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (viii) alter the definition of outstanding (as defined in the Master Definitions and Construction Schedule), or (ix) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons present and holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes or one or more persons present and holding or representing in the aggregate not less than three-quarters of the number of Residual Certificates of the relevant Class or Classes then outstanding. The quorum at any adjourned meeting shall be one or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 10 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business including the passing of an Ordinary Resolution. The quorum at any adjourned meeting for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 25 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 25 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum at any adjourned meeting for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 50 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. Any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at separate meetings of each Class of Noteholders or Class of Certificateholders, if so affected.

The Trust Deed contains similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee is bound to act.

- 11.4 Subject to Residual Certificate Condition 11.13 (*Mandatory Consents*), the Note Trustee may from time to time and at any time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents, and without the consent or sanction of the Noteholders or Certificateholders or any other Secured Creditors, concur with the Issuer or any other person or (for as long as there are any Residual Certificates outstanding) instruct the Security Trustee to concur with the Issuer or any other person, in making or sanctioning any modification:
- (a) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, other than in respect of a Basic Terms Modification, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the holders of the Most Senior Class; or

- (b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

The Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Note Trustee or the Security Trustee, as applicable, to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights, powers, authorities, indemnification or protections, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions and/or these Residual Certificates Conditions.

- 11.5 The Note Trustee may also without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any subsequent breach or Event of Default at any time and from time to time but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Most Senior Class shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Trust Deed or any other Transaction Document or determine that any Event of Default shall not be treated as such (and so long as there are any Residual Certificates outstanding direct the Security Trustee to do any of the foregoing) provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class or by a direction under Condition 10 (*Events of Default*) or Residual Certificates Condition 9 (*Events of Default*)) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 11.6 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders and the Certificateholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*).
- 11.7 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 11.8 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption for Taxation Reasons*), the Note Trustee may also agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to a change of the laws governing the Notes, the Conditions, the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders of any Class, or Certificateholders of any Class or the other Secured Creditors.
- 11.9 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Residual Certificates Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Certificateholders, it shall have regard to the general interests of the Certificateholders but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Certificateholders be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any

indemnification or payment in respect of any tax consequences of any such exercise upon individual Certificateholders.

11.10 **"Extraordinary Resolution" means in respect of the Certificateholders:**

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Residual Certificates Conditions by a majority consisting of not less than three quarters of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters of the Residual Certificates which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders.

11.11 **"Ordinary Resolution" means in respect of the Certificateholders:**

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Residual Certificates Conditions by a clear majority of persons eligible to attend and vote at such meeting and voting at such meeting on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders.

11.12 **Issuer Substitution Condition**

The Note Trustee may concur, with the Issuer to any substitution under the Conditions, these Residual Certificates Conditions and subject to such amendment of the Conditions, these Residual Certificates Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders or the Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes and the Residual Certificates are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Residual Certificates Condition 4 (*Issuer Covenants*). In the case of a substitution pursuant to the Conditions or this Residual Certificates Condition 11.12, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders or the Certificateholders, to a change in law governing the Note, the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders of any Class or the Certificateholders of any Class.

11.13 **Mandatory consents**

Without prejudice to the provisions of Residual Certificates Conditions 11.4 and 11.5, the Issuer, Servicer or the Cash Manager (each a **"Requesting Party"**) may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Residual Certificates remain outstanding) direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect the closure of the Collection Account held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be the Co-operative Bank) as the replacement collection account bank (the **"Replacement Collection Account Bank"**), the opening of a replacement collection account with the Replacement Collection Account Bank (the **"Replacement Collection Account"**), the transfer of any monies from the Collection Account to the Replacement Collection Account and

the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account) (the "**Transaction Amendments**"), irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any Certificateholder, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the Amendment Conditions are satisfied. "**Amendment Conditions**", means:

- (i) the Replacement Collection Account Bank meets the Collection Account Rating Agency Required Ratings;
- (ii) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that Moody's and any other Rating Agency not included in the definition of Collection Account Rating Agency Required Ratings have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objections thereto;
- (iii) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and
- (iv) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (i) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or the Security Trustee or (ii) exposing the Note Trustee or the Security Trustee to any liability which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

For the avoidance of doubt and notwithstanding anything to the contrary in the other Transaction Documents, neither the Note Trustee nor the Security Trustee shall consider the interests of any other person in entering into (or, where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them shall rely without liability and without further liability and without investigation on any confirmation provided to it in connection with the Transaction Amendments and shall not monitor or investigate whether the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be) is acting in a commercially reasonable manner, nor shall either of them be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on any written notification or confirmation it receives from the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be).

Reference in this Residual Certificate Condition 11.13 to a confirmation in writing of a Requesting Party shall be to a written confirmation signed by, in the case of the Issuer, two directors thereof and in all other cases two authorised signatories of such Requesting Party.

11.14 **Additional Right of Modification**

Notwithstanding any of the provisions of Condition 12 (Meetings of Noteholders, Modifications, Consents, Waiver and Substitution) and Residual Certificates Condition 11 (Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution), the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, Certificateholders, or, subject to proviso (C) below, any of the other Secured Creditors, to concur with the Issuer and/or direct the Security Trustee in making any modification (other than in respect of a Basic Terms Modification) to these Conditions or any other Transaction Document to which either the Note Trustee or the Security Trustee is a party or in relation to which the Security Trustee holds Security that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that the Issuer (or the Servicer on its behalf) certifies in writing to the Note Trustee and the Security Trustee (as applicable) that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
- (b) for the purpose of complying with any changes in the requirements of Article 405 of Regulation (EU) No. 575/2013 (the "**CRR**"), Article 17 of the Alternative Investment Fund Managers Directive ("**AIFMD**"), Article 51(1) of Regulation (EU) No 231/2013 (the "**AIFMR**") and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**") after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMD, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on the London Stock Exchange, provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or any other person that is party to a Transaction Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or the Servicer on its behalf) or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto, provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee (as applicable) 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 Servicer on its behalf) or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (e) above being a "**Modification Certificate**"), (upon which the Note Trustee and the Security Trustee (as applicable) may rely absolutely and without further enquiry or liability to any person for so doing), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee (as applicable);
- (B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee (as applicable) both at the time the Note Trustee and the Security Trustee (as applicable) is notified of the proposed modification and on the date that such modification takes effect;

- (C) the prior written consent of each Secured Creditor (other than any Noteholder and Certificateholder) which is party to the Relevant Document has been obtained;
- (D) either:
 - (1) the Issuer (or the Servicer on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate 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 the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or
 - (2) the Issuer (or the Servicer on its behalf) certifies in the Modification Certificate 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 the 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 and the Certificateholders of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes; and
- (F) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding or if no Notes are outstanding, Certificateholders representing at least 10 per cent. in number of the most senior Class of Residual Certificates then outstanding have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or (as applicable) Residual Certificates may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders object to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding, or if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the most senior Class of Residual Certificates then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Most Senior Class then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes, or the Certificateholder's holding of the Residual Certificates.

Where such Noteholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Most Senior Class of Residual Certificates then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*), then the Note Trustee shall be obliged to agree to the modification and such modification will be made.

Other than where specifically provided in this Residual Certificate Condition 11.14 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Residual Certificate Condition 11.14 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee or the Security Trustee shall not consider the interests of the Noteholders, Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Residual Certificate Condition 11.14 (*Additional Right of Modification*) and shall not be liable to the Noteholders, Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) the Note Trustee (or as the case may be, the Security Trustee) shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or these Residual Certificates Conditions.

Any such modification shall be binding on all Noteholders and Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors;
- (c) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*); and
- (d) the Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*).

12. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

13. **REPLACEMENT OF RESIDUAL CERTIFICATES**

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

14. **NOTICE TO CERTIFICATEHOLDERS**

14.1 **Publication of Notice**

Whilst the Residual Certificates are represented by Global Residual Certificates, notices to Certificateholders will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Certificateholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

14.2 **Note Trustee's Discretion to Select Alternative Method**

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Certificateholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the quotation systems on or by which the Residual Certificates are then quoted and/or traded and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall require.

15. **REPLACEMENT RESIDUAL CERTIFICATES**

If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Certificateholders, issue replacement residual certificates ("**Replacement Residual Certificates**") to replace the Residual Certificates, which shall have terms and conditions which may differ from the terms and conditions of the Residual Certificates which it replaces.

16. **GOVERNING LAW**

The Trust Deed, the Deed of Charge, the Residual Certificates and these Residual Certificates Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law (other than certain supplemental security documents to be granted pursuant to the Deed of Charge which will be governed by and shall be construed in accordance with Scots law).

17. **RIGHTS OF THIRD PARTIES**

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

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of 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 Residual Certificates are not considered below.

UK Withholding Tax - Payments of interest on the Notes

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000).

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Provision of Information

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other countries.

Information relating to the Notes may also be required to be provided automatically to HMRC by "financial institutions" under regulations made under section 222 of the Finance Act 2013, which implement the requirements of various automatic information exchange programmes, including FATCA, Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended), the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014, and arrangements between the United Kingdom and its overseas territories and crown dependencies.

Other Rules Relating to United Kingdom Withholding Tax

1. Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.

2. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
3. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.
4. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 12.13 of the Notes or otherwise and does not consider the tax consequences of any such substitution.

Stamp Taxes

Provided that the Notes do not carry and will not at any time carry a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital, no United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on a transfer of, or agreement to transfer, any Notes.

No United Kingdom stamp duty reserve tax should be payable on the issue of any Residual Certificate or agreements to transfer any Residual Certificate. No United Kingdom stamp duty should be payable on the issue of any Residual Certificate or on any transfer of any Residual Certificate effected by electronic means. United Kingdom stamp duty may be payable on any instrument transferring a Residual Certificate or on any documentary agreement to transfer any interest in a Residual Certificate. If such an instrument or agreement were created then stamp duty would be chargeable at the rate of 0.5% of the stampable consideration for the transfer or agreement to transfer.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State (unless during that period it elects otherwise). In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described in the first paragraph above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover additional types of income payable on securities.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT

FATCA imposes a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any 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 after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an IGA). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being FATCA Withholding") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**US-UK IGA**") based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-UK IGA, it does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI or a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

While the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, Definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.

SUBSCRIPTION AND SALE

Bank of America Merrill Lynch, Morgan Stanley, Citigroup and RBS (the "**Joint Lead Managers**"), pursuant to a subscription agreement dated on or about 22 September 2015 between the Co-operative Bank p.l.c., the Sellers, the Arranger, the Joint Lead Managers and the Issuer (the "**Subscription Agreement**"), have agreed with the Issuer (subject to certain conditions) that the Joint Lead Managers will subscribe and pay for £250,000,000 of the Class A Notes at the issue price of 99.31 per cent. of the aggregate principal amount of the Class A Notes, Bank of America Merrill Lynch and Morgan Stanley will subscribe and pay for £89,200,000 of the Class B Notes at the issue price of 95.25 per cent. of the aggregate principal amount of the Class B Notes, £66,000,000 of the Class C Notes at the issue price of 93.82 per cent. of the aggregate principal amount of the Class C Notes, £57,800,000 of the Class D Notes at the issue price of 92.03 per cent. of the aggregate principal of the Class D Notes, and Bank of America Merrill Lynch will subscribe and pay for £46,200,000 of the Class E Notes at the issue price of 89.90 per cent. of the aggregate principal amount of the Class E Notes and £56,100,000 of the Class F Notes at the issue price of 88.82 per cent. of the aggregate principal amount of the Class F Notes. Bank of America Merrill Lynch has agreed to procure purchasers for all of the Residual Certificates to be issued to the Sellers on the Closing Date pursuant to the Mortgage Sale Agreements, for same day settlement on the Closing Date.

The Issuer has agreed to indemnify the Co-operative Bank, the Joint Lead Managers and the Arranger against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes and the Residual Certificates.

Other than admission of the Notes to the Official List and the admission of the Notes to trading on the London Stock Exchange's Regulated Market, no action has been taken by the Issuer, the Co-operative Bank, the Joint Lead Managers or the Arranger, 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.

The Sellers will covenant to the Arranger and Joint Lead Managers that they will, whilst any of the Notes remain outstanding, retain on an ongoing basis a net economic interest of 5 per cent. in the nominal value of the securitised exposures, where such exposures would otherwise have been sold by the Sellers to the Issuer for the purposes of the securitisation in accordance with the text of Article 405 of the CRR (as amended), Article 51 of the AIFMR and Article 254(2) of the Solvency II Delegated Act (which, in each case, does not take into account any corresponding national measures). Further, the Sellers will covenant to the Arranger and Joint Lead Managers that they shall comply with the disclosure obligations of the CRR as well as the AIFMR, subject always to any requirement of law, provided that the Sellers will not be in breach of such undertaking if they fail to so comply due to events, actions or circumstances beyond their control.

Each of the Sellers has prior to entering into the relevant Mortgage Sale Agreement identified the mortgage loans to be included in the Closing Date Portfolio. Statistical and other information on the Provisional Portfolio is set out in the section of this Prospectus entitled "*Characteristics of the Provisional Portfolio*". From the Provisional Portfolio, Loans will be randomly selected to comprise the Closing Date Portfolio (following the removal of any Loan in relation to which it is discovered there has been a breach of a Loan Warranty). In addition to the Closing Date Portfolio, mortgage loans have been randomly selected from the Provisional Portfolio (following the removal of certain Loans as described above) representing no less than 5 per cent. of the nominal amount of the Closing Date Portfolio, which will be held as at the Closing Date by the relevant Seller in compliance with Article 405 of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Delegated Act. All loans held by the Sellers for the purposes of such compliance would have been eligible for the Closing Date Portfolio had they been randomly selected for inclusion.

Any change in the manner in which the interest is held will be notified to the Noteholders.

Pursuant to the terms of the Subscription Agreement, the relevant Sellers may assign, transfer or novate their rights, obligations and liabilities (other than any obligations relating to retentions of 5 per cent. of the net economic interest, except to the extent such obligation is capable of being transferred or novated in accordance with the applicable legislation and regulation and would not cause the transaction described in this Prospectus to cease to be compliant with the risk retention requirements under Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Delegated Act) to the Co-op or one of

its subsidiaries. In that event, the obligations, liabilities and rights of the relevant Seller will become the obligations, liabilities and rights of the entity acquiring them.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes and the Residual Certificates have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes and the Residual Certificates are being offered and sold in offshore transactions in reliance on Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes or the Residual Certificates as part of its distribution (if any) at any time or otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes or Residual Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes or, as applicable, Residual Certificates within the United States or to, or for the account or benefit of, U.S. persons. See "*Transfer Restrictions and Investor Representations*" below.

United Kingdom

The Co-operative Bank has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Co-operative Bank has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, having applied for the admission of the Notes to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange, no further action has been or will be taken in any jurisdiction by the Co-operative Bank 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.

General

The Co-operative Bank 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.

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 disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (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
- (c) the Issuer, the Registrar, the Arranger, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List and the admission of the Notes to trading on the London Stock Exchange's Regulated Market will be granted on or around 25 September 2015. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The entirety of each Class of Notes will be listed. Residual Certificates will not be listed.
2. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since 17 April 2015 (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 (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the London Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List and to trading on the London Stock Exchange's Regulated Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 17 April 2015 (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.
7. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 28 August 2015.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

Class of Notes	ISIN	Common Code
Class A Notes	XS1255425495	125542549
Class B Notes	XS1255425735	125542573
Class C Notes	XS1255425909	125542590
Class D Notes	XS1255426204	125542620
Class E Notes	XS1255426469	125542646
Class F Notes	XS1255426899	125542689
Principal Residual Certificates	XS1255427780	125542778
Revenue Residual Certificates	XS1255428911	125542891

From the date of this Prospectus and for so long as the Notes are listed on the London Stock Exchange's Regulated Market, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

- (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;

- (b) copies of the following documents:
 - (i) the Agency Agreement;
 - (ii) the Deed of Charge;
 - (iii) the Cash Management Agreement;
 - (iv) the Master Definitions and Construction Schedule;
 - (v) the Mortgage Sale Agreements;
 - (vi) the Corporate Services Agreement;
 - (vii) the Citi Bank Account Agreement;
 - (viii) the BNPP Bank Account Agreement;
 - (ix) the declarations of trust dated on or about the Closing Date between, *inter alios*, the Collection Account Bank, the Issuer and the Security Trustee (the "**Collection Account Declarations of Trust**");
 - (x) the Servicing Agreement;
 - (xi) the Back-up Servicing Agreement;
 - (xii) the Trust Deed
 - (xiii) Deed Poll; and
 - (xiv) the Liquidation Agent Agreement.
- 9. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the website at <https://sf.citidirect.com> and on Bloomberg. Investor Reports will also be made available to the Sellers and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
- 10. The Issuer confirms that the securitised assets backing the issue of the securities have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the securities. 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.

INDEX OF DEFINED TERMS

£	4	Britannia.....	144
€	4	Business Day.....	191, 235
2001 Act	160	Buy to Let Loans.....	154
2012 Act	47	Calculated Principal Receipts	237
a Restricted Certificate of Title	176	Calculated Revenue Receipts.....	237
Account Bank.....	100	Calculation Date.....	191
Account Bank Rating	102, 204	Capita.....	31, 144
Account Banks	100	Capital Costs	190
Accrued Interest	218	Capitalisation	148
Accrued Interest Consideration	172	Capitalised Arrears.....	218
Additional Interest.....	257	Capitalised Expenses	218
Affected Borrowers	209	Capitalised Interest.....	218
Affiliate	64	Cash Management Agreement.....	30
Agency Agreement.....	30, 228, 258	Cash Manager Termination Event	202
Agent Bank.....	228, 258	CBG	125
AIFMD	252, 272	CCA	39, 132
AIFMR	ii, 111, 252, 272	CCA 2006	40
Amending Directive	52, 278	CCJ	153
Amendment Conditions.....	20, 251, 271	Certificate of Title.....	176
anticipates.....	4	Certificateholders.....	72
Appointee	218	CET1.....	29, 125
Approved Conveyancers	176	Charged Property	267
approved person	183, 187	Citi Account Bank.....	9
Approved Solicitors.....	176	Citi Account Bank Termination	100
Arranger	10	Citi Bank Account Agreement.....	30
Arrears.....	149	Citi Deposit Account.....	99
Arrears of Interest.....	218	Citi Deposit Rate.....	100
Assured Shorthold Tenancies	179	Citigroup	10
Assured Shorthold Tenancy	178, 184, 189	Class A Margin	235
Authorised Denomination	223	Class A Notes.....	72, 228
Available Principal Receipts	90, 212	Class A Principal Deficiency Sub-Ledger	207
Available Revenue Receipts.....	89, 211	Class B Margin	235
Average Three-Month Sterling LIBOR.....	195	Class B Notes.....	72, 228
AVM Valuation.....	155	Class B Principal Deficiency Sub-Ledger.....	207
BACB	128	Class C Margin	235
Back-Up Servicer	8	Class C Notes.....	72, 228
Back-Up Servicer Facilitator	9	Class C Principal Deficiency Sub-Ledger.....	207
Back-Up Servicer Notice.....	196	Class D Margin	235
Back-Up Servicer Succession Date	196	Class D Notes.....	72, 228
Back-Up Servicing Agreement.....	30	Class D Principal Deficiency Sub-Ledger	207
Bank	ii	Class E Margin.....	235
Bank of America Merrill Lynch	10	Class E Notes	72, 228
Banking Act.....	50	Class E Principal Deficiency Sub-Ledger.....	207
Base Rate.....	148	Class F Margin.....	235
Base Rate Mortgage Rate	148	Class F Notes	72, 228
Base Rate Tracker Mortgages	148	Class F Principal Deficiency Sub-Ledger	207
Basel Committee	54	Clean-Up Call	16
Basel III	54	Clear Days.....	79
Basic Terms Modification	247, 268	Clearstream, Luxembourg.....	229, 259
believes.....	4	Closing Date	i, 228, 258
BNPP Account Bank	9	Closing Date Portfolio	27, 58, 163
BNPP Account Bank Termination	100	Closing Date Portfolio Selection Date	58
BNPP Bank Account Agreement	30	CoAM	128, 129
BNPP Deposit Account	99	Code.....	252, 263, 272
BNPP Deposit Rate	100	Collection Account Bank	10
BO	153	Collection Account Bank Downgrade Event	102
Book-Entry Interests.....	223	Collection Account Declarations of Trust.....	284
Borrower.....	60, 147		

Collection Account Rating Agency Required Ratings.....	102	Event of Default.....	243, 265
Collection Accounts.....	101	Excess Amount.....	209
Collection Period.....	191	Exercise Notice.....	119
Collection Period End Date.....	191	Existing Tenancy Agreements.....	179, 184, 189
Collection Period Start Date.....	191	expects.....	4
Commencement Date.....	47	Extraordinary Resolution.....	249, 270
Commission.....	46	FATCA.....	253, 272
Commission's Proposal.....	51	FCA.....	i, ii, 36
Common Depository.....	53	FCA Rules.....	180
Conditions.....	i, 228	FCA Threshold Conditions.....	130
Conduct Issues.....	132	FFI.....	279
continues.....	4	Final Maturity Date.....	70
Co-op.....	ii, 25	financial asset.....	180, 184, 188
Co-op Bank Group.....	64	Financial Guarantee.....	256
Co-operative Bank.....	ii, 2, 25	Flexible Loans.....	189
Co-operative Group.....	125	foreign financial institution.....	279
Core Business.....	128	FRS 25.....	180, 184, 188
Corporate Services Agreement.....	30	FSA.....	180
could.....	4	FSMA.....	31, 36
Counter Notice.....	64	FTT.....	51
CPUTR.....	46	Further Advance.....	190
CRA Regulation.....	i, 55	GBP.....	4
CRD.....	54	General Reserve Deposit Account.....	100, 206
CRD IV.....	54	General Reserve Excess Amounts.....	97
CRE.....	129	General Reserve Fund.....	201, 205
Credit Enhancement.....	i	General Reserve Fund Drawing.....	216
Credit Rating Agencies.....	i	General Reserve Fund Excess Amount.....	205
Credit Ratings.....	i	General Reserve Fund Revenue Priority of Payments.....	215
CRR.....	ii, 111, 252, 272	General Reserve Ledger.....	201
Cumulative Default Ratio 1.....	218	General Reserve Required Amount.....	206
Cumulative Default Ratio 2.....	219	Global Note.....	1, 223, 228
Cumulative Default Ratio 3.....	219	Global Principal Residual Certificate 1, 223, 258	
Cumulative Default Ratio 4.....	219	Global Residual Certificates.....	223
Cumulative Default Ratio 5.....	219	Global Revenue Residual Certificate 1, 223, 259	
Cumulative Default Triggers.....	219	GMAC.....	i, 163
Cumulative Defaults.....	219	GMAC.....	10
Current Balance.....	59, 191	GMAC-RFC.....	i, 10
CWS.....	125	GMAC-RFC Lending Criteria.....	154
Deed of Charge.....	73, 228, 258	HML.....	145
Deed Poll.....	119	HMRC.....	276
Deferred Interest.....	256	IAS 32.....	180, 184, 188
Delegated Regulation.....	56	ICG.....	131
Deposit Account.....	99	in Arrears.....	149
Deposit Accounts.....	99	Indirect Participants.....	223
Determination Period.....	237	Initial Advance.....	190
Directive.....	50	Initial Consideration.....	172
Early Repayment Fee.....	219	Initial Expenses.....	60
Early Repayment Fee Receipts.....	219	Insolvency Event.....	191
EEA.....	54	Insurance Policies.....	161
EJO.....	47	intends.....	4
Eligibility Criteria.....	174	Interest Amounts.....	236
English Loans.....	57, 172	Interest Determination Date.....	235
English Mortgage.....	151	Interest Determination Ratio.....	238
English Mortgages.....	57, 172	Interest Payment Date.....	234, 262
English Property.....	151	Interest Period.....	219, 234
ES.....	130	Interest-only Loans.....	148
EUR.....	4	Investor Report.....	84
Euro.....	4	Irrecoverable VAT.....	197
Euroclear.....	229, 259	IRS.....	279

Issue Date	i	MAS4-GMAC-RFC Mortgage Sale Agreements	149
Issuer	228, 258	MAS5.....	i, 139
Issuer Powers of Attorney	198	MAS5 Mortgage LIBOR	148
Issuer Profit Amount	219	MAS5 Mortgage Sale Agreement.....	149
Issuer Profit Amount Ledger	202	MAS5 Mortgages.....	149
Issuer Standard Variable Rate	195	MAS5-GMAC-RFC Mortgage Sale Agreements	149
Issuer SVR Resetting Trigger Date	195	Master Definitions and Construction Schedule	228, 258
IT130		may	4
IVA.....	153	MCOB.....	38, 41
Joint Lead Managers	280	MEAF	44
JOINT LEAD MANAGERS	292	Merger.....	125
L&G Policies.....	161	MH/CP Documentation	190
Law Commissions	44	Modification Certificate	253, 272
LBSF	50	Monthly Period	192
Ledgers	201	Monthly Period End Date	192
Legal proprietor.....	160	Monthly Pool Date.....	192
Lending Criteria	60	Moody's.....	i
Liability	197	Morgan Stanley.....	10
Liability Management Exercise.....	125	Mortgage.....	192
LIBOR.....	15	Mortgage Account	40, 41
LIBOR-Linked Mortgages	147	Mortgage Accounts	163
Liquidation Agent.....	119	Mortgage Conditions	190
Liquidation Agent Agreement.....	30, 119	Mortgage Rate.....	147
Liquidity Coverage Ratio	54	Mortgage Sale Agreements.....	149
Liquidity Reserve Fund	206	Mortgages	57, 151
Liquidity Reserve Fund Drawing	218	Most Senior Class	246, 267
Liquidity Reserve Fund Excess Amounts....	207, 218	N(M)	36
Liquidity Reserve Fund Ledger.....	202	Net Stable Funding Ratio.....	54
Liquidity Reserve Fund Priority of Payments	217	Non-Conforming Borrowers	35
Liquidity Reserve Fund Required Amount...	206	Non-core Assets	129
Liquidity Support	i	Non-Core Business	128
Listing.....	i	Northern Irish Loans	57, 172
Loan.....	57	Northern Irish Mortgage	151
Loan Files.....	192	Northern Irish Mortgages.....	57, 172
Loan Warranty.....	190	Northern Irish Property	151
Loans	57	Note Acceleration Notice.....	243, 265
London & European Title Insurance Policy .	161	Note Principal Payment	239
London Stock Exchange.....	ii	Note Trustee.....	228, 258
Losses	208	Noteholders	12, 72
LRO.....	39	Notes	12, 72, 228, 229
LTV	152, 156	Obligations.....	ii
Make-Whole Amount.....	209	Official List.....	ii
Make-Whole Ledger.....	28, 202, 208	OFT	44
Make-Whole Ledger Discharge Date	158	Ombudsman	45
Market Portfolio Purchase Price.....	67, 118	Optimum	127
Market Portfolio Sale	67, 117	Optional Redemption Date.....	240
Market Portfolio Sale Recommencement Date	66	Ordinary Resolution.....	250, 270
Market Sale Commencement Date	64	Originators	i
Market Sale Instruction	67, 117	Other Tenancy Agreement.....	179, 184, 189
Market Sale Minimum Bids	67, 117	outstanding.....	79
Market Sale Minimum Price	67, 117	Owner Occupied Loan	163
Market Sale Suspension Period	64	Participants	223
Markets in Financial Instruments Directive	ii	participating Member States	51
MAS4	i, 138	Paying Agent.....	258
MAS4 Mortgage LIBOR.....	148	Paying Agents	228
MAS4 Mortgage Sale Agreement	149	Perfection Event.....	173
MAS4 Mortgages	149	PFI.....	129

PFL.....	i, 163	Realisation	246, 267
PFL Lending Criteria.....	151	Reasonable, Prudent Mortgage Lender	192
PFL Mortgage LIBOR.....	147	Rebate of Initial Consideration	209
PFL Mortgage Sale Agreement	149	Recalcitrant Holder	279
PFL Mortgages	149	Reconciliation Amount	238
PHL	154	Record Date	225
PHL Mandate Holders.....	154	Redemption Fee	219
plans	4	Redemption Provisions	i
Pool Factor	240	Reference Banks	235
Portfolio.....	i, 57, 172	Reference Rate	18
Portfolio Auction conditions	65	Register	229, 259
Portfolio Manager.....	67, 117	Registered Definitive Notes	226, 229
Portfolio Option.....	65, 115	Registered Definitive Principal Residual Certificates	226
Portfolio Option Commencement Date ..	65, 119	Registered Definitive Residual Certificates ..	259
Portfolio Option Holder.....	65, 115	Registered Definitive Revenue Residual Certificates	226
Portfolio Option Loans	115	Registers of Northern Ireland.....	149
Portfolio Option Purchase Price	116	Registers of Scotland	25
Portfolio Option Suspension Period	65	Registrar.....	228, 258
Portfolio Purchase	65	Regulated Activities Order.....	37
Portfolio Reference Date	27	Regulated Mortgage Activity.....	190
Post-Acceleration Priority of Payments	220	Regulated Mortgage Contract	37, 40
Pounds	4	Regulation S.....	2
PPI.....	132	Regulatory Requirements.....	190
PRA	36	Related Security	57, 192
PRC Overcollateralisation Amount	208	Relevant Authorisations	63, 115
Pre-Acceleration Principal Priority of Payments	216	Relevant Class of Notes	24, 79
Pre-Acceleration Priority of Payments	217	Relevant Class of Residual Certificates	24, 79
prescribed part	49	Relevant Date.....	243, 264
Presentation Date.....	239, 264	Relevant Deposit Account	99
Principal Amount Outstanding	242	Relevant Deposit Account Criteria	99
Principal Deficiency Ledger.....	202, 207	Relevant Entity	191
Principal Deficiency Sub-Ledger	207	Relevant LIBOR	148
Principal Ledger	201	Relevant Margin.....	235
Principal Paying Agent	224, 228, 258	Relevant Party.....	197
Principal Receipts.....	219	Relevant Persons.....	24, 79, 84
Principal Residual Certificate Principal Deficiency Sub-Ledger.....	207	Relevant Purchaser.....	151
Principal Residual Certificateholders	72	Relevant Screen	255
Principal Residual Certificates	72, 258	Relevant Screen Rate	235
Principal Residual Payment.....	262	Remediation Project.....	133
Principal Residual Payment Amount.....	262	Repayment Loans.....	148
Priority of Payments	220	Replacement Cash Manager.....	203
Product Switch	190	Replacement Cash Manager Facilitator	9
Projected Costs.....	209	Replacement Collection Account....	20, 251, 270
Properties.....	151	Replacement Collection Account Bank.....	20, 251, 270
Property	151, 192	Replacement Deposit Account.....	100
Prospectus.....	i	Replacement Notes	256
Prospectus Directive	i	Replacement Residual Certificates	275
Provisional Portfolio.....	58, 163	Requesting Party	20, 251, 270
Rate Fixing Date.....	195	Residual Certificates	ii, 72, 258
Rate of Interest	234	Residual Certificates Conditions.....	258
Rates of Interest.....	234	Residual Payment.....	262
rating.....	17	Residual Payment Amount.....	262
Rating Agencies	i	Retail Banking	128
ratings	17	Retained Principal Receipts	207
Ratings Confirmation	18	Retained Principal Receipts Ledger	201
RBS	10	Retained Principal Required Amount	207
Re Leyland Daf	49	Retention Requirement	ii
REAF.....	129		

Retention Undertaking.....	ii	Standard Variable Rates.....	193
Revenue Ledger.....	201	Step-up Date.....	235
Revenue Priority of Payments.....	213	Step-up Margin.....	235
Revenue Receipts.....	211	Sterling.....	4
Revenue Residual Certificateholders.....	72	Sub-Accounts.....	163
Revenue Residual Certificates.....	72	Subscription Agreement.....	280
Revenue Residual Payment.....	262	SVR.....	193
Revenue Residual Payment Amount.....	262	SVR LIBOR Margin.....	195
Right to Buy Loan.....	192	Target Market Portfolio Purchase Date... 67, 119	
Right to Buy Mortgages.....	154	Target Portfolio Purchase Completion Date ..65, 119	
RWA.....	126, 131	Taxes.....	243, 264
S&P.....	i	Third Party Amounts.....	90, 211
sale.....	57, 172	Third Party Buildings Policy.....	161
Savings Directive.....	51, 278	Third Party Purchaser.....	115
Scottish Declaration of Trust.....	25	Title Deeds.....	193
Scottish Loans.....	57, 160	Title Insurance Policy.....	176
Scottish Mortgage.....	57, 151, 193	TPIRs.....	38
Scottish Mortgages.....	160	Transaction Amendments.....	20, 251, 271
Scottish Property.....	151	Transaction Documents.....	199
Scottish Sasine Sub-Security.....	47	Transaction Party.....	252, 272
Scottish Sasine Transfer.....	47	Transfer Costs.....	219
Scottish Supplemental Charge.....	198	Treasury/other.....	128
Secured Creditors.....	198	Trust Corporation.....	200
Secured Obligations.....	199	Trust Deed.....	223, 228, 258
Securities Act.....	2, 282	TSC Regulations.....	52
SECURITIES ACT.....	292	U.S. Persons.....	2
Security.....	74, 198	UCP.....	45
Security Trustee.....	228, 258	UK.....	4, 126
sell.....	57	UK Listing Authority.....	ii
Seller Insolvency Event.....	173	Un-Capitalised Receipts.....	219
Seller Power of Attorney.....	199	Underlying Assets.....	i
Seller Standard Variable Rate.....	193	Underpayments or Payment Holidays.....	190
Sellers.....	i	Underwriting Criteria.....	176
Sellers' Policies.....	194	unfair terms.....	177
Seller's Policy.....	194	United Kingdom.....	4
Servicer Reports.....	238	Unsuccessful Market Portfolio Sale.....	65
Servicer Termination Event.....	196	US-UK IGA.....	279
Servicing Agreement.....	30	UTCCR.....	43
Share Trustee.....	124	VAT.....	110
Significant Investor.....	ii	Volcker Rule.....	ii
SME.....	126	Warwick Finance One.....	29
sold.....	57	will.....	4
Solvency II Delegated Act.....	58, 111, 252, 272	WMS.....	30
Standard & Poor's.....	i	WTS.....	144
Standard Variable Rate Mortgages.....	148		

ISSUER

Warwick Finance Residential Mortgages Number Two plc

35 Great St. Helen's
London
EC3A 6AP

SELLERS

Platform Funding Limited

Secretariat
Miller Street Tower
Miller Street
Manchester
England
M60 0AL

Mortgage Agency Services Number Four Limited

Secretariat
Miller Street Tower
Miller Street
Manchester
England
M60 0AL

Mortgage Agency Services Number Five Limited

Secretariat
Miller Street Tower
Miller Street
Manchester
England
M60 0AL

SERVICER

Western Mortgage Services Limited

17 Rochester Row,
London SW1P 1QT

ARRANGER

Merrill Lynch International

2 King Edward Street
London
EC1A 1HQ

JOINT LEAD MANAGERS

**Merrill Lynch
International**

2 King Edward Street
London
EC1A 1HQ

**Citigroup Global
Markets Limited**

Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

**Morgan Stanley & co.
International plc**

25 Cabot Square
London
E14 4QA

**The Royal Bank of
Scotland plc**

135 Bishopsgate
London EC2M 3UR

(in respect of the Class A
Notes, Class B Notes,
Class C Notes, Class D
Notes, Class E Notes, Class
F Notes and the Residual
Certificates)

(in respect of the Class A
Notes and the Class B
Notes)

(in respect of the Class A
Notes, Class B Notes,
Class C Notes and the
Class D Notes)

(in respect of the Class A
Notes and the Class B
Notes)

**CASH MANAGER, CITI ACCOUNT BANK, AGENT BANK, REGISTRAR AND PRINCIPAL
PAYING AGENT**

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
E14 5LB

NOTE TRUSTEE AND SECURITY TRUSTEE

BNPP ACCOUNT BANK

U.S. BANK TRUSTEES LIMITED
125 Old Broad Street
London
EC2N 1AR

**BNP PARIBAS SECURITIES SERVICES,
LONDON BRANCH**
55 Moorgate
London EC2R 6PA

LEGAL ADVISERS TO THE SELLERS AND THE ISSUER

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

As to Scots Law:

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

As to Northern Irish Law:

Cleaver Fulton Rankin Limited
50 Bedford Street
Belfast BT2 7FW

LEGAL ADVISERS TO THE ARRANGER AND THE JOINT LEAD MANAGERS

Allen & Overy LLP
One Bishops Square
London E1 6AD

LEGAL ADVISERS TO THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

Allen & Overy LLP
One Bishops Square
London E1 6AD

IMPORTANT NOTICE

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

IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING. THE FOLLOWING APPLIES TO THE PROSPECTUS ATTACHED TO THIS ELECTRONIC TRANSMISSION, 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 OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND 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 UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM 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 DOCUMENT 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.

YOU ARE REMINDED THAT 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 AND YOU MAY NOT, NOR ARE YOU AUTHORISED TO, DELIVER THE PROSPECTUS TO ANY OTHER PERSON.

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 BANK OF AMERICA MERRILL LYNCH, CITIGROUP AND MORGAN STANLEY (THE "**JOINT LEAD MANAGERS**") OR ANY AFFILIATE OF THE JOINT LEAD MANAGERS IS A LICENSED BROKER OR DEALER IN THAT JURISDICTION, THE OFFERING SHALL BE DEEMED TO BE MADE BY THE JOINT LEAD MANAGERS OR SUCH AFFILIATE ON BEHALF OF THE ISSUER IN SUCH JURISDICTION.

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

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, nor the Arrangers, nor the Joint Lead Managers, nor 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, the Co-operative Bank, or the Joint Lead Managers.