

## IMPORTANT NOTICE

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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 the managers or any affiliate of the managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the 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) is an investment professional within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**") or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

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 Transaction Parties or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer and Credit Suisse Securities (Europe) Limited.

# AUBURN SECURITIES 9 PLC

(incorporated with limited liability in England and Wales under number 8801944)

Note Class	Initial Principal Amount	Issue Price	Reference Rate <sup>1</sup>	Margin/ Step-Up Margin	Step-Up Date/Call Option Date	Pre-enforcement Redemption Profile	Final Maturity Date	Ratings Moody's/ S&P
Class A	GBP 396,375,000	98.99%	3 month GBP LIBOR	1.000% per annum/ 1.750% per annum	The Interest Payment Date falling in August 2018	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Aaa(sf)/AA A(sf)
Class B	GBP 47,250,000	97.68%	3 month GBP LIBOR	1.200% per annum/ 2.100% per annum	The Interest Payment Date falling in August 2018	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Aa1(sf)/AA(sf)
Class C	GBP 26,250,000	97.54%	3 month GBP LIBOR	1.500% per annum/ 2.625% per annum	The Interest Payment Date falling in August 2018	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Aa2(sf)/A(sf)
Class D	GBP 13,125,000	96.29%	3 month GBP LIBOR	1.800% per annum/ 3.150% per annum	The Interest Payment Date falling in August 2018	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	A1(sf)/BBB (sf)
Class E	GBP 15,750,000	100.00 %	N/A	N/A	The Interest Payment Date falling in August 2018	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Baa1(sf)/BB(sf)
Class F	GBP 5,250,000	100.00 %	N/A	N/A	The Interest Payment Date falling in August 2018	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Baa3(sf)/B(sf)
Class Z1	GBP 10,500,000	100.00 %	N/A	N/A	N/A	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Not rated
Class Z2	GBP 10,522,000	100.00 %	N/A	N/A	N/A	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Not rated
Subordinated Notes	GBP 15,901,000	100.00 %	N/A	N/A	N/A	Sequential pass through amortisation	The Interest Payment Date falling in August 2047	Not rated
Residual Certificates	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Not rated

Arranger  
**Credit Suisse**

Joint Lead Managers

**Credit Suisse**

**J.P. Morgan**

**Lloyds Bank**

**Morgan Stanley**

The date of this Prospectus is 27 July 2015.

<sup>1</sup> The Reference Rate for the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be subject to a minimum of zero.

<b>Issue Date</b>	<p>The Issuer will issue the Notes in the Classes set out above on the Closing Date. The issue of the Notes is conditional upon certain matters, including completion of the purchase of 100% of the issued share capital of Capital Home Loans Limited ("<b>CHL</b>") by Promontoria Holding 144 B.V. on or prior to the Closing Date (as to which, see "<i>Capital Home Loans Limited</i>").</p>
<b>Stand alone/programme issuance</b>	Stand alone issuance.
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue on a portfolio comprising mortgage loans originated by Capital Home Loans Limited and secured over residential properties located in England and Wales (the "<b>Mortgage Portfolio</b>") which will be sold by CHL to the Issuer on the Closing Date.</p> <p>Please refer to the section entitled "<i>The Mortgage Portfolio</i>" for further information.</p>
<b>Credit Enhancement</b>	<ul style="list-style-type: none"> <li>• Subordination of junior ranking Notes;</li> <li>• General Reserve Fund; and</li> <li>• excess Available Revenue Receipts.</li> </ul> <p>Please refer to sections entitled "<i>Key Structural Features</i>" and "<i>Cashflows and Cash Management</i>" for further information.</p>
<b>Liquidity Support</b>	<ul style="list-style-type: none"> <li>• Liquidity Reserve Fund;</li> <li>• General Reserve Fund; and</li> <li>• Principal Receipts applied to make up any Remaining Revenue Shortfall.</li> </ul> <p>Please refer to the section entitled "<i>Key Structural Features</i>" for further information.</p>
<b>Redemption Provisions</b>	<p>Information on any optional and mandatory redemption of the Notes is summarised on page 44 ("<i>Transaction Overview – Overview of the Terms and Conditions of the Notes and Residual Certificates</i>") and is set out in full in Condition 9 (<i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i>).</p>
<b>Credit Rating Agencies</b>	<p>Moody's Investors Service Limited ("<b>Moody's</b>") and Standard and Poor's Credit Market Services Europe Limited ("<b>S&amp;P</b>", and together with Moody's, the "<b>Rating Agencies</b>"). As of the date hereof, each of Moody's and S&amp;P is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended, of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "<b>CRA Regulation</b>").</p> <p>As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority ("<b>ESMA</b>") on its website (at <a href="http://www.esma.europa.eu/page/list-registered-and-certified-CRAs">www.esma.europa.eu/page/list-registered-and-certified-CRAs</a>) in accordance with the CRA Regulations. Please refer to the section entitled "<i>Certain Regulatory Disclosures – Credit Rating Agency Regulation</i>" for further information. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.</p>
<b>Credit Ratings</b>	<p>Ratings are expected to be assigned to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (the "<b>Rated Notes</b>") on or before the Closing Date as set out above on or before the Closing Date. The Class Z Notes, the Subordinated Notes and the Residual Certificates will not be rated.</p> <p>The ratings reflect the views of the Rating Agencies and are based on the Mortgage Loans, the Related Security and the Properties and the structural features of the transaction.</p> <p>The ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the class of Rated Notes held by the Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal on or before the Final</p>

Maturity Date.

The ratings assigned by S&P for each relevant class of Rated Notes address the likelihood of: (a) timely payment of interest due to the holders of the each relevant class of Rated Notes on each Interest Payment Date; and (b) full payment of principal due to the holders of each relevant class of Rated Notes by a date that is not later than the Final Maturity Date.

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

#### Listings

This document comprises a prospectus for the purpose of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant member state of the European Economic Area (the "**Prospectus Directive**"). The Central Bank of Ireland (the "**Central Bank**") has approved this Prospectus as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and to trading on its regulated market. References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Irish Stock Exchange's regulated market.

#### 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. Neither the Notes nor the Residual Certificates will be obligations of any Transaction Party other than the Issuer.

#### Retention Undertaking

CHL, in its capacity as originator, will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will retain, on an ongoing basis, a material net economic interest of at least 5% in the securitisation in accordance with each of Article 405 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms (the "**Capital Requirements Regulation**" or the "**CRR**") and Article 51 of Regulation (EU) No 231/2013 of the European Parliament and of the Council of 19 December 2012 (the "**Alternative Investment Fund Managers Regulation**" or 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**") (which, in each case, does not take into account any corresponding national measures) (the "**Retention Requirement**"), 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). In order to satisfy the Retention Requirement on the Closing Date, CHL will purchase and thereafter hold an interest in the first loss tranche, in this case the Class Z2 Notes and the Subordinated Notes, as required by Article 405 of the CRR, Article 51 of the AIFMR and Article 254(2) of the Solvency II Delegated Act. Any change to the manner in which such interest is held will be notified to investors. Please refer to the sections entitled "*Certain Regulatory Disclosures*" and "*Subscription and Sale*" for further information.

#### Residual Certificates

In addition to the Notes, the Issuer will issue the Residual Certificates to the Seller on the Closing Date. The Residual Certificates represent the right to receive any excess spread generated from the purchase of the Mortgage Portfolio (consisting of the Residual Payments in respect of the Mortgage Portfolio). See the section entitled "*Terms and Conditions of the Residual Certificates*" for further details.

#### Significant Investor

CHL will, on the Closing Date, purchase 100 per cent. of each of the Class E Notes, the Class F Notes, the Class Z1 Notes, the Class Z2 Notes and the Subordinated Notes and will undertake not to dispose of such Notes for the life of transaction.

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

**A "RISK FACTORS" SECTION BEGINNING ON PAGE 7 OF THIS PROSPECTUS CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.**

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in this Prospectus) and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CHL accepts responsibility for the information set out in the sections headed "*Capital Home Loans Limited*", "*The Mortgage Portfolio*", "*Statistical Information on the Provisional Mortgage Portfolio*" and "*Certain Regulatory Disclosures*". To the best of the knowledge and belief of CHL (having taken all reasonable care to ensure that such is the case), the information contained in such sections 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 CHL as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

Homeloan Management Limited ("**HML**") accepts responsibility for the information set out in the section headed "*The Back-Up Servicer*". To the best of the knowledge and belief of HML (having taken all reasonable care to ensure that such is the case), the information contained in such section 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 HML as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

Barclays Bank PLC ("**Barclays**") accepts responsibility for the information set out in the section headed "*The Collection Account Bank*". To the best of the knowledge and belief of Barclays (having taken all reasonable care to ensure that such is the case), the information contained in such section 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 Barclays as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

Citibank N.A., London Branch ("**Citi**") accepts responsibility for the information set out in the section headed "*The Issuer Account Bank and the Back-Up Cash Manager*". To the best of the knowledge and belief of Citi (having taken all reasonable care to ensure that such is the case), the information contained in such section 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 Citi as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

The distribution of this Prospectus, or any part thereof, and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by any Transaction Party that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Prospectus as a prospectus for the purposes of the Prospectus Directive by the Central Bank, no action has been or will be taken by any Transaction Party which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Arranger and the Managers to

inform themselves about and to observe any such restriction. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof), see the section entitled "*Subscription and Sale*" below.

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

None of the Arranger, the Joint Lead Managers, the Agents or the Trustee makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes. None of the Arranger, the Joint Lead Managers, the Agents or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. Each potential purchaser of Notes should determine the relevance of the information contained in this Prospectus or part hereof and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. None of the Arranger, the Joint Lead Managers, the Agents or the Trustee undertakes or shall undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger, the Joint Lead Managers, the Agents or the Trustee.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES SECURITIES LAWS AND THEREFORE MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, SUCH REGISTRATION REQUIREMENTS. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER THE GLOBAL NOTES.

None of the Issuer, the Arranger or the Joint Lead Managers, the Trustee, the Agents makes any representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

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

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus or any part hereof and any offering of the Notes in certain jurisdictions may be restricted by law. No action has been taken by the Issuer, the Arranger or any Joint Lead Manager other than as set out in the paragraph headed "*Listings*" on page (iii) of this Prospectus that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other prospectus, form of application, advertisement or other offering material may be issued, distributed or published in any country or jurisdiction (including the United Kingdom and Ireland), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

The Issuer has been structured so as not to constitute a "covered fund" for purposes Section 619 of the Dodd-Frank Act (together with such implementing regulations, the "**Volcker Rule**").

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class Z1 Notes, the Class Z2 Notes and the Subordinated Notes will each be represented on issue by a global note certificate in registered form (a "**Global Note**"), which Global Notes are expected to be deposited with a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking *société anonyme* ("**Clearstream, Luxembourg**") on or around the Closing Date. The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class

E Notes, the Class F Notes, the Class Z1 Notes, the Class Z2 Notes and the Subordinated Notes may be issued in definitive registered form under certain circumstances.

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

On 6 September 2012, the European Central Bank (the "**ECB**") announced the temporary expansion of the list of assets eligible as collateral in Eurosystem credit operations and, pursuant to this, the Eurosystem will accept, on a temporary basis, marketable debt instruments denominated in pounds sterling (among other currencies) as foreign currency-denominated collateral. The Global Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Global Notes are intended upon issue to be deposited with one of the International Central Securities Depository (the "**ICSD**") as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

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

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

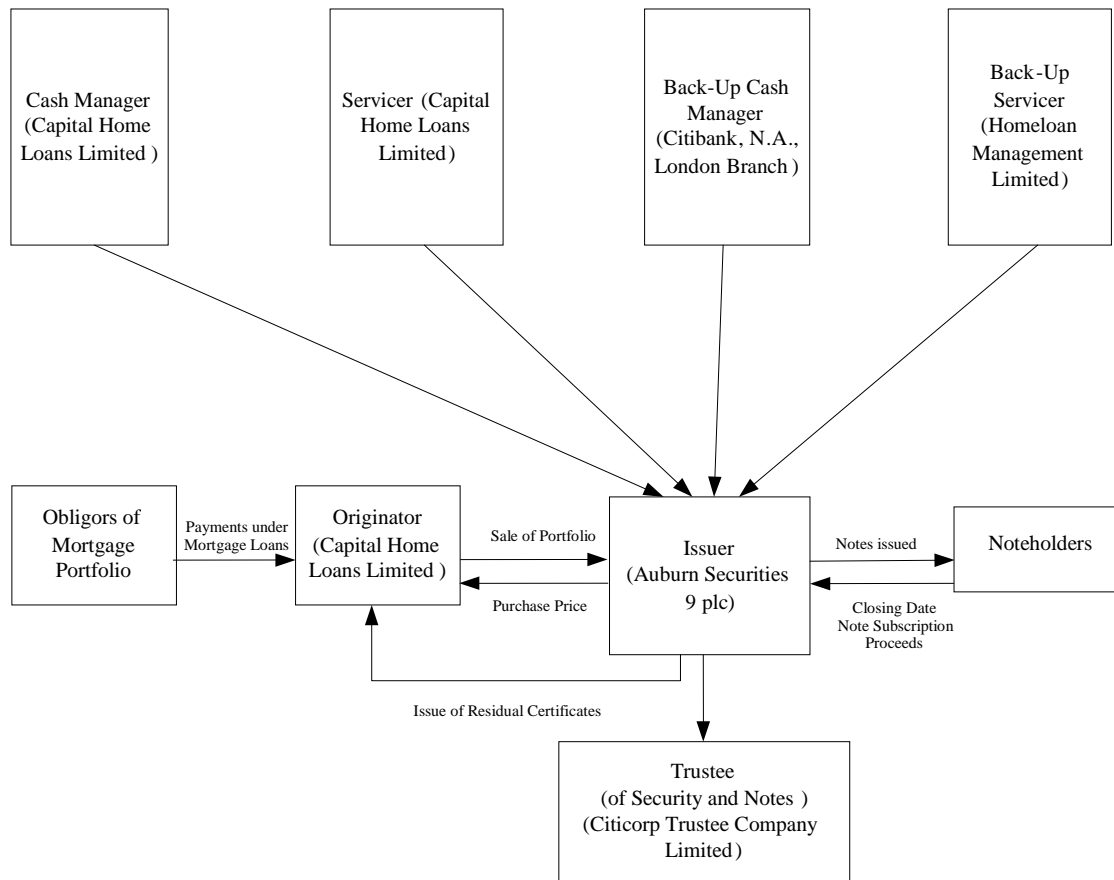
Certain matters contained in this Prospectus are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Mortgage Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**"). Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Arranger, the Joint Lead Managers or CHL has attempted to verify any forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements or Statistical Information. None of the Issuer, the Arranger, the Joint Lead Managers or CHL assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.

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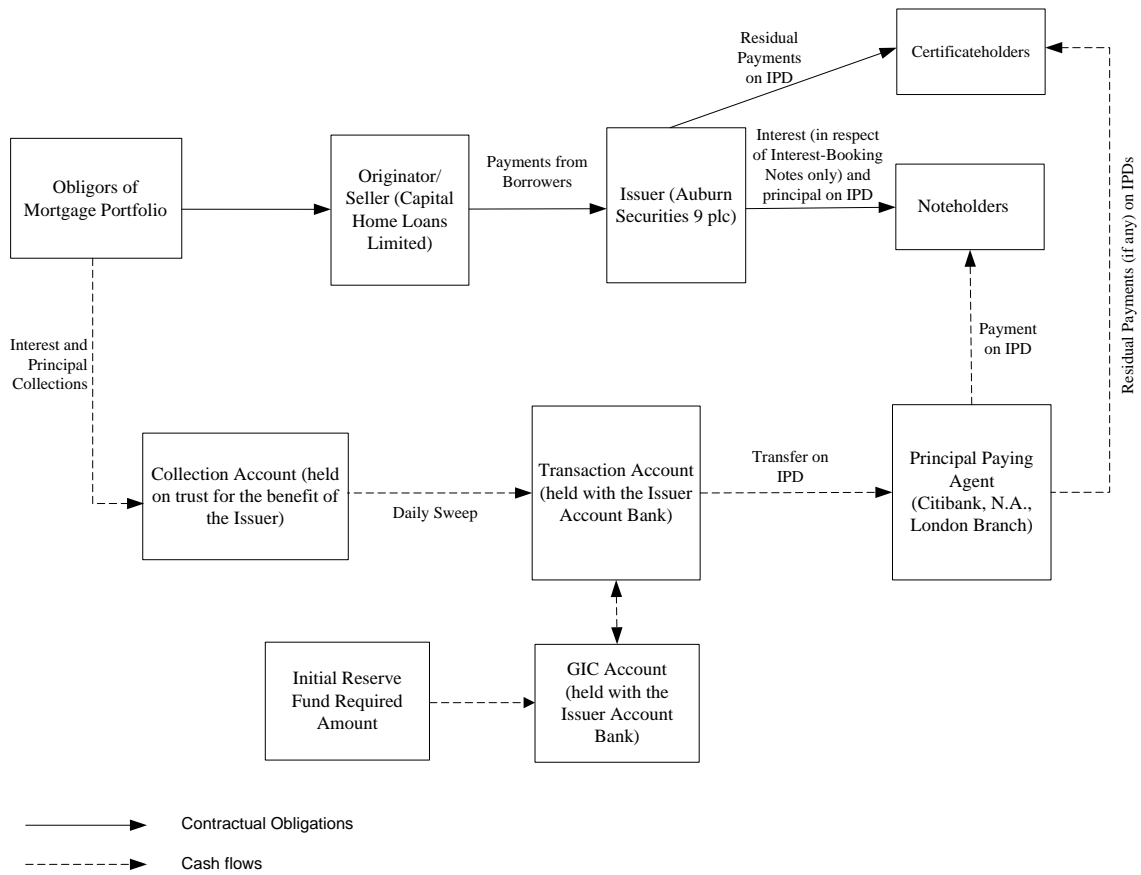
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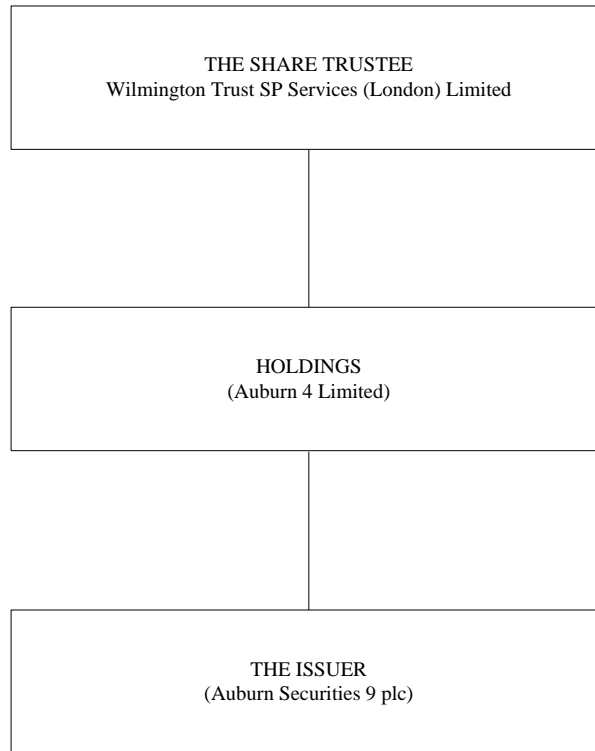
## DIAGRAMMATIC OVERVIEW OF TRANSACTION



## DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOW



## OWNERSHIP STRUCTURE DIAGRAM



The entire issued share capital of the Issuer is beneficially owned by Holdings.

The entire issued share capital of Holdings is held by Wilmington Trust SP Services (London) Limited (the "**Share Trustee**") under a declaration of trust, the benefit of which is expressed to be for discretionary purposes.

## TRANSACTION OVERVIEW

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

### TRANSACTION PARTIES ON THE CLOSING DATE

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / Further Information</b>
<b>Issuer:</b>	Auburn Securities 9 plc	Third Floor, 1 King's Arms Yard, London EC2R 7AF	N/A  See the section entitled " <i>The Issuer</i> " for further information
<b>Holdings:</b>	Auburn 4 Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	N/A  See the section entitled " <i>Holdings</i> " for further information
<b>Originator and Seller:</b>	Capital Home Loans Limited	Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA	N/A  See the section entitled " <i>Capital Home Loans Limited</i> " for further information
<b>Servicer:</b>	Capital Home Loans Limited	Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA	Servicing Agreement  See the section entitled " <i>The Servicer</i> " for further information
<b>Back-Up Servicer:</b>	Homeloan Management Limited	The Pavilions, Bridgwater Road, Bristol BS13 8AE	Back-Up Servicing Agreement  See the sections entitled " <i>The Servicer – The Servicing Agreement</i> " and " <i>The Back-Up Servicer</i> " for further information
<b>Cash Manager:</b>	Capital Home Loans Limited	Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA	Cash Management Agreement  See the section entitled " <i>Cashflows and Cash Management</i> " for further information
<b>Back-Up Cash Manager:</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Back-Up Cash Management Agreement  See the section entitled " <i>Cashflows and Cash Management</i> " for further information
<b>Trustee:</b>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Trust Deed and Deed of Charge  See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information

<u>Party</u>	<u>Name</u>	<u>Address</u>	<u>Document under which appointed / Further Information</u>
<b>Principal Paying Agent:</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Agency Agreement
<b>Agent Bank:</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Agency Agreement
<b>Registrar:</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Agency Agreement
<b>Collection Account Bank:</b>	Barclays Bank PLC	1 Churchill Place, London, E14 5HP	Collection Account Agreement
<b>Issuer Account Bank:</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	GIC Account Bank Agreement and Transaction Account Bank Agreement  See the section entitled " <i>Cashflows and Cash Management</i> " for further information
<b>Corporate Services Provider:</b>	Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Corporate Services Agreement  See the section entitled " <i>The Issuer</i> " for further information
<b>Back-Up Servicer Facilitator</b>	Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Servicing Agreement  See the section entitled " <i>The Servicer</i> " for further information
<b>Arranger:</b>	Credit Suisse Securities (Europe) Limited	One Cabot Square, London E14 4QJ	N/A
<b>Joint Lead Managers:</b>	Credit Suisse Securities (Europe) Limited	One Cabot Square, London E14 4QJ	Subscription Agreement  See the section entitled " <i>Subscription and Sale</i> " for further information
	J.P. Morgan Securities plc	25 Bank Street London E14 5JP	Subscription Agreement  See the section entitled " <i>Subscription and Sale</i> " for further information
	Lloyds Bank plc	10 Gresham Street London EC2V 7AE	Subscription Agreement  See the section entitled " <i>Subscription and Sale</i> " for further information

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / Further Information</b>
	Morgan Stanley & Co. International plc	25 Cabot Square, Canary Wharf, London E14 4QA	Subscription Agreement See the section entitled " <i>Subscription and Sale</i> " for further information
<b>Share Trustee:</b>	Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	N/A
<b>Auditors of the Issuer:</b>	PricewaterhouseCoopers	One Spencer Dock North Wall Quay Dublin 1	N/A
<b>Irish Listing Agent:</b>	Arthur Cox Listing Services Limited	Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland	N/A

## **RISK FACTORS**

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

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

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

### **Credit Structure**

#### *Issue of Notes subject to completion of CHL acquisition*

The issue of the Notes is conditional upon certain conditions, including completion of the purchase of 100% of the issued share capital of Capital Home Loans Limited ("**CHL**") by Promontoria Holding 144 B.V. on or prior the Closing Date (see the section entitled "*Capital Home Loans Limited*" for more detail). Whilst the Issuer and the Seller believe that all the conditions precedent to the completion of the acquisition will be in place for that completion to occur, if that were not to be the case, no Notes would be issued on the Closing Date. Neither the Joint Lead Managers nor the Seller shall be responsible for or have any liability to any person (including any prospective investor) as a result of the Notes failing to be issued on the Closing Date.

#### *Notes obligations of Issuer only*

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any of the Transaction Parties (other than the Issuer). In particular, the Notes will not be obligations of, and will not be guaranteed by, the Arranger, the Joint Lead Managers or the Trustee. No person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

#### *Limited source of funds*

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

#### *Limited recourse and non-petition*

The Notes and the Residual Certificates will be limited recourse obligations of the Issuer. If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
  - (ii) the service of an Enforcement Notice; and
- (b) realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any Class of Notes or any payments in respect of the Residual Certificates, then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes and any payments in respect of the Residual Certificates) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. The Issuer will not be obliged to pay any amounts representing a shortfall and any claims in respect of such shortfall shall be extinguished. "**Realisation**" is defined in Condition 10 (*Limited Recourse*) and Residual Certificate Condition 8.8 (*Limited Recourse*).

Apart from the Trustee, none of the Secured Creditors shall be entitled to institute against the Issuer any bankruptcy, reorganisation, arrangement, examination, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligation relating to the Notes, the Residual Certificates or the other Transaction Documents, save for lodging a claim in the liquidation of the Issuer which is initiated by any other party.

Each Secured Creditor (other than the Trustee) agrees that if any amount is received by it (including by way of set-off) in respect of any secured obligation owed to it other than in accordance with the provisions of the Deed of Charge, then an amount equal to the difference between the amount so received by it and the amount that it would have received had it been paid in accordance with the provisions of the Deed of Charge, shall be received and held by it as trustee (except in the case of the Agents, the Collection Account Bank and the Issuer Account Bank which will hold such funds as banker and to the order of the Trustee) for the Trustee and shall be paid over to the Trustee immediately upon receipt so that such amount can be applied in accordance with the provisions of the Deed of Charge.

#### *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), after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then that amount shall not be due and payable and the Issuer will be entitled under Condition 8.11 (*Interest Accrual*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the relevant Class of Notes becomes immediately due and repayable in accordance with the Conditions and it shall not constitute an Event of Default.

To the extent that there are insufficient funds on the following Interest Payment Date or such earlier date as interest in respect of the relevant Class of Notes is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Final Maturity Date. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes, then the relevant Noteholders may not receive all interest amounts.

#### *Credit risk*

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



### *Liquidity risk*

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers after the end of the relevant Collection Period. This risk may adversely affect the Issuer's ability to make payments on the Notes and the Residual Certificates but is mitigated to some extent by the provision of liquidity from alternative sources as described in the section entitled "*Key Structural Features – Credit Enhancement and Liquidity Support*". However, no assurance can be made as to the effectiveness of such alternative sources of liquidity, or that such alternative sources of liquidity will protect the Noteholders from all risk of loss.

### *Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class Z Notes, the Subordinated Notes and the Residual Certificates*

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

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

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

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

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

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

The Class Z Notes, in relation to payment of interest, rank *pro rata* and *pari passu* without preference or priority among themselves and, in relation to payment of principal, the Class Z2 Notes are subordinate to the Class Z1 Notes, with the Class Z Notes as a whole being subordinate to all payments due in respect of the Rated Notes, as provided in the Conditions and the Transaction Documents.

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

The Residual Certificates are subordinate to all rights of payment of interest on the Notes, as provided in the Residual Certificate Conditions and the Transaction Documents.

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

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

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

### *Basis Risk*

The Issuer is subject to the risk of a mismatch resulting from interest on the Standard Variable Rate Mortgage Loans and the Tracker Mortgage Loans being determined on different bases than that on which the interest rate payable on the Notes is determined. The Tracker Mortgage Loans in the Mortgage Portfolio pay interest based on the Bank of England base rate, and the Standard Variable Rate Mortgage Loans in the Mortgage Portfolio pay a variable rate of interest set by CHL from time to time. However, the Issuer's liabilities under the Rated Notes are based on three-month LIBOR for the relevant period.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to the Mortgage Loans and as a result there is no hedge in respect of the risk of any variances in the rate of interest charged on the Standard Variable Rate Mortgage Loans and Tracker Mortgage Loans in the Portfolio and the rate of interest payable in respect of the Notes (where applicable). As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Mortgage Loans and the rate of interest payable in respect of the Notes (where applicable). This 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.

### *Yield and prepayment considerations*

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal and interest (including prepayments, sale proceeds arising on enforcement of a Mortgage Loan and repurchases of Mortgage Loans required to be made under the Mortgage Sale Agreement) on the Mortgage Loans and the price paid by the holders of the Notes of each Class. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Mortgage Loans. Furthermore, if a Product Switch or a Flexible Drawing has been granted in respect of a Mortgage Loan and the conditions for such Mortgage Loans being retained in the Mortgage Portfolio are not met or a request for a Further Advance in respect of any Mortgage Loan is granted by the Seller, then the Seller will be obliged to repurchase such Mortgage Loan, which may result in Principal Receipts in the form of repurchase proceeds payable by the Seller being used to pay down the Notes. Additionally, and even where the Flexible Drawings Conditions or Product Switch Conditions (as applicable) have been satisfied, the Seller may offer to repurchase a Mortgage Loan which is the subject of a Flexible Drawing or Product Switch within 30 days of the last day of the calendar month in which the Drawings Date or Switch Date falls and the Issuer shall accept such offer. See also "*Risk Factors – Product Switches, Further Advances and Flexible Drawing*".

The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Subject to the terms and conditions of the Mortgage Loans (which may require in some cases notification to the Seller and in other cases the consent of the Seller), a Borrower may "overpay" or prepay principal on any day in specified circumstances. No assurance can be given as to the level of prepayments that the Mortgage Portfolio will experience. In addition, should a Borrower elect, subject to the agreement of the Seller and the Servicer, to change the terms of their Mortgage Loans from an Interest Only Mortgage Loan to a Repayment Mortgage Loan (each as defined in the section entitled "*The Mortgage Portfolio*"), the Issuer would receive principal payments in respect of the relevant Mortgage Loan earlier than would otherwise be anticipated. See also the section entitled "*The Mortgage Portfolio – Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*".

On any Interest Payment Date from and including the Step-Up Date, the Issuer may, subject to certain conditions, redeem all of the Notes.

On any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of all such Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Notes.

In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a Tax Deduction in respect of any payment in respect of the Notes, or the Issuer would be subject to UK corporation tax in an accounting period on an amount which materially exceeds the Issuer Profit Amount retained during that accounting period. See Condition 9.4 (*Optional Redemption in whole for taxation reasons*) for further information.

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

### *Ratings of the Rated Notes*

A rating is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any one or more of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. At any time, a Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Rated Notes may be lowered or withdrawn. A qualification, downgrade or withdrawal of any of the ratings mentioned above may adversely impact upon the value of the Notes. The Class Z Notes, the Subordinated Notes and the Residual Certificates will not be rated by the Rating Agencies.

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

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

### *Rating Agency Confirmation*

The Conditions provide that if a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer and (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts, then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be deemed modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Cash Manager on behalf of the Issuer provides to the Trustee a certificate signed by two directors certifying and confirming that each of the events in subparagraphs (i) (A) or (B) and (ii) has occurred following the delivery by or on behalf of the Issuer of a written request to each Rating Agency. Where a Rating Agency Confirmation is a condition to any action or step under any Transaction Document and it is deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the relevant request from the Issuer within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Rated Notes as a result of the action or step. Such a downgrade, qualification or withdrawal to the then current ratings of the Rated Notes may have an adverse effect on the value of the Rated Notes.

The Trustee shall be entitled to rely, without Liability to any person, on any certificate delivered to it in connection with a Non-Responsive Rating Agency pursuant to Condition 23 (*Non-Responsive Rating Agency*). The Trustee shall not be required to investigate any action taken by the Issuer or such Non-Responsive Rating Agency and shall treat the applicable condition or requirement to receive a Rating Agency Confirmation or response from each Rating Agency as having been modified with the consent of all Noteholders and all parties to the relevant Transaction Documents so that there shall be no requirement for such Rating Agency Confirmation or response from a Non-Responsive Rating Agency.

### *Absence of secondary market for the Notes*

There can be no assurance that there is an active and liquid secondary market for the Notes and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that such market will provide

Noteholders with liquidity of investment for the life of the Notes or that such market will subsequently continue to exist. Additionally, as at the date of this Prospectus, the European capital markets are experiencing a period of volatility which may add an additional pressure on the potential liquidity of the Notes in the secondary market. Any investor in the Notes must be prepared to hold its Notes for an indefinite period of time or until the Final Maturity Date or alternatively such investor may only be able to sell its Notes at a discount to the original purchase price of those Notes.

The secondary market for mortgage-backed securities has in the past experienced significant disruptions resulting from reduced investor demand for such securities. This has resulted in the secondary market for mortgage-backed securities similar to the Notes experiencing very limited liquidity during such severe disruptions. If limited liquidity were to occur in the secondary market it could have a material adverse effect on the market value of mortgage-backed securities including the Notes issued by the Issuer, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. It is not known whether such market conditions will recur.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, the Extended Term Collateral Repo and Funding for Lending Scheme and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, such as mortgage-backed securities, the eligibility criteria have become and are expected to continue to become more restrictive, which is likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities for the purpose of such facilities. No assurance is given that any Class of Notes will be eligible for any specific central bank liquidity schemes.

The Funding for Lending scheme was announced by the Bank of England on 13 July 2012 and was extended on 24 April 2013 to 31 January 2015. The scheme allows banks to swap qualifying collateral pre-positioned at the Bank of England for treasury bills for a period of four years, in exchange for a fee. During the original scheme period from 1 August 2012 to 31 January 2014, each participant bank was able to borrow an amount of up to 5 per cent. of its end of June 2012 stock of existing loans to the UK non-financial sector, plus any expansion of its lending during the reference period from that date until the end of 2013. During the extended scheme period from 3 February 2014 to 30 January 2015, each participant bank was able to borrow an amount up to 5 per cent. of its group-wide (including some of its non-bank provider subsidiaries, but excluding SPVs related to securitisation, such as the Issuer) net lending to the UK non-financial sector over the period from 1 April 2013 to 31 December 2014, with the net lending to small and medium sized enterprises carrying a greater weighting factor in the calculation of borrowing allowance. This scheme has been further extended to 29 January 2016. This scheme could significantly reduce the amount of UK residential mortgage backed security issuances to the primary market, which in turn could adversely affect the level of liquidity in the secondary market for these securities.

#### *Economic conditions in the Eurozone*

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns), despite easing in some Member States recently, remain significant throughout the Eurozone. In particular, concerns have been raised with respect to continuing economic, monetary and political conditions in the Eurozone. If such concerns do not ease further and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more Member States or institutions and/or any changes to, including any break up of, the Eurozone), then these matters or uncertainty regarding the constitutional change in the UK or any other Member State may cause further severe stress in the financial system generally. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

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

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders, the Certificateholders and the other Secured Creditors as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise).

However, if, in the opinion of the Trustee, there is a conflict between the interests of holders of different classes of Notes, the Trustee will have regard only to the interests of (i) whilst there are Notes outstanding, the holders of the Most Senior Class of Notes and will not have regard to any lower ranking Class of Notes or the Residual Certificates and (ii) whilst there are no Notes outstanding, the Certificateholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to them and to act in accordance with the Post-Enforcement Priority of Payments. As a result, holders of Notes other than the holders of the Most Senior Class of Notes and the holders of the Residual Certificates may not have their interests taken into account by the Trustee when the Trustee exercises discretion.

CHL will subscribe for 100 per cent. of each of the Class E Notes, the Class F Notes, the Class Z1 Notes, the Class Z2 Notes and the Subordinated Notes at an issue price of 100 per cent. on the Closing Date and will undertake not to dispose of such Notes for the life of transaction (see the section entitled "*Subscription and Sale*" below). However, pursuant to the terms of the Trust Deed, the Notes or Residual Certificates held or controlled for or by CHL or the Issuer or any of their subsidiaries or holding companies, will not be taken into account by the Trustee for the purposes of: (i) the right to attend and vote at any meeting of the Noteholders of any Class or the Certificateholders or any written resolution, (ii) the determination of how many and which Notes are outstanding or how many Residual Certificates are in issue for the purposes of action, proceedings and indemnification by the Trustee, meetings of the Noteholders and Certificateholders, Events of Default and enforcement, (iii) any discretion, power or authority which the Trustee is required to exercise by reference to the interests of the Noteholders of any Class or the Certificateholders and (iv) the determination by the Trustee of whether something is materially prejudicial to the interests of the Noteholders or any Class thereof or the Certificateholders except, in the case where CHL or any of its subsidiaries or holding company holds all of the relevant Class of Notes and there are no *pari passu* or junior Classes of Notes which they do not also hold in their entirety or, in the case of the Residual Certificates, where CHL or any of its subsidiaries or holding company owns all of the Residual Certificates then in issue.

CHL acts in various capacities in the transaction, including as the Servicer and the Cash Manager. Actual or potential conflicts may arise between the interests of such entities and the interests of the Issuer and the Noteholders.

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

The Conditions and the Residual Certificate 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 Trust Deed provides that, without the consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, the Trustee may (but subject in each case to the more detailed provisions of the Trust Deed):

- (a) concur with the Issuer and/or any other person party thereto, in making any modification to the Conditions, the Residual Certificate Conditions, the Notes, the Residual Certificates or the other Transaction Documents in relation to which its consent is required:
  - (i) which, in the opinion of the Trustee, is of a formal, minor or technical nature, or is to correct a manifest error; or
  - (ii) (other than a Reserved Matter or any provision of the Trust Documents referred to in the definition of Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding (or, if there are no Notes outstanding, the interests of the Certificateholders);
- (b) authorise or waive, on such terms and conditions (if any) as it may decide, any proposed breach or breach of any Transaction Document, if in the Trustee's opinion, the interests of the holders of the Most Senior Class of Notes then outstanding (or, if there are no Notes outstanding, the interests of the Certificateholders) will not be materially prejudiced thereby; and
- (c) determine that a specified Event of Default or RC Event of Default shall not be treated as such, if in the Trustee's opinion, the interests of the holders of the Most Senior Class of Notes then outstanding (or, if

there are no Notes outstanding, the interests of the Certificateholders) will not be materially prejudiced thereby,

**provided always that** the Trustee shall not exercise any powers under paragraphs (b) or (c) above in contravention of any express direction given by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding (or, if there are no Notes outstanding, of the holders of the Residual Certificates then in issue) or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (or, if there are no Notes outstanding, not less than 25 per cent. by number of the holders of the Residual Certificates then in issue) (but no such direction or request shall affect: (i) any authorisation, waiver or determination previously given or made; or (ii) shall authorise or waive any proposed breach or breach relating to a Reserved Matter unless the holders of each Class of outstanding Notes and the outstanding Residual Certificates then in issue, have by Extraordinary Resolution, so authorised its exercise).

The Trustee (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) is also obliged, in certain circumstances, to agree to amendments to the Conditions or the Transaction Documents for, among other reasons, 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 without the consent of Noteholders following a request for consent having been given to the Noteholders but an insufficient number of Noteholders notifying the Issuer or the Principal Paying Agent that they do not consent to such amendments (see "*Rights of Noteholders and Secured Creditors - Risks relating to negative consent of Noteholders in respect of amendments to the Transaction Documents under certain circumstances*" below).

*Risks relating to negative consent of Noteholders and Certificateholders in respect of amendments to the Transaction Documents under certain circumstances*

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or (subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or which, as a result of the relevant amendment, would be further contractually subordinated to any Secured Creditor than would otherwise have been the case prior to such amendment) any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Reserved Matter) to the Conditions or any other Transaction Document to which it is a party or in relation to which it 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 certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria;
- (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 certifies to the Trustee 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 Irish Stock Exchange, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (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 relevant Transaction Party, as applicable, certifies to the Trustee 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 certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect.

In relation to any such proposed amendment, the Issuer is required to give at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 22 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. However, Noteholders should be aware that in relation to such amendments, if Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Trustee that such Noteholders do not consent to the modification, the modification will be passed without Noteholder consent.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer or the Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held, a copy of which notification the Principal Paying Agent shall promptly provide to the Issuer and the Trustee) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 16 (*Meetings of Noteholders*).

The full requirements in relation to any modification described in paragraphs (a) to (e) above are set out in Condition 17.2 (*Additional Right of Modification*).

The Trustee may also, without the consent of any of the Noteholders, the Certificateholders or other Secured Creditors, concur with the Issuer in substituting in place of the Issuer a Substituted Obligor as the principal debtor in respect of the Transaction Documents **provided that** certain conditions as set out in the Trust Deed are satisfied.

## **The Mortgage Loans**

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

The sale of the Mortgage Portfolio by the Seller to the Issuer on the Closing Date takes effect in equity only. Consequently, the Issuer only has a beneficial interest in the Mortgage Loans and their Related Security and legal title to the Mortgage Loans as at the Closing Date is held by the Seller, and the Issuer will not acquire legal title and, in the case of registered land in England or Wales, will not be registered as proprietor and legal owner of the Mortgage at the Land Registry, until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*" below).

The Issuer has not and will not (until the occurrence of certain perfection events) apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the Mortgage Loans and their Related Security.

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

- (a) a *bona fide* purchaser from the Seller for value of any of such Mortgage 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 Mortgage Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Mortgage Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or its personnel or agents;

- (b) although as between the Seller and the Issuer, under the Servicing Agreement, the Seller has agreed that it will not vary any of the terms of the Mortgage Loans or their Related Security except that it may in its capacity as Servicer vary certain terms in certain circumstances as set out in the Servicing Agreement, as between any Borrower and the Issuer, if the Seller were to modify the terms of the Mortgage Loans and their Related Security the revised terms would apply and the Issuer would only have recourse against the Seller for breach of contract or breach of trust;
- (c) prior to the insolvency of the Seller, unless notice of the assignment is given to a Borrower who is a creditor of the Seller in the context of the Mortgage Loans and their Related Security, equitable or independent set-off rights may accrue in favour of the Borrower against its obligation to make payments to the Seller under the relevant Mortgage Loan. These rights may result in the Issuer receiving reduced payments on the Mortgage Loans. The transfer of the benefit of any Mortgage Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower, however, some rights of set-off may not arise after the date notice is given;
- (d) once notice has been given to the Borrowers of the assignment of the Mortgage Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Mortgage Loan such as in respect of a Flexible Drawing) will not be affected by that notice and will continue to exist (see "*Risk Factors – Set-off risk may adversely affect the value of the Mortgage Portfolio or any part thereof*" below); and
- (e) until notice of the assignment is given to the Borrowers, the Issuer would not be able to enforce any Borrower's obligations under a Mortgage Loan or Related Security itself but would have to join the Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the Mortgage Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of Mortgage Loans to the order of the Issuer. However, for so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the Mortgage Loans and their Related Security.

If any of the risks described above were to occur then the realisable value of the Mortgage Portfolio or any part thereof may be adversely affected. Under the Mortgage Sale Agreement, the Seller will grant to the Issuer and the Trustee a power of attorney to give them the power to do all further things and take all necessary action to perfect the transfer of legal title to the Mortgage Loans and their Related Security on the occurrence of a Perfection Trigger Event.

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

As described above, the sale by the Seller to the Issuer of the Mortgage Loans and their Related Security will be given effect by an equitable assignment. As a result, legal title to the Mortgage Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement. Once notice has been given to the Borrowers of the assignment of the Mortgage Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller (such as set-off rights not associated with or connected to the relevant Mortgage Loan) 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 Mortgage Loan) will not be affected by that notice and will continue to exist.

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



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

If the Borrower is unable to obtain an alternative mortgage loan, it may have a claim in respect of other indirect losses arising from the Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller at the time the Borrower entered into the Mortgage or which otherwise were reasonably foreseeable. A Borrower may also attempt to set off an amount greater than the amount of its damages claim against its mortgage payments. In that case, the Servicer will be entitled to take enforcement proceedings against the Borrower, although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

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

#### *Income and Principal Deficiency*

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to amounts due in respect of items (a) to (p) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, there is a Revenue Shortfall, then subject to certain conditions set out in *"Key Structural Features"*, the Issuer may apply, first, amounts standing to the credit of the General Reserve Fund and, second, amounts standing to the credit of the Liquidity Reserve Fund to meet such Revenue Shortfall. If following application of amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund, there is a Remaining Revenue Shortfall, then (again subject to certain conditions) the Issuer may apply Principal Receipts (if any) against such Remaining Revenue Shortfall. In this event, the consequences set out in the following paragraph may result.

Application, as described above, of any Principal Receipts to meet any Remaining Revenue Shortfall (in addition to any Losses) will be recorded, first to the Class Z Principal Deficiency Sub-Ledger until the negative balance of the Class Z Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class Z Notes then outstanding, second, to the Class F Principal Deficiency Sub-Ledger until the balance of the Class F Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class F Notes then outstanding, third, to the Class E Principal Deficiency Sub-Ledger until the balance of the Class E Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class E Notes then outstanding, fourth, to the Class D Principal Deficiency Sub-Ledger until the balance of the Class D Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class D Notes then outstanding, fifth, to the Class C Principal Deficiency Sub-Ledger until the balance of the Class C Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, sixth, to the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, and seventh, on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

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

Amounts standing to the credit of the General Reserve Fund will be applied, after meeting prior ranking obligations as further described in *"Key Structural Features"*, to credit, first, the Class A Principal Deficiency Sub-Ledger, second, the Class B Principal Deficiency Sub-Ledger, third, the Class C Principal Deficiency Sub-Ledger, fourth, the Class D Principal Deficiency Sub-Ledger, fifth, the Class E Principal Deficiency Sub-Ledger and, sixth, the Class F Principal Deficiency Sub-Ledger. Amounts standing to the credit of the General Reserve Ledger may not be applied to credit the Class Z Principal Deficiency Sub-Ledger.

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

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

#### *Product Switches, Further Advances and Flexible Drawings*

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

The number of Further Advance, Flexible Drawing and Product Switch requests received by the Seller and/or the Servicer will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes. As Principal Receipts will be used to pay amounts to the Seller in respect of consideration for any Flexible Drawings, requests for Flexible Drawings will also affect the amount of Available Principal Receipts to meet payments of principal and (in the event of a shortfall) interest on the Notes.

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

The information in the section entitled "*Statistical Information on the Provisional Mortgage Portfolio*" has been extracted from the systems of the Seller as at 31 May 2015 (the "**Portfolio Reference Date**"). The pool of Mortgage Loans from which the Mortgage Portfolio will be selected (the "**Provisional Mortgage Portfolio**") on 22 July 2015 (the "**Portfolio Selection Date**") comprised of 15,232 Mortgage Loans with an aggregate Current Balance of £1,949,387,383.11 (as at the Portfolio Reference Date). The Provisional Mortgage Portfolio consists of Mortgage Loans originated by CHL which have either (i) remained on CHL's balance sheet throughout the life of such Mortgage Loans or (ii) been beneficially owned by Auburn Securities 3 plc, Auburn Securities 6 plc or Auburn Securities 7 plc and subsequently repurchased by the Seller as described in "*The Mortgage Portfolio*".

The characteristics of the Mortgage Portfolio as at the Closing Date will vary from those of the Provisional Mortgage Portfolio as a result of, *inter alia*, the process of random selection of the Mortgage Loans forming part of the Mortgage Portfolio out of the Provisional Mortgage Portfolio on the Portfolio Selection Date, as well as a result of the exclusion of: (i) Mortgage Loans which are scheduled to redeem prior to the Closing Date; and (ii) Mortgage Loans which at any time prior to the Portfolio Selection Date are found not to comply with the warranties to be given in respect of the Mortgage Loans on the Closing Date as set out in the Mortgage Sale Agreement. See section "*The Mortgage Portfolio*" and "*Statistical Information on the Provisional Mortgage Portfolio*" for more detail.

#### **Servicing and Third Party Risk**

##### *Issuer reliance on other third parties*

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, the Issuer Account Bank has agreed to provide the GIC Account and the Transaction Account to the Issuer, the Servicer has agreed to service the Mortgage Portfolio, the Back-Up Servicer has agreed to replace the Servicer following the termination of the Servicer's appointment as Servicer, the Cash Manager has agreed to provide cash management services to the Issuer, the Back-Up Cash Manager has agreed to replace the Cash Manager following the termination of the Cash Manager's appointment as Cash Manager, the Paying Agents have agreed to provide certain agency services to the Issuer in connection with the

Notes and the Back-Up Servicer Facilitator has agreed to assist in appointing a Back-Up Servicer if applicable. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, payments on the Notes may be adversely affected.

#### *The Servicer*

The Servicer will be appointed by the Issuer to administer the Mortgage Loans. In case the appointment of the Servicer as servicer is terminated in accordance with the provisions of the Servicing Agreement, the Back-Up Servicer is required to perform the Services in respect of the Mortgage Loans on the terms set out in the Replacement Servicing Agreement.

If the appointment of the Servicer is terminated in accordance with the provisions of the Servicing Agreement and the performance of the Services is assumed by the Back-Up Servicer in accordance with the terms of the Replacement Servicing Agreement, the collection of payments on the Mortgage Loans and the provision of the Services could be disrupted during the transitional period in which the performance of the Services is transferred to the Back-Up Servicer. Any failure or delay in collection of payments on the relevant Mortgage Loans resulting from a disruption in the servicing of the Mortgage Loans could ultimately adversely affect payments of interest and principal on the Notes. A failure or delay in the performance of the services, in particular reporting obligations, could adversely affect the payments of interest and principal on the Notes. Such risk is mitigated by the provisions of the Back-Up Servicing Agreement pursuant to which the Back-Up Servicer is required to receive from the Servicer on a continuous basis servicing related information and to update and set up its systems to ensure that it can replace the Servicer at short notice after the appointment of the Servicer is terminated.

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

#### *The Back-Up Servicer*

If the appointment of the Back-Up Servicer is terminated or if the Back-Up Servicer is unable to perform the Services following a Servicer Termination Event, there can be no assurance that a replacement back-up servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans. In addition, as described below, any such substitute back-up servicer will be required to be authorised under the Financial Services and Markets Act 2000 (the "FSMA") in order to service Mortgage Loans that constitute Regulated Mortgage Contracts. The ability of any entity acting as a substitute back-up 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 back-up servicer may adversely affect payments on the Mortgage Loans and hence the Issuer's ability to make payments when due on the Notes.

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

#### *Certain material interests*

The Arranger, the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, CHL. In particular, the Arranger and the Joint Lead Managers (and their respective affiliates) may provide financing (i) which may be secured by some of the Mortgage Loans included in the Provisional Mortgage Portfolio which are not included in the Mortgage Portfolio; and (ii) the proceeds of which may facilitate the acquisition of CHL itself and/or of the aforementioned assets of CHL by the relevant purchaser. The Arranger, the Joint Lead Managers and/or their affiliates may hold Notes from time to time and each may exercise their rights as Noteholder in a manner which is adverse to the other Noteholders. Other parties to the transaction may also perform multiple roles, including CHL, who will act as (among other roles) the Servicer and the Cash Manager.

Nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from

rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

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

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

*The Trustee is not obliged to act in certain circumstances*

The Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Residual Certificates or the Trust Documents (including the Conditions and the Residual Certificate Conditions) or of the other Transaction Documents to which it is a party and at any time after the service of an Enforcement Notice, the Trustee may, at its discretion and without notice, take such proceedings, actions or steps as it may think fit to enforce the Security. However, the Trustee shall not be bound to take any such proceedings, actions or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 17 (*Events of Default*) or Residual Certificate Condition 11 (*RC Events of Default*)) unless it shall have been directed to do so by an Extraordinary Resolution of the Most Senior Class of Noteholders or in writing by the holders in aggregate of at least 25 per cent. in Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (or if no Notes remain outstanding, of the number of Residual Certificates then in issue) and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

*Change of counterparties*

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

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

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

## **The Mortgage Portfolio**

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

Borrowers may default on their obligations under the Mortgage Loans and 0.30 per cent. of the Mortgage Loans in the Provisional Mortgage Portfolio are in arrears of more than or equal to 1 month. Defaults may occur for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. 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 Mortgage Loans.

Other factors in Borrowers' personal or financial circumstances may adversely affect the ability of Borrowers to

repay the Mortgage 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 Mortgage Loans. In addition, the ability of a Borrower to sell a Property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time.

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

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

#### *Risks associated with rising mortgage rates*

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

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

These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses on the Mortgage Portfolio, which in turn may adversely 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 Mortgage Loans may be adversely 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 Mortgage 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 is or will remain at the same level as on the date of origination of the related Mortgage Loan. The downturn in the United Kingdom economy has had 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 the outstanding Mortgage Loans. If the value of the Related Security backing the Mortgage Loans is reduced this may ultimately result in losses to Noteholders if the Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes. 57.38 per cent. of the Mortgage Loans in the Provisional Mortgage Portfolio have a current LTV of over 80 per cent. As such, a decline in property values in the United Kingdom may have a greater effect on the Mortgage Portfolio than if a lower proportion of the Mortgage Portfolio had such a high LTV.

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

*Risk of losses associated with Buy to Let Mortgage Loans*

Approximately 95.85 per cent. by value of the Mortgage Loans in the Provisional Mortgage Portfolio constitute Buy to Let Mortgage Loans. The Borrower's ability to make payments in respect of the Mortgage Loans is likely to depend on the Borrower's ability to let the relevant Properties on appropriate terms. It is intended that the Properties which secure such Mortgage Loans will be let by the relevant Borrower to tenants but there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Mortgage Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Mortgage Loan and/or the rental income achievable from tenancies of the relevant Property over time will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Mortgage Loan.

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

Upon enforcement of a Mortgage Loan in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces while the tenancy is continuing and sells the Property as an investment property with one or more tenants *in situ*, it may affect the amount which may be realised in the sale although the existence of any such tenant paying rent in full on a timely basis may not have an adverse effect on the amount of such realisation. However, because most tenancies are only for six or twelve months, a tenanted property will often be vacated sooner than an owner-occupied property. Additionally, enforcement procedures in relation to such Mortgage Loans include the ability to appoint a receiver of rent in which case such a receiver would collect any rents payable in respect of such Property and apply them in payment of any arrears of principal and interest under the Mortgage Loan.

The Buy to Let Mortgage Loans have been underwritten in accordance with the standards described in "*The Mortgage Portfolio – Lending Criteria*". These underwriting standards consider, among other things, the loan to total lend ratio of all properties owned by the relevant Borrower subject to a first-ranking all monies charge in favour of CHL, the maximum threshold for which is lower than the LTV applicable to owner-occupiers, and valuations of the monthly rental income achievable.

On 8 July 2015 the Government announced plans to restrict the amount of income tax relief landlords can claim for residential property finance costs (such as mortgage interest) to the basic rate of tax. Such restriction will be introduced gradually from 6 April 2017.

*Risk of losses associated with Interest Only Mortgage Loans*

Approximately 92.50 per cent. by value of the Mortgage Loans in the Provisional Mortgage Portfolio constitute Interest Only Mortgage Loans (as defined in the section entitled "*The Mortgage Portfolio*"). Interest Only Mortgage Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Mortgage Loan, the relevant Borrower will be required to make a "bullet" payment that will represent the entirety of the principal amount outstanding. The ability of such a Borrower to repay an Interest Only Mortgage Loan at maturity frequently may depend on such Borrower's ability to sell the Property, refinance the Property or obtain funds from another source such as savings accounts, a pension policy, personal equity plans or an endowment policy. Neither the Issuer, the Trustee, the Seller or the Servicer has verified that the Borrower has any such other source of funds and none of them has obtained security over the Borrower's right in respect of any such other source of funds. The ability of a Borrower to sell or refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at the time. Because of the greater risk relating to refinancing of Interest Only Mortgage Loans, a significant downturn in the property markets or the economy could lead to a greater increase in defaults or repayment of principal of Interest Only Mortgage Loans than on

Repayment Mortgage Loans. Moreover, the Mortgage Conditions in respect of Interest Only Mortgage Loans do not require a Borrower to put in place alternative funding arrangements.

#### *Geographic Concentration Risks*

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

#### *Buildings insurance*

No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Notes.

#### *Warranties*

The Issuer, the Trustee, the Arranger and the Joint Lead Managers have not undertaken nor will they undertake any investigations, searches or other actions in respect of the Mortgage Loans, and their Related Security. In the case of the Issuer and the Trustee, they will rely instead on the warranties given by the Seller in the Mortgage Sale Agreement (the "**Warranties**"). Mortgage Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Mortgage Loan had such matters been revealed. The sole remedy of each of the Issuer and the Trustee in respect of a breach of one or more of the Warranties, which has or would have a material adverse effect on such Mortgage Loan and/or its Related Security, shall be the requirement of the Seller to repurchase or procure the repurchase of any Mortgage Loan which is the subject of any such breach. This shall not limit any other remedies available to the Issuer and/or the Trustee if the Seller fails to repurchase or procure the repurchase of a Mortgage Loan when obliged to do so. The Seller will also be required to repurchase any Mortgage Loans which are the subject of a Further Advance. In addition, the Seller will be required to repurchase a Mortgage Loan that is subject to a Flexible Drawing or Product Switch if the relevant Flexible Drawings Conditions or Product Switch Conditions are not satisfied as at the relevant Drawings Date or Switch Date respectively, or if any such Mortgage Loan is subsequently discovered not to have complied with such conditions or the Warranties and such breach is not remedied within 30 Business Days of receipt by the Seller of a notice from the Issuer of the same. There can be no assurance that the Seller will have the financial resources to honour its obligation to repurchase any Mortgage Loans under any of these circumstances. This may adversely affect the quality of the Mortgage Loans and their Related Security and accordingly the ability of the Issuer to make payments due on the Notes.

#### *Lending Criteria*

As at the date of this Prospectus, the Lending Criteria will have been applied (subject to minor changes made prior to such date) in respect of the Mortgage Loans comprising the Provisional Mortgage Portfolio (including Buy to Let Mortgage Loans, as to which see "*Risk of losses associated with Buy to Let Mortgage Loans*" above) and will apply in respect of all Further Advances, Flexible Mortgages and Product Switches. The criteria consider, among other things, a Borrower's credit history, repayment ability and debt-service-to-income ratio, as well as the value of the Property and the value of the relevant rental stream. However there can be no assurance that the Lending Criteria will not be varied in the future. See "*The Mortgage Portfolio*" below.

## Certain Regulatory Considerations

### *Mortgages Regulated under FSMA*

It is envisaged that the majority of Mortgage Loans in the Provisional Mortgage Portfolio will be buy-to-let mortgages, which fall outside the scope of both FSMA and the Consumer Credit Act 1974 (the "CCA") regulation. As some Mortgage Loans will be owner-occupied mortgages (and thus potentially regulated by FSMA) and because of the potential for mortgages which are intended to be unregulated to be treated as regulated under FSMA (see below), this section considers the regulation of owner-occupied residential mortgages under FSMA.

In the United Kingdom, regulation of residential mortgage business by the Financial Conduct Authority (the "FCA") (previously the Financial Services Authority (the "FSA") under FSMA came into force on 31 October 2004 (the "**Mortgage Regulation Date**"). Subject to certain exemptions, entering into as a lender, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

A credit agreement is a "**Regulated Mortgage Contract**" under the RAO if, at the time it is entered into on or after the Mortgage Regulation Date or, if originated prior to the Mortgage Regulation Date but varied on or after the Mortgage Regulation Date such that a new contract was entered into, at the time of such variation, (a) the Borrower is an individual or trustee, (b) the contract provides for the obligation of the Borrower to repay to be secured by a first legal mortgage (other than timeshare accommodation) in the United Kingdom and (c) at least 40 per cent. of the land to which it relates 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. Buy-to-let mortgages typically fall outside the definition of a Regulated Mortgage Contract because they fail to meet the third condition.

Credit agreements that were entered into before the Mortgage Regulation Date, but are subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date, are regulated under FSMA where they fall within the definition of "Regulated Mortgage Contract". Where, however, a credit agreement entered into before the Mortgage Regulation Date is varied by the provision of a further advance on or after the Mortgage Regulation Date (such that the original contract remains in existence, in its varied form, rather than rescinded and replaced by a new agreement) the Further Advance will be regulated under FSMA (to the extent that such Further Advance constitutes a contract which meets the definition of "Regulated Mortgage Contract").

The Seller holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Since 2008, however, the Seller has not entered into new Regulated Mortgage Contracts, reflecting a business decision by the Seller to stop new lending. Its FCA permissions were therefore updated accordingly on 14 March 2014 and the Seller is currently unable to enter into new Regulated Mortgage Contracts and may only administer Regulated Mortgage Contracts entered into before this date. As the Mortgage Loans comprising the Provisional Mortgage Portfolio were entered into prior to 14 March 2014, to the extent that any Mortgage Loans are Regulated Mortgage Contracts, the Seller had the necessary permission to enter into such Mortgage Loans and the Seller continues to have the necessary permission to administer such Mortgage Loans. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to administration agreement by an entity having the required FCA authorisation and permission. If such an administration agreement terminates, however, the Issuer will use reasonable endeavours to arrange for mortgage administration to be carried out by a replacement administrator having the required FCA authorisation and permission.

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 the Mortgage Regulation Date no variation has been or will be made to the Mortgage Loans and no Further Advance, Flexible Drawing or Product Switch has been or will be made in relation to a Mortgage 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.



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

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

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract entered into as a consequence of such financial promotion will be unenforceable against the Borrower except with the approval of a court. In addition, a Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA rule, and may set off the amount of the claim against the amount owing by the Borrower under the loan or any other loan that the Borrower has taken. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

Any regulated activities carried on by an entity without the appropriate authorisation or permission under the FSMA would be in breach of the general prohibition on conducting unauthorised regulated activities in Section 19 FSMA and would be a criminal offence. In addition to criminal offences the FCA may take civil action against a firm which breaches Section 19 FSMA with, potentially, the imposition of unlimited fines. Therefore, to the extent that the Issuer or the Servicer does not ensure that it acts with the necessary authorisation under the FSMA, in the future, there is a risk that such action will result in criminal or civil sanctions against the Issuer or the Servicer. However, this will not render the Regulated Mortgage Contracts unenforceable against the Borrower.

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

The FCA has the power to render unenforceable contracts made in contravention of its product intervention rules. The FSMA permits the FCA to make temporary product intervention rules ("**TPIRs**") prohibiting authorised persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. TPIRs are intended to offer protection to consumers in the short term whilst either the FCA or the industry develop more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a TPIR, the FCA's rules may provide: (i) for the relevant agreement or obligation to be unenforceable; (ii) for the recovery of any money or other property paid or transferred under the agreement; or (iii) for the payment of compensation for any loss sustained under the relevant agreement or obligation. In March 2013 the FSA published a policy statement "*The FCA's use of temporary product intervention rules*" following a consultation addressing when and how the FCA will consider making TPIRs. The FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make these rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as the potential scale of detriment in the market and potential scale of detriment to individual customers, whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment and whether the use of TPIRs will have any unintended consequences.

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

### *Expansion of MCOB regulation*

In October 2009, the FSA launched a wide-ranging mortgage market review ("**MMR**"). In October 2012, it published a policy statement and final rules generally came into force on 26 April 2014 (with transitional arrangements where, among other things, the borrower does not take on additional borrowing).

The FCA started to track firms' progress towards implementation of the MMR 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 will apply to a Mortgage Loan where (i) it is entered into on or after 26 April 2014; or (ii) where it is varied so as to increase the principal amount outstanding under the relevant Mortgage Loan (e.g. by way of further advance) on or after 26 April 2014 and in each case provided MCOB applies to the Mortgage Loan generally as a Regulated Mortgage Contract. To the extent that further advances are made which constitute new Mortgage Loans, or a Mortgage Loan is varied and in so doing a new Mortgage Loan is created under the new terms and such Mortgage Loan is a Regulated Mortgage Contract, then these new rules would apply.

The MMR changes impact both Regulated Mortgage Contract lenders and intermediaries. For lenders, the principal changes focus upon responsible lending and include:

- more thorough verification of borrowers' income (no self-certification of income, mandatory third party evidence of income required);
- assessments of affordability of interest-only loans on a capital and interest basis unless there is a clearly understood and believable alternative source of capital repayment;
- application of interest rate stress-tests – lenders must consider likely interest rate movements over a minimum period of 5 years from the start of the mortgage term;
- when making underwriting assessments lenders must take account of future changes to income and expenditure that a lender knows of or should have been aware of from information gathered in the application process; and
- lenders may base their assessment of customers' income on actual expected retirement age rather than state pension age. Lenders will be expected to assess income into retirement to judge whether the affordability tests can be met.

There are also significant changes to mortgage distribution and advice requirements in sales, arrears management and requirements on contract variations such as when additional borrowing is requested.

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

### *Mortgage Credit Directive*

The European Mortgage Credit Directive (2014/17/EU) ("**MCD**") was published in the Official Journal of the European Union on 28 February 2014, and entered into force on 21 March 2014. The MCD must be transposed into the national law of Member States by 21 March 2016.

The MCD applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the European Union (a "**Member State**") on residential immovable property, or secured by a right relating to residential immovable property and (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building, and also extends the Consumer Credit Directive to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of EUR 75,000. The MCD 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 UK Government and the FCA have consulted on the transposition and implementation of the directive. In September 2014 the UK Government published a consultation paper on the transposition of the directive together with a draft impact assessment and draft Mortgage Credit Directive Order 2015. The draft Order contains amendments to legislation including FSMA, CCA and the RAO. The final text of the draft Order

together with a draft explanatory memorandum and draft transposition table, was published on legislation.gov.uk on 28 January 2015.

On 25 March 2015 the MCD Order 2015 (the "**MCD Order**") was passed in order to make the necessary legislative changes to implement the MCD. In outline, the MCD Order will: (i) put in place a new regulatory regime for consumer buy-to-let mortgages ("**CBTL mortgages**"); (ii) widen the definition of a Regulated Mortgage Contract ("**RMC**") to include second mortgages; and (iii) transfer the regulation of some existing agreements (e.g. second mortgages) from the consumer credit regime to the RMC regime. The MCD Order will take effect for most purposes on 21 March 2016.

On 27 March 2015 the FCA published their Policy Statement PS 15/9, which contains the final text of the Handbook material giving effect to the MCD. This Handbook material contains extensive changes to MCOB. Lenders will have the option to elect to apply these new requirements from 21 September 2015 onwards, but they will become mandatory from 21 March 2016. In addition, on 5 June 2015 the FCA published an additional policy statement, PS 15/11, making further handbook changes to give effect to the MCD. In particular, these changes result in certain consumer buy-to-let mortgage business becoming subject to the FCA's dispute resolution rules and under the jurisdiction of the Financial Ombudsman Service (discussed below).

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

#### *Current regulation of consumer credit*

It is envisaged that the majority of Mortgage Loans in the Provisional Mortgage Portfolio will be buy-to-let mortgages, which fall outside the scope of both FSMA and the CCA regulation. As some Mortgage Loans will be residential mortgages (and thus potentially regulated by the CCA) and because of the potential for mortgages which are intended to be unregulated to be treated as regulated under the CCA (see below), this section considers the regulation of consumer credit agreements.

Certain lending in the United Kingdom is regulated by the CCA. The regulator for credit agreements regulated by the CCA was the Office of Fair Trading (the "**OFT**") before 1 April 2014, which issued licences and guidance on conduct of business under the CCA, and is the FCA from 1 April 2014, which issues authorisation and permission and rules and guidance on conduct of business under FSMA. Following the transfer of responsibility to the FCA on 1 April 2014, many CCA provisions, particularly relating to conduct of business, have been transferred into the FSMA framework. A number of CCA provisions, including documentation and origination procedures relating to regulated credit agreements and pre- and post-contract disclosure, remain in force. This means that from 1 April 2014, credit agreements previously solely regulated by the CCA have become subject to both the CCA and the FSMA (and its associated secondary legislation and the FCA's Handbook).

A credit agreement is regulated by the CCA where it was made before 1 April 2014 and (a) the Borrower was or included an "individual" as defined in the CCA; (b) if the credit agreement was made before 6 April 2008, the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date and (c) the credit agreement was not an exempt agreement under the CCA. A credit agreement is regulated by both FSMA and the CCA where it was made on or after 1 April 2014 and it is an agreement between an individual or relevant recipient of credit ("A") and any other person ("B") under which B provides A with credit of any amount and is not an exempt agreement under Articles 60C to 60H of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "**RAO**") (which exempt, amongst other things, Regulated Mortgage Contracts). For this purpose, a "relevant recipient of credit" is (a) a partnership consisting of two or three persons not all of whom are bodies corporate, or (b) an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership.

Any credit agreement intended to be a Regulated Mortgage Contract under FSMA, or unregulated, might instead be wholly or partly regulated by the CCA or be treated as such, and any credit agreement intended to be regulated by the CCA or be treated as such, or unregulated, might instead be a Regulated Mortgage Contract under FSMA because of technical rules on:

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

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

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

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

Under section 75 of the CCA in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under the FSMA. From 1 April 2014, such rules will include rules in the Consumer Credit Sourcebook ("CONC"). The borrower may set off the amount of the claim against the lender under section 75 of the CCA, or for contravention of CONC, against the amount owing by the borrower under the loan or under any other loan agreement that the borrower has taken with the lender. Any such set-off in relation to a Mortgage Loan in the Provisional Mortgage Portfolio may adversely affect the Issuer's ability to make payments on the Notes.

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 "extortionate credit" regime was replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts and "regulated home purchase plans" (as defined in the RAO). The test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee such as the Issuer. In applying the "unfair relationship" test, the courts can consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below).

The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FCA "*Principles for Businesses*" may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

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

To the extent that the credit agreement is regulated by the CCA or treated as such, breach of the agreement may not allow the creditor to terminate the agreement, demand earlier payment or enforce security if the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees will be restricted to nil until the 29th day after the day on which a prescribed notice is given

and then to simple interest thereafter.

Charges payable for early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies from 11 June 2010. These changes to the CCA may result in adverse effects on the Issuer's ability to make payment in full on the Notes when due.

The Seller has 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 scheme provided under Part XVI FSMA to investigate complaints against authorised persons (as defined in FSMA) (the "**Financial Ombudsman Service**"), then a Mortgage 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.

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

#### *Transfer of consumer credit to the FCA*

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

#### *Distance Marketing Regulations*

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

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

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

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

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

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

The UTCCR provides that:

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

The UTCCR will not affect terms which define the main subject matter of the contract, such as the Borrower's obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

The lead enforcement body for the UTCCR is the Competition and Markets Authority (the "**CMA**") and the qualifying body in relation to Regulated Mortgage Contracts and mortgage loans originated by lenders authorised under FSMA is the FCA. The lead enforcement body was and is responsible for enforcing the UTCCR in relation to other mortgage loans.

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

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

In July 2012, the Law Commission and the Scottish Law Commission launched a consultation in order to review and update the recommendations set out in their 2005 Report on Unfair Terms in Contracts. In March 2013, the Law Commission and the Scottish Law Commission published their advice, in a paper entitled "*Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills*". This advice paper repeats the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to notices and some additions to the "grey list" of terms which are indicatively unfair. The Law Commission and the Scottish Law Commission also recommend that the UTCCR should expressly provide that, in proceedings brought by consumers, the court is required to consider the fairness of the term, even if the consumer has not raised the issue, where the court has available to it the legal

and factual elements necessary for that task.

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

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. Such material "no longer reflects the FCA's views on unfair contract terms" and firms should no longer rely on the content of the documents that have been removed. The FCA has not indicated how it considers the material it has removed to be inconsistent with its current views, nor has it said when it expects to be in a position to update the withdrawn materials.

The FCA will consider how the guidance should be updated in light of the following developments: Consumer Rights Act 2015; the CMA's guidance consultation on the unfair contract terms provisions in the Consumer Rights Act, which closed to comments on 30 March 2015; and Court of Justice of the EU (ECJ) case law concerning the Unfair Contracts Terms Directive (93/13/EC).

The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under UTCCR, although comprehensive guidance on the UTCCR themselves is not provided. It is unclear exactly how such existing guidance and rules will be amended. No assurance can be given that any such changes in guidance on the UTCCR will not have a material adverse effect on the Seller, the Issuer and their respective businesses and operations.

### *Reposessions*

Whilst it is envisaged that the majority of Mortgage Loans in the Provisional Mortgage Portfolio will be buy-to-let mortgages, a small percentage will be owner-occupied residential mortgages. Borrowers under owner-occupied residential mortgage agreements are generally afforded greater protection against reposessions than borrowers under buy-to-let mortgage agreements.

The pre-action protocol for reposessions based on mortgage or home purchase plan arrears in respect of residential property 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, including the Seller, have confirmed that they will delay the initiation of repossession action for at least six months after a Borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant Borrower and may not apply in cases of fraud. The protocol is addressed to residential mortgage lenders and may have adverse effects in markets experiencing above average levels of possession claims.

Pursuant to MCOB, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA indicated that it did not expect each forbearance option to be explored at every stage of interaction with the borrower, it is clear that the rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. As a result, the rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Mortgage Loans. No assurance can be made that any such actions will not impact on the Issuer's ability to make payments in full when due on the Notes, although the impact of this will depend on the number of Mortgage Loans which involve a Borrower which experiences payment difficulties.

The Mortgage Repossession (Protection of Tenants etc) Act 2010 (the "**Repossession Act**") came into force in October 2010. The Repossession Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order. The Repossession Act may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

There can be no assurance that any delay in starting and/or completing repossession actions by the Seller would not result in the amounts recovered being less than if the Seller did not allow any such delays (which may ultimately adversely affect the ability of the Issuer to make payments of interest and principal on the Notes when due). The protocol, the Repossession Act and MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and a lower repayment rate on the Notes.

### *Consumer Rights Act 2015*

The Consumer Rights Bill received royal assent on 26 March 2015 and is now the Consumer Rights Act 2015 ("**CRA**"). The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. When certain sections of the CRA come into force they will revoke the UTCCR and introduce a new regime for dealing with unfair contractual terms as follows:

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

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

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

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

CMA's consultation on the unfair contract terms provisions in the Consumer Rights Act closed to comments on 30 March 2015. The CMA are currently analysing feedback received during the consultation and we can expect guidance to be released in due course.

The provisions in the CRA governing unfair contractual terms are not yet in force. These provisions will commence on a day to be determined by the statutory instrument, currently anticipated to be 1 October 2015. This new regime does not seem to be significantly different from the regime under the UTCCR. However, this area of law is rapidly developing and we can expect new regulator guidance and case law as a result of this new legislation.

No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the Servicer, the Issuer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Mortgage Loans.



### *Case law of the ECJ on unfair terms*

It is likely that guidance on the unfair contract terms (including that issued by the FCA) will take account of recent developments in ECJ case law on the interpretation of the Unfair Terms Directive (93/13/EEC) (which was implemented in the UK by the UTCCR) including: (i) *Nemzeti Fogyasztóvédelmi Hatóság v Invitel Távközlési Zrt* where the ECJ ruled that mandatory rules on variation and termination rights must be set out clearly in consumer contracts; and (ii) *RWE Vertrieb AG v Verbraucherzentrale* which emphasises the foundations of consumer protection on inequality of bargaining power and imbalances in information.

It remains to be seen how these judgements will impact the position in the UK. No assurance can be given that this case law will not have a material adverse effect on the Seller, the Servicer, the Issuer and their respective businesses and operations. No assurance can be made that this case law will not adversely 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 Mortgage Loans which involve a Borrower which experiences payment difficulties.

### *Financial Ombudsman Service*

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

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

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

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

Under the CPUTRs a commercial practice is to be regarded as unfair and therefore prohibited if it is:

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

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Mortgage Loans, the Seller or the Issuer and their respective businesses and operations will depend on whether those entities

engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator 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 Commissions published a report entitled "*Consumer Redress for Misleading and Aggressive Practices*", which sets out recommendations for reform.

On 14 March 2013, the EU Commission published the results of its review on the application of the Unfair Practices Directive. The EU Commission does not propose extending the directive but has indicated that intensified national enforcement and re-enforced co-operation in cross-border enforcement are needed. Going forward the EU 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.

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.

The effect (if any) of the CPUTRs on the Mortgage Loans, the Seller, the Servicer or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added significantly to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator and may lead to criminal sanctions.

No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

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

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

### **Other Legal Risks**

#### *English law 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. 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 (the "**Insolvency Act**") 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 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 Insolvency Act, 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).

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

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the Charged Property. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets.

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

#### *Liquidation expenses*

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UK HL9 ("**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, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result, it is now the case that the costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008. Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer (which would otherwise be available to satisfy the claims of the Issuer's secured creditors under the Deed of Charge) would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

#### *Legal considerations may restrict certain investments*

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor of the Notes should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as

collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

#### *Book-Entry Interests*

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

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

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

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

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

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

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

#### *Change of law*

The structure of the transaction as described in this Prospectus and, *inter alia*, the issue of the Notes and the

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

*Regulatory initiatives may result in increased regulatory capital requirements for certain investors 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 adversely affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger and the Joint Lead Managers or the Seller 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 (Undertakings for the Collective Investment of Transferable Securities) 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 ongoing 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. In particular, in the context of the requirements which apply in respect of EU-regulated credit institution investors, investment firms and authorised alternative investment fund managers, coming legislative developments may result in changes to the corresponding interpretation materials which apply in respect of such requirements. No assurance can be provided that any such changes will not affect the compliance position of previously issued transactions and/or the requirements applying to relevant investors in general.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of the Seller to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Seller in its capacity as the Servicer or the Cash Manager on the Issuer's behalf), please see the statements set out in the section entitled "*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 Seller (in its capacity as the Seller), CHL (in its capacities as the Servicer or the Cash Manager), the Arranger and the Joint Lead Managers nor any other party to the transaction makes any representation that the information described above is sufficient in all circumstances for such purposes.

Aspects of the risk retention and due diligence requirements described above and what is required to demonstrate compliance to national regulators remain unclear. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non-compliance or to avoid being required to take corrective action should seek guidance from their regulator.

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.

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

The Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to Basel II (being the revised international capital framework of the Basel Committee, published in 2004) regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the Net Stable Funding Ratio from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published a consultative document setting out certain proposed revisions to the securitisation framework, including proposed new hierarchies of approaches to calculating risk weights and a new risk weight floor of 20 per cent. The European Commission intends the Liquidity Coverage Ratio to apply to EU regulated credit institutions from 1 October 2015 and for the Net Stable Funding Ratio to become a binding standard from 1 January 2018.

Implementation of the Basel III framework (to the extent that it has not already been fully implemented in member countries) and/or of any of the changes put forward by the Basel Committee 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 adversely affect the liquidity and/or value of the Notes.

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

### **CRA3**

Prospective investors are responsible for ensuring that an investment in the Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**").

The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website, [www.esma.europa.eu](http://www.esma.europa.eu), a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decisions to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. The credit ratings included or referred to in this Prospectus are issued by Moody's and S&P in respect of the Rated Notes, each of which is established in the European Union and included on the list of registered and certified credit rating agencies that is maintained by ESMA.

Prospective investors should note the provisions of Regulation 462/2013 (EU) which amends Regulation (EC) 1060/2009 on Credit Rating Agencies (together, "**CRA3**") and became effective on 20 June 2013. CRA3 requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other. In addition, it is suggested that parties to a structured finance transaction consider appointing at least one smaller Credit Rating Agency (a Credit Rating Agency with no more than a 10% market share), so long as such

Credit Rating Agency could be evaluated by the Issuer or related third party as capable of rating the issuance.

Additionally, CRA3 requires certain additional disclosure to be made in respect of structured finance transactions. The scope, extent and manner in which such disclosure should be made is detailed in the Commission Delegated Regulation 2015/13 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 16 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. The CRA3 disclosure requirements overlap with the existing disclosure regimes and introduce an additional administrative burden on the relevant Transaction Parties.

### **Certain Tax Considerations**

#### *Securitisation Company Tax Regime*

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

If the TSC Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations (the "**Regime**").

Investors should note, however, that the TSC Regulations are in short-form and it is expected that advisors will 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 Regime then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, the deduction of interest paid on the Notes could well be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to the Noteholders.

#### *Withholding tax*

In the event that any withholding or deduction for or on account of UK income tax is imposed in respect of payments made to the Noteholders under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate the Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, 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 per cent. 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 Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described 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 income that is equivalent to interest.

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 on-going 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 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 nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note 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 Savings Directive.

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

#### *EU Financial Transaction Tax*

On 14 February 2013, the European Commission published a proposal (the "**Commission Proposal**") for a Directive for a common Financial Transaction Tax ("**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 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.

#### *U.S. Foreign Account Tax Compliance Act ("FATCA") withholding may affect payments on the Notes or Residual Certificates*

While the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with



any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once the Principal Paying Agent has paid the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the clearing systems and custodians or intermediaries. Potential investors should be aware that no additional amounts will be payable if any payments in relation to the Notes are subject to withholding or deduction under FATCA. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

## OVERVIEW 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	Class Z1 Notes	Class Z2 Notes	Subordinated Notes
<i>Currency:</i>	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
<i>Initial Principal Amount:</i>	£396,375,000	£47,250,000	£26,250,000	£13,125,000	£15,750,000	£5,250,000	£10,500,000	£10,522,000	£15,901,000
<i>Note Credit Enhancement:</i>	Subordination of the Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class Z Notes and General Reserve Fund and excess Available Revenue Receipts	Subordination of the Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class Z Notes and General Reserve Fund and excess Available Revenue Receipts	Subordination of the Class D Notes, Class E Notes, Class F Notes and Class Z Notes and General Reserve Fund and excess Available Revenue Receipts	Subordination of the Class E Notes, Class F Notes and Class Z Notes, General Reserve Fund and excess Available Revenue Receipts	Subordination of the Class F Notes and Class Z Notes, General Reserve Fund and excess Available Revenue Receipts	Subordination of the Class Z Notes, General Reserve Fund and excess Available Revenue Receipts	Subordination of the Class Z2 Notes, excess Available Revenue Receipts	Excess Available Revenue Receipts	Excess Available Revenue Receipts
<i>Liquidity Support:</i>	Liquidity Reserve Fund and General Reserve Fund applied to make up Revenue Shortfall. Principal Receipts applied to make up Remaining Revenue Shortfall  (subject to conditions as set out in "Key Structural Features – Credit Enhancement and Liquidity Support")	Liquidity Reserve Fund and General Reserve Fund applied to make up Revenue Shortfall. Principal Receipts applied to make up Remaining Revenue Shortfall  (subject to conditions as set out in "Key Structural Features – Credit Enhancement and Liquidity Support")	Liquidity Reserve Fund (following the redemption of Class A and Class B Notes only) and General Reserve Fund applied to make up Revenue Shortfall. Principal Receipts applied to make up Remaining Revenue Shortfall  (subject to conditions as set out in "Key Structural Features – Credit Enhancement and Liquidity Support")	Liquidity Reserve Fund (following the redemption of Class A and Class B Notes only) and General Reserve Fund applied to make up Revenue Shortfall. Principal Receipts applied to make up Remaining Revenue Shortfall  (subject to conditions as set out in "Key Structural Features – Credit Enhancement and Liquidity Support")	Liquidity Reserve Fund (following the redemption of Class A and Class B Notes only) and General Reserve Fund applied to make up Revenue Shortfall. Principal Receipts applied to make up Remaining Revenue Shortfall  (subject to conditions as set out in "Key Structural Features – Credit Enhancement and Liquidity Support")	Liquidity Reserve Fund (following the redemption of Class A and Class B Notes only) and General Reserve Fund applied to make up Revenue Shortfall. Principal Receipts applied to make up Remaining Revenue Shortfall  (subject to conditions as set out in "Key Structural Features – Credit Enhancement and Liquidity Support")	N/A	N/A	N/A
<i>Issue Price</i>	98.99%	97.68%	97.54%	96.29%	100.00%	100.00%	100.00%	100.00%	100.00%
<i>Interest Rate:</i>	3 months GBP LIBOR + Margin or Step-Up Margin, as applicable	3 months GBP LIBOR + Margin or Step-Up Margin, as applicable	3 months GBP LIBOR + Margin or Step-Up Margin, as applicable	3 months GBP LIBOR + Margin or Step-Up Margin, as applicable	0.00% per annum	0.00% per annum	0.00% per annum	0.00% per annum	0.00% per annum
<i>Margin:</i>	1.000% per annum	1.200% per annum	1.500% per annum	1.800% per annum	N/A	N/A	N/A	N/A	N/A
<i>Step-Up Margin:</i>	1.750% per annum	2.100% per annum	2.625% per annum	3.150% per annum	N/A	N/A	N/A	N/A	N/A
<i>Interest Accrual Method:</i>	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	N/A	N/A	N/A	N/A	N/A
<i>Calculation Date:</i>	The third Business Day prior to each Interest Payment Date								
<i>Interest Payment Dates:</i>	Interest and principal will be payable quarterly in arrear on the 18th day of each February, May, August and November								

	<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>	<u>Class Z1 Notes</u>	<u>Class Z2 Notes</u>	<u>Subordinated Notes</u>
<i>Business Day Convention:</i>	Modified Following								
<i>First Interest Payment Date:</i>	The Interest Payment Date falling in November 2015				N/A	N/A	N/A	N/A	N/A
<i>First Interest Period:</i>	The period from the Closing Date to the Interest Payment Date falling in November 2015								
<i>Call Option/ Step-Up Date:</i>	The Interest Payment Date falling in August 2018								
<i>Pre-Step-Up Date Redemption profile:</i>	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation)								
<i>Post-Step-Up Date Redemption profile:</i>	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation)								
<i>Other Early Redemption in Full Events:</i>	Tax/illegality/clean-up call. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation)								
<i>Final Maturity Date:</i>	The Interest Payment Date falling in August 2047								
<i>Form of the Notes:</i>	Registered								
<i>Application for Listing:</i>	Ireland								
<i>ISIN:</i>	XS1255066406	XS1255067396	XS1255067982	XS1255068105	XS1255068287	XS1255068790	XS1255068873	XS1255068956	XS1255069178
<i>Common Code:</i>	125506640	125506739	125506798	125506810	125506828	125506879	125506887	125506895	125506917
<i>Minimum Denomination:</i>	£100,000 and integral multiples of £1,000 in excess thereof								
<i>Expected Ratings:</i>	Aaa(sf)/AAA(sf)	Aa1(sf)/AA(sf)	Aa2(sf)/A(sf)	A1(sf)/BBB(sf)	Baa1(sf)/BB(sf)	Baa3(sf)/B(sf)	Not rated	Not rated	Not rated
<i>(Rating Agency)</i>	(Moody's/S&P)	(Moody's/S&P)	(Moody's/S&P)	(Moody's/S&P)	(Moody's/S&P)	(Moody's/S&P)	N/A	N/A	N/A

## OVERVIEW OF TERMS AND CONDITIONS OF THE NOTES AND RESIDUAL CERTIFICATES

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

### Ranking and Form of the Notes:

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

- Class A Mortgage Backed Floating Rate Notes due August 2047 (the "**Class A Notes**");
- Class B Mortgage Backed Floating Rate Notes due August 2047 (the "**Class B Notes**");
- Class C Mortgage Backed Floating Rate Notes due August 2047 (the "**Class C Notes**");
- Class D Mortgage Backed Floating Rate Notes due August 2047 (the "**Class D Notes**");
- Class E Mortgage Backed Notes due August 2047 (the "**Class E Notes**");
- Class F Mortgage Backed Notes due August 2047 (the "**Class F Notes**");
- Class Z1 Mortgage Backed Notes due August 2047 (the "**Class Z1 Notes**");
- Class Z2 Mortgage Backed Notes due August 2047 (the "**Class Z2 Notes**" and, together with the Class Z1 Notes, the "**Class Z Notes**"); and
- Subordinated Notes due August 2047 (the "**Subordinated Notes**").

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 are the "**Rated Notes**". The Rated Notes together with the Class Z Notes and the Subordinated Notes are the "**Notes**" and the holders thereof, the "**Noteholders**".

Any reference to a "**Class**" of Noteholders shall be a reference to the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, the Class Z Notes and the Subordinated Notes, as the case may be, or to the respective holders thereof.

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

### Residual Certificates:

As consideration for the purchase of the Mortgage Portfolio, the Issuer will on the Closing Date also issue to the Seller residual certificates in registered form under the terms of the Trust Deed (the "**Residual Certificates**" and the holders thereof, the "**Certificateholders**") representing the right to receive excess spread in respect of the Mortgage Portfolio purchased by the Issuer.

**Ranking of Payments of Interest:**

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

Payments of interest on the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class Z1 Notes, Class Z2 Notes and the Subordinated Notes will be paid in Sequential Order.

The payments of any amounts due in respect of Residual Payments under the Residual Certificates will be subordinated to the payments of interest under the Notes.

**Ranking of Payments of Principal:**

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

Payments of principal on the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class Z1 Notes, Class Z2 Notes and the Subordinated Notes will be paid in Sequential Order.

The payments of any amounts due in respect of Residual Payments under the Residual Certificates will be subordinated to the payments of principal under the Notes.

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

**Sequential Order:**

In respect of payments of interest to be made in respect of the Notes: *first*, to the Class A Notes, *second*, to the Class B Notes, *third*, to the Class C Notes, *fourth*, to the Class D Notes, *fifth*, to the Class E Notes, *sixth*, to the Class F Notes, *seventh*, to the Class Z1 Notes, *eighth*, to the Class Z2 Notes and, *ninth*, to the Subordinated Notes.

In respect of payments of principal to be made in respect of the Notes: *first*, to the Class A Notes, *second*, to the Class B Notes, *third*, to the Class C Notes, *fourth*, to the Class D Notes, *fifth*, to the Class E Notes, *sixth*, to the Class F Notes, *seventh*, to the Class Z1 Notes, *eighth*, to the Class Z2 Notes and, *ninth*, to the Subordinated Notes.

The payments of any amounts due in respect of Residual Payments under the Residual Certificates are subordinated to all rights of payment of interest and principal under the Notes.

**Most Senior Class:**

Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes then outstanding, the Class E Notes or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes then outstanding, the Class F Notes or, if there are no Rated Notes then outstanding, the Class Z Notes

or, if there are no Rated Notes and no Class Z Notes then outstanding, the Subordinated Notes.

**Security:**

The Issuer's obligations in respect of the Notes and the Residual Certificates are secured and will share the same Security together with the other secured obligations of the Issuer in accordance with the Deed of Charge. The security granted by the Issuer includes:

- (a) a first fixed charge over the Benefit of the Issuer's interest in the Mortgage Loans and the Related Security (which, until notice is served on the Borrowers and, in respect of mortgages of property comprising of registered land, until registration is effected, will take effect as an equitable assignment);
- (b) a first fixed charge over the Benefit, present and future, of each Authorised Investment;
- (c) first fixed charges over the Benefit, present and future, in and to and all monies now or in the future standing to the credit of (and all interest accruing thereon from time to time) the Transaction Account and the GIC Account and any other bank accounts of the Issuer established on or after the Closing Date in accordance with the Transaction Account Bank Agreement, the GIC Account Bank Agreement or the other Transaction Documents;
- (d) an assignment by way of security of the Issuer's interests in the Life Policies and the Charges relating to the Mortgage Loans;
- (e) an assignment by way of security of the Issuer's interests in the Insurance Policies;
- (f) a first fixed charge over the Issuer's interests in the Guarantees and the Borrower Charges;
- (g) an assignment by way of security of the Benefit, present and future, under each relevant Transaction Document; and
- (h) a first floating charge over the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever present and future including its uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security or absolute assignment as described above) and extending over all of its property, assets, rights or revenues as are situated in England or governed by English law (whether or not the subject of the fixed charges or assignments described above); and
- (i) a charge at law over indebtedness comprising an obligation or liability to pay money secured by each registered charge of which it is registered as proprietor at the Land Registry of England and Wales (the "**Land Registry**") (such registration to

occur following a Perfection Trigger Event).

Certain other Secured Amounts rank senior to the Issuer's obligations under the Notes and the Residual Certificates in respect of the allocation of proceeds as set out in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

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

**Interest Deferral:** Interest due and payable on the Most Senior Class of Notes may 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 8.11 (*Interest Accrual*).

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

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

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

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

**Events of Default:**

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

- non-payment by the Issuer of principal in respect of the Most Senior Class of Notes within 7 days following the due date or non-payment by the Issuer in respect of the Most Senior Class of Notes of interest within 14 days following the due date (**provided that**, for the avoidance of doubt, a deferral of interest in respect of a Class of Notes (other than the Most Senior Class) in accordance with Condition 8.11 (*Interest Accrual*) shall not constitute a default in the payment of such interest);
- breach of contractual obligations by the Issuer under the Notes or the Transaction Documents which is incapable of remedy or which is, if capable of remedy, not remedied within 30 days;
- Insolvency Event in respect of the Issuer; or
- it being unlawful for the Issuer to perform or comply with its obligations.

**RC Events of Default:**

As fully set out in Residual Certificate Condition 11 (*RC Events of Default*) and subject to the Notes being redeemed in full, which broadly include:

- non-payment by the Issuer of any amount due in respect of the Residual Certificates within 7 days following the due date for such payment (if any);
- breach of contractual obligations by the Issuer under the Residual Certificates or the Transaction Documents which is incapable of remedy or which is, if capable of remedy, not remedied within 30 days;
- Insolvency Event in respect of the Issuer; or
- it being unlawful for the Issuer to perform or comply with its obligations.

The Certificateholders will only have a right to direct the Trustee to take enforcement action following an RC Event of Default when no Notes remain outstanding.

**Limited Recourse:**

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

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.

**Governing Law:**

English law.



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

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

### **Prior to an Event of Default:**

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

Certificateholders holding not less than 10 per cent. in number of the Residual Certificates then in issue are entitled to request that the Trustee convene a Certificateholders' meeting and all Certificateholders are entitled to participate in a Certificateholders' meeting convened by the Issuer or the Trustee to consider any matter affecting their interests.

However, so long as (in case of the Notes) no Event of Default has occurred and is continuing or (in case of the Residual Certificates) no RC Event of Default has occurred and is continuing, the Noteholders and the Certificateholders (as the case may be) are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Trustee, without the consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such actions under the relevant Transaction Documents.

### **Following an Event of Default:**

Following the occurrence of an Event of Default which is continuing, the holders of the Most Senior Class of Notes may, if they hold in aggregate not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes or if an Extraordinary Resolution of the Most Senior Class of Notes is passed, direct the Trustee in writing to give an Enforcement Notice to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding.

The Certificateholders may only direct the Trustee in writing to give an Enforcement Notice to the Issuer if no Notes remain outstanding. If there are no Notes outstanding and following the occurrence of an RC Event of Default which is continuing, the Certificateholders may, if they hold not less than 25 per cent. in number of the Residual Certificates then in issue or if an Extraordinary Resolution of the Certificateholders is passed, direct the Trustee in writing to give an Enforcement Notice to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable.

### **Noteholders and Certificateholders Meeting provisions:**

<b>Notice period:</b>	At least 21 clear days for the initial meeting	At least 14 clear days for the adjourned meeting
<b>Quorum:</b>	One or more persons present and holding or representing in aggregate not less than 25 per cent. of	One or more persons present and holding or representing in aggregate not less than 10 per cent. of the

the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25 per cent. of the number 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 Reserved Matter) shall be one or more persons present and holding or representing in the aggregate more 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 more than 50 per cent. of the number of Residual Certificates then outstanding, as applicable. The quorum for passing a Reserved Matter shall be one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding or holding or representing not less than 75 per cent. of the number of Residual Certificates then outstanding, as applicable.

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 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 Reserved Matter) 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 Residual Certificates then outstanding, as applicable. The quorum for passing a Reserved Matter shall be one or more persons present and holding or representing in the aggregate more than 50 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding or holding or representing more than 50 per cent. of the number of Residual Certificates then outstanding, as applicable.

applicable.

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

**Required majority for Extraordinary Resolution:** Majority consisting of not less than 75 per cent. of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll (an "**Extraordinary Resolution**").

**Required majority for Written Resolution:** Not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding or not less than 75 per cent. of the number of Residual Certificates then in issue. A Written Resolution has the same effect as an Extraordinary Resolution.

**Electronic Consents:** Noteholders and Certificateholders may also pass an Extraordinary Resolution by way of electronic consents communicated through the electronic communications systems of the clearing system(s) to the Principal Paying Agent or another specified agent and/or the Trustee in accordance with the operating rules and procedures of the relevant clearing system(s) ("**Electronic Consents**"). Such consents are required from Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant class of Notes then outstanding and from holders of not less than 75 per cent. by number of the Residual Certificates in issue for matters requiring Extraordinary Resolutions. A resolution passed by such means has the same effect as an Extraordinary Resolution.

**Reserved Matters:** Broadly speaking, the following matters are Reserved Matters:

Changes to payments (timing, method of calculation, reduction in amounts due and currency), to effect the exchange, conversion or substitution of the Notes; changes to the Priority of Payments and changes to quorum and majority requirements and amendments to the definition of Reserved Matter.

**Relationship between Classes of Noteholders:**

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

Subject to the provisions in respect of a Reserved Matter, an Extraordinary Resolution of holders of the Most Senior Class of Notes shall be binding on all other Classes of Notes and on the Residual Certificates and would override any resolutions to the contrary of the Classes of Notes ranking behind such Class or of

the Residual Certificates.

A Reserved Matter relating to the Notes requires an Extraordinary Resolution of each Class of Notes then outstanding.

**Seller as Noteholder:**

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

**Seller as  
Certificateholder:**

For the purpose of, *inter alia*, the right to attend and vote at any meeting of Certificateholders, any Extraordinary Resolution in writing and any direction made by Certificateholders, those Residual Certificates (if any) which are held by or on behalf of or for the benefit of the Seller, any holding company of the Seller or any subsidiary of such holding companies in each case as beneficial owner, shall (unless and until ceasing to be held) be deemed not to remain outstanding, **provided that** if all the Residual Certificates are held by the Seller, any holding company of the Seller and/or any other subsidiary of such holding companies, all of the Residual Certificates will be deemed to remain outstanding.

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

The Trust Deed provides that the Trustee shall, except where expressly provided otherwise and prior to the redemption in full of the Notes, have regard solely to the interests of the Noteholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to it and to act in accordance with the applicable Priority of Payments. So long as any Residual Certificates are in issue and provided that there are no Notes outstanding, in the event that there is a conflict between the interests of the Certificateholders and the other Secured Creditors (except the Noteholders), the Trustee shall have regard solely to the interests of the Certificateholders.

**Additional Right of  
Modification:**

Notwithstanding the provisions of Condition 17.1 (*Modification*), the Trustee shall be obliged, without the consent or sanction of the Noteholders, the Certificateholders or any of the Secured Creditors, to concur with the Issuer in making a modification (other than in respect of a Reserved Matter) to the Conditions or any other Transaction Documents which 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;

- (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, 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 Irish 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 subject to the terms and conditions set out at Condition 17.2 (*Additional Right of Modification*).

**Provision of Information to the Noteholders:**

The Cash Manager will publish an investor report (each, an "**Investor Report**") on a monthly basis in respect of the Mortgage Portfolio and the Notes containing, *inter alia*, certain aggregated loan data in relation to the Mortgage Portfolio in respect of the relevant Collection Period, information in relation to the Notes including, but not limited to, the ratings of the Notes, amounts paid by the Issuer pursuant to the relevant Priority of Payments, required counterparty information and the Seller's holding of the Notes and confirmation of the Seller's compliance with Article 405 of the CRR and Article 51 of the AIFMR. The Investor Reports will be published on CHL's website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk). In addition, loan level information will be provided on a quarterly basis and published on the website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

**Communication with Noteholders and Certificateholders:**

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

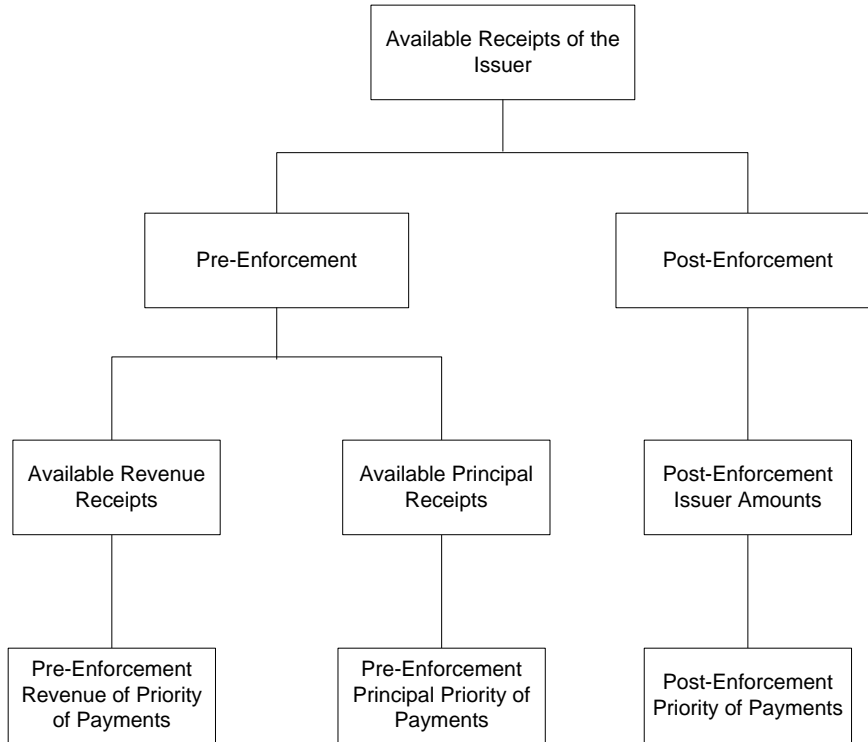
- (a) For so long as the relevant Notes or Residual Certificates are in global form, any notice to Noteholders or Certificateholders (as applicable) shall be validly given to such Noteholders or Certificateholders (as applicable) if sent to the Clearing Systems for communication by them to the relevant Noteholders or Certificateholders and shall be deemed to be given on the date on which it was so sent.
- (b) While the Notes are represented by Definitive Notes, any notice to the holders thereof 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 Trustee shall approve in advance having a general circulation in the United Kingdom.

- (c) While the Residual Certificates are represented by Definitive Residual Certificates, the Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in its opinion, such method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholders in such manner as the Trustee shall deem appropriate.
- (d) For so long as the relevant Notes are admitted to trading and listed on the official list of the Irish Stock Exchange any notice shall also be published in accordance with the relevant guidelines of the Irish Stock Exchange by a notification in writing to the Company Announcements Office of the Irish Stock Exchange, and any notice so published shall be deemed to have been given on the date of publication.
- (e) The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders (or to a class or category of them) or to the Certificateholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing (and in case of the Notes only, to the requirements of the stock exchange on which such Notes are then listed) and provided that notice of such other method is given to the Noteholders or the Certificateholders (as the case may be) in such manner as the Trustee shall require.

## OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW

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



## SUMMARY OF CREDIT STRUCTURE AND CASHFLOWS

*Please refer to the sections entitled "Key Structural Features – Credit Enhancement and Liquidity Support" and "Cashflows and Cash Management" for further detail in respect of the credit structure and cash flow of the transaction.*

### **Available Revenue Receipts of the Issuer:**

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

**"Available Revenue Receipts"** will (without double counting), broadly, include the following:

- (a) Revenue Receipts on the Mortgage Loans received during the three immediately preceding Collection Periods or, if any of the immediately preceding three Collection Periods is a Determination Period, Calculated Revenue Receipts (excluding in each case an amount to be applied as Available Principal Receipts in accordance with Condition 8.12(c)(i) on the relevant Interest Payment Date);
- (b) interest payable to the Issuer on the Transaction Account and the GIC Account and income from any Authorised Investments received during the three immediately preceding Collection Periods;
- (c) any amounts released from the Liquidity Reserve Fund and the General Reserve Fund when the General Reserve Fund Required Amount is reduced to zero (following the redemption in full of the Rated Notes);
- (d) any Liquidity Reserve Fund Excess;
- (e) any amounts withdrawn from the Liquidity Reserve Fund or General Reserve Fund to remedy a Revenue Shortfall;
- (f) any Available Principal Receipts applied pursuant to item (a) of the Pre-Enforcement Principal Priority of Payments in order to remedy a Remaining Revenue Shortfall;
- (g) in respect of the First Interest Payment Date only, the Reconciled Revenue Amount (excluding, if applicable, any Seller Reconciliation Payment representing revenue that remains unpaid on the First Interest Payment Date);
- (h) any amount applied as Available Revenue Receipts in accordance with Condition 8.12(c)(ii); and
- (i) other net income of the Issuer received during the three immediately preceding Collection Periods (other than any Principal Receipts),

less:

- (j) Permitted Withdrawals (as described in the section entitled *"Cashflows and Cash Management – Definition*



*of Available Revenue Receipts" below).*

If the Cash Manager determines that there would be a deficit on an Interest Payment Date to pay items (a) to (p) of the Pre-Enforcement Revenue Priority of Payments, then the Cash Manager, on behalf of the Issuer, shall pay or provide for such deficit by applying:

- (1) amounts standing to the credit of the General Reserve Fund, provided that amounts standing to the credit of the General Reserve Fund may only be applied in respect of the Senior Expenses, interest payments due on the Rated Notes and to cure debit entries on the Principal Deficiency Sub-Ledgers relating to the Rated Notes (that is, items (a) to (p) of the Pre-Enforcement Revenue Priority of Payments;
- (2) the amounts standing to the credit of the Liquidity Reserve Fund, provided that amounts standing to the credit of the Liquidity Reserve Fund may be applied:
  - (i) prior to the redemption in full of the Class A Notes and the Class B Notes, in respect of any senior expenses of the Issuer which rank in priority to the Class A Notes in the relevant Priority of Payments (the "**Senior Expenses**") and interest payments due on the Class A Notes and the Class B Notes (that is, items (a) to (d) and (f) of the Pre-Enforcement Revenue Priorities of Payments); and
  - (ii) following the redemption in full of the Class A Notes and the Class B Notes, only in respect of any Senior Expenses and interest payments due on the Class C Notes, Class D Notes, Class E Notes and Class F Notes (that is, items (a) to (c), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priorities of Payments); and
- (3) in respect of any Remaining Revenue Shortfall, Available Principal Receipts (if any) towards the payment (in order of priority) of any Senior Expenses and interest payments due on the Rated Notes, provided that with respect to the Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes, Available Principal Receipts shall only be applied in respect of such Class or Classes of Notes if the amounts recorded on a Principal Deficiency Sub-Ledger relating to such Class or Classes of Notes do not exceed 50 per cent. of the Principal Amount Outstanding of such Class of Notes on the immediately preceding Calculation Date.

See "*Overview of Credit Structure and Cashflow – Revenue Shortfall*" below.

"**Available Principal Receipts**" will (without double counting), broadly, include the following:

- (a) Principal Receipts on the Mortgage Loans received during the three immediately preceding Collection Periods;
- (b) amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (e) and/or (g) and/or (j) and/or (l) and/or (n) and/or (p) and/or (r) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (c) in respect of the First Interest Payment Date only, the Reconciled Principal Amount (excluding, if applicable, any Seller Reconciliation Payment representing principal that remains unpaid on the First Interest Payment Date);
- (d) any amount to be applied as Available Principal Receipts in accordance with Condition 8.12(c)(i); and
- (e) any Revenue Surplus to be applied as Available Principal Receipts in accordance with item (s) of the Pre-Enforcement Revenue Priority of Payments,

less:

- (i) the amount of Principal Receipts used during the three immediately preceding Collection Periods to purchase any Flexible Drawings.

**Reconciled Revenue Amount:** means an amount equal to the Revenue Receipts collected in respect of the Mortgage Loans forming part of the Mortgage Portfolio during the period from the Cut-off Date to the Closing Date, as determined by the Cash Manager on the Reconciliation Date.

**Reconciled Principal Amount:** means an amount equal to the Principal Receipts collected in respect of the Mortgage Loans forming part of the Mortgage Portfolio during the period from the Cut-off Date to the Closing Date, as determined by the Cash Manager on the Reconciliation Date.

**Cut-off Date:** means 30 June 2015 (the "**Cut-off Date**").

**Reconciliation Date:** means the fifth Business Day after the Closing Date (the "**Reconciliation Date**").

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

<b>Pre-Enforcement Revenue Priority of Payments</b>	<b>Pre-Enforcement Principal Priority of Payments</b>	<b>Post-Enforcement Priority of Payments</b>
(a) Fees, costs and expenses of the Trustee;	(a) to apply Principal Receipts to meet any Remaining Revenue	(a) Fees, costs and expenses of the Trustee (and any Receiver appointed

		Shortfall;		by the Trustee);	
(b)	any costs, expenses and fees of the Agents, the Servicer (including any costs and expenses which the Servicer has failed to pay associated with any transfer of servicing to a substitute servicer), Cash Manager, Back-Up Servicer, Back-Up Cash Manager, the Collection Account Bank and any Direct Debit Liability Amount due to the Collection Account Bank, the Issuer Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator, any third parties and any costs, expenses and fees of each of them;	(b)	principal due and payable on the Class A Notes until the Class A Notes have been redeemed in full;	(b)	any costs, expenses and fees of the Agents, the Servicer (including any costs and expenses which the Servicer has failed to pay associated with any transfer of servicing to a substitute servicer), Cash Manager, Back-Up Servicer, Back-Up Cash Manager, the Collection Account Bank (including any Direct Debit Liability Amount due to the Collection Account Bank), the Issuer Account Bank, the Corporate Services Provider, Back-Up Servicer Facilitator, any third parties and any costs, expenses and fees of each of them;
(c)	interest due and payable on the Class A Notes;	(c)	principal due and payable on the Class B Notes until the Class B Notes have been redeemed in full;	(c)	interest and principal due and payable under the Class A Notes;
(d)	an amount sufficient to eliminate any debit on the Class A Principal Deficiency Sub-Ledger;	(d)	principal due and payable on the Class C Notes until the Class C Notes have been redeemed in full;	(d)	interest and principal due and payable under the Class B Notes;
(e)	interest due and payable on the Class B Notes;	(e)	principal due and payable on the Class D Notes until the Class D Notes have been redeemed in full;	(e)	interest and principal due and payable under the Class C Notes;
(f)	an amount sufficient to eliminate any debit on the Class B Principal Deficiency Sub-Ledger;	(f)	principal due and payable on the Class E Notes until the Class E Notes have been redeemed in full;	(f)	interest and principal due and payable under the Class D Notes;
(g)	(so long as any Rated Notes will remain outstanding following such Interest Payment Date) to credit the Liquidity Reserve Ledger up to the	(g)	principal due and payable on the Class F Notes until the Class F Notes have been redeemed in full;	(g)	interest and principal due and payable under the Class E Notes;

Liquidity Reserve Fund  
Required Amount;

- |  |  |  |
|--|--|--|
| (h) interest due and payable on the Class C Notes;   | (h) principal due and payable on the Class Z1 Notes until the Class Z1 Notes have been redeemed in full;         | (h) interest and principal due and payable under the Class F Notes;  |
| (i) the Issuer Profit Amount and amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained as Issuer Profit Amount); | (i) principal due and payable on the Class Z2 Notes until the Class Z2 Notes have been redeemed in full; and     | (i) interest and principal due and payable under the Class Z1 Notes;   |
| (j) an amount sufficient to eliminate any debit on the Class C Principal Deficiency Sub-Ledger;  | (j) principal due and payable on the Subordinated Notes until the Subordinated Notes have been redeemed in full. | (j) interest and principal due and payable under the Class Z2 Notes;   |
| (k) interest due and payable on the Class D Notes;   | (k) the remainder (if any) to be applied as Available Revenue Receipts.  | (k) interest and principal due and payable under the Subordinated Notes; and   |
| (l) an amount sufficient to eliminate any debit on the Class D Principal Deficiency Sub-Ledger;  |  | (l) Issuer Profit Amount and amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained as Issuer Profit Amount); and |
| (m) interest due and payable on the Class E Notes;   |  | (m) the remainder as Residual Payments payable under the Residual Certificates.  |
| (n) an amount sufficient to eliminate any debit on the Class E Principal Deficiency Sub-Ledger;  |  |  |
| (o) interest due and payable on the Class F Notes;   |  |  |
| (p) an amount sufficient to eliminate any debit on the Class F Principal Deficiency Sub-Ledger;  |  |  |

- (q) (so long as any Rated Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Fund Amount;
- (r) an amount sufficient to eliminate any debit on the Class Z Principal Deficiency Sub-Ledger;
- (s) on and following the Step-Up Date or any other date on which the Notes have been redeemed in full, to apply any Revenue Surplus as Available Principal Receipts;
- (t) interest due and payable on the Class Z1 Notes;
- (u) interest due and payable on the Class Z2 Notes;
- (v) interest due or accrued (if any) but unpaid to the holders of the Subordinated Notes; and
- (w) Residual Payments payable under the Residual Certificates.

**Key Structural Features:**

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

- availability of the Liquidity Reserve Fund, initially funded up to the Initial Reserve Fund Required Amount through the proceeds of issue of Subordinated Notes on the Closing Date, and thereafter replenished up to the then applicable Liquidity Reserve Fund Required Amount through the application of Available Revenue Receipts on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments.

**"Initial Reserve Fund Required Amount"** means, on the Closing Date, the sum of £15,750,660 (being an amount equal to 3.0 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date).

**"Liquidity Reserve Fund Required Amount"** means, with respect to any Interest Payment Date, an amount equal to:

- (a) prior to the redemption in full of the Rated Notes, the lesser of:
  - (i) the Initial Reserve Fund Required Amount; and

- (ii) 3.0 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and Class Z Notes as at the Calculation Date immediately preceding such Interest Payment Date;

and

- (b) following the redemption in full of the Rated Notes, zero.

The Liquidity Reserve Fund will be credited to the GIC Account and recorded on a Liquidity Reserve Ledger. Moneys standing to the credit of the Liquidity Reserve Fund will be applied to make up any Revenue Shortfall as follows:

- (i) prior to the redemption in full of the Class A Notes and the Class B Notes, to make up any shortfall (following the application of the funds standing to the credit of the General Reserve Fund) in the amounts available to pay the Senior Expenses and interest in respect of the Class A Notes and the Class B Notes pursuant to items (a) to (d) and (f) of the Pre-Enforcement Revenue Priority of Payments; and
- (ii) following the redemption in full of the Class A Notes and the Class B Notes to make up any shortfall (following the application of the funds standing to the credit of the General Reserve Fund) in the amounts available to pay interest on the Class C Notes, Class D Notes, Class E Notes and Class F Notes.

Any amount standing to the credit of the Liquidity Reserve Fund equal to the Liquidity Reserve Fund Excess will be applied as Available Revenue Receipts.

**"General Reserve Fund Amount"** means, on any date, an amount equal to the Reserve Fund Required Amount *less* the Liquidity Reserve Fund Required Amount.

**"Liquidity Reserve Fund Excess"** means, on any Interest Payment Date, the amount by which the funds standing to the credit of the Liquidity Reserve Fund (after deducting any amounts to be applied to eliminate any Revenue Shortfall in the manner described above) exceed the Liquidity Reserve Fund Required Amount.

**"Reserve Fund Required Amount"** means, (i) prior to the redemption in full of the Rated Notes, the Initial Reserve Fund Required Amount, and (ii) following the redemption in full of the Rated Notes, zero.

- availability of the General Reserve Fund, which will be established on the Closing Date with a balance of zero and thereafter funded with the Liquidity Reserve Fund Excess (if any) and/or, as appropriate, through the application of Available Revenue Receipts on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority

of Payments, in an amount up to the then applicable General Reserve Fund Amount.

The General Reserve Fund will be credited to the GIC Account and recorded on a General Reserve Ledger. Moneys standing to the credit of the General Reserve Fund will, in the event that there is a Revenue Shortfall (as defined below) on any Interest Payment Date, be applied to make up any such Revenue Shortfall.

- availability of Principal Receipts to make up any Remaining Revenue Shortfall following application of Available Revenue Receipts, amounts standing to the credit of the General Reserve Fund and amounts standing to the credit of the Liquidity Reserve Fund. See the section entitled "*Overview of Credit Structure and Cashflow – Remaining Revenue Shortfall*" below for limitations on the use of Principal Receipts for this purpose;
- payments of principal and interest on the junior classes of Notes will be subordinated to payments on the more senior Classes of Notes and payments of interest and principal under the Notes will be made in Sequential Order;
- availability of interest provided by the Issuer Account Bank at a rate of interest (subject to a minimum of zero) specified in a separate fee letter between the Issuer and the Issuer Account Bank on any cleared credit balances standing to the credit of the Transaction Account. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the Transaction Account in Authorised Investments;
- availability of a guaranteed rate of interest (subject to a minimum of zero) provided by the Issuer Account Bank at on any cleared credit balances standing to the credit of the GIC Account. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the GIC Account in Authorised Investments; and
- it is expected that during the life of the Notes, the Available Revenue Receipts will, assuming that all the Mortgage Loans are fully performing, be sufficient to pay all the Senior Expenses, the interest amounts payable in respect of the Notes and retaining the Issuer Profit Amount.

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

**Revenue Shortfall:**

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of Senior Expenses, interest amounts on the Rated Notes and the elimination of debit balances on the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger, the Class D Principal Deficiency Sub-Ledger, the Class E Principal Deficiency Sub-Ledger and the Class F Principal Deficiency Sub-Ledger, that is, items (a) to (p) inclusive of the Pre-Enforcement Revenue Priority of Payments. To the extent that Available Revenue Receipts (disregarding, for this purpose, items (e) and (f) of Available Revenue Receipts) are insufficient

to pay items (a) to (p) inclusive of the Pre-Enforcement Revenue Priority of Payments in full (the amount of any deficit being a "**Revenue Shortfall**"), the Cash Manager will, on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Revenue Shortfall by applying, first, amounts standing to the credit of the General Reserve Fund and, second, amounts standing to the credit of the Liquidity Reserve Fund in the manner described under "*Key Structural Features*" above.

**Remaining Revenue Shortfall:**

If, following application of Available Revenue Receipts (other than items (e) and (f) of the definitions of Available Revenue Receipts) and amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund, the Cash Manager determines that there would be a remaining shortfall in amounts available on such Interest Payment Date to pay Senior Expenses and interest amounts on the Rated Notes (the amount of any such remaining deficit being a "**Remaining Revenue Shortfall**"), the Cash Manager will on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Revenue Shortfall by applying Available Principal Receipts (if any) on that Interest Payment Date towards the payment (in order of priority) of any Senior Expenses and interest payments due on the Rated Notes, provided that with respect to payments of interest on the Class or Classes of Notes other than the Most Senior Class of Notes outstanding on the relevant Interest Payment Date, Available Principal Receipts shall only be applied in respect of such Class or Classes if the losses recorded on a Principal Deficiency Sub-Ledger relating to such Class or Classes of Notes do not exceed 50 per cent. of the Principal Amount Outstanding of such Class or Classes of Notes on the immediately preceding Calculation Date.

Principal Receipts so applied will not be available to be applied to eliminate any debit on the Principal Deficiency Sub-Ledgers relating to any of the Classes of Notes.

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

**Principal Deficiency Ledger:**

The Principal Deficiency Ledger of the Issuer will record as a debit to the ledger the following items:

- (i) any Losses on the Mortgage Loans in the Mortgage Portfolio; and
- (ii) the application of any Principal Receipts to meet any Remaining Revenue Shortfall.

On each Calculation Date, the Cash Manager will calculate the balance of the Principal Deficiency Ledger on that Calculation Date and will apply Available Revenue Receipts to cure any debit entries on the immediately following Interest Payment Date.

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 Class Z Principal Deficiency Sub-Ledger (relating to Class Z Notes). The sub-ledger for each Class of Notes will show separate entries for each Class of Notes.

Debits will be recorded as follows:

- (i) *first*, to the Class Z Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class Z Notes;
- (ii) *second*, to the Class F Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class F Notes;
- (iii) *third*, to the Class E Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class E Notes;
- (iv) *fourth*, to the Class D Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class D Notes;
- (v) *fifth*, to the Class C Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class C Notes;
- (vi) *sixth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes; and
- (vii) *seventh*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, the Issuer shall apply any Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments to extinguish or reduce any balance on the Principal Deficiency Ledger pursuant to item (e) (in the case of the Class A Principal Deficiency Sub-Ledger), item (g) (in the case of the Class B Principal Deficiency Sub-Ledger), item (j) (in the case of the Class C Principal Deficiency Sub-Ledger), item (l) (in the case of the Class D Principal Deficiency Sub-Ledger), item (n) (in the case of the Class E Principal Deficiency Sub-Ledger) and item (p) (in the case of the Class F Principal Deficiency Sub-Ledger) and item (r) (in the case of the Class Z Principal Deficiency Sub-Ledger).

On each Interest Payment Date, the Issuer shall also apply (to the extent the same cannot be funded from Available Revenue Receipts, other than items (d) and (e) of Available Revenue Receipts) any amount standing to the credit of the General Reserve Fund to extinguish or reduce the balance on, 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. Amounts standing to the credit of the General Reserve Fund may not be applied to extinguish or reduce the balance on the Class Z Principal Deficiency Sub-Ledger.

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

**Retained Amount:**

The Issuer will purchase the Mortgage Loans together with the benefit of all collections received in respect thereof during the period from the Cut-off Date to the Closing Date. On the Closing Date, the Issuer will retain an amount equal to £10,500,440 (being an amount equal to 2.0 per cent. of the aggregate Current Balance of the Mortgage Loans in the Mortgage Portfolio as at the Cut-off Date) on account of such collections (the "**Retained Amount**"). The Retained Amount will be credited to the Transaction Account. No later than the Reconciliation Date, the Cash Manager will perform reconciliation of the amounts collected by the Seller in respect of the Mortgage Portfolio prior to the Closing Date and will allocate the Retained Amount to the Reconciled Revenue Amount and the Reconciled Principal Amount. Any excess will be remitted to the Seller no later than three Business Days following the Reconciliation Date, and the Seller will be obliged to make a payment to the Issuer to the extent of any negative difference between the Retained Amount and the actual amount of collections received in respect of the Mortgage Loans included in the Mortgage Portfolio (such payment, the "**Seller Reconciliation Payment**"). Please see section "*Cashflows and Cash Management – Retained Amount and Reconciliation*" for more detail.

**Transaction Account and Cash Management:**

The Servicer will ensure that all payments due under the Mortgage Loans are made by Borrowers into the Collection Account. All amounts credited to the Collection Account from (and including) the Closing Date will relate to the Mortgage Loans and will be identified on a daily basis (each such aggregate daily amount, a "**Daily Mortgage Loan Amount**") and the Servicer will transfer an amount equal to the Daily Mortgage Loan Amount from the Collection Account into the Transaction Account no later than the next Business Day after that Daily Mortgage Loan Amount is identified as received in the Collection Account. On each Interest Payment Date amounts standing to the credit of the Transaction Account as at the end of the relevant Collection Period (together with any amounts comprising the Liquidity Reserve Fund or the General Reserve Fund that are to be applied as Available Revenue Receipts on such Interest Payment Date) will be applied by the Cash Manager on behalf of the Issuer in accordance with the relevant Priority of Payments.

## OVERVIEW OF THE MORTGAGE PORTFOLIO AND SERVICING

Please refer to the section entitled "*The Mortgage Portfolio - The Mortgage Loans*", "*The Mortgage Portfolio – Statistical Information on the Provisional Mortgage Portfolio*" and "*The Servicer and the Servicing Agreement*" for further detail in respect of the characteristics of the Mortgage Portfolio and the sale and the servicing arrangements in respect of the Mortgage Portfolio.

**Sale of Mortgage Portfolio:** The Mortgage Portfolio will consist of the Mortgage Loans and the Related Security which will be sold by the Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement. The Mortgage Loans included in the Mortgage Portfolio will be selected by the Seller from the Provisional Mortgage Portfolio (see "*The Mortgage Portfolio – The Mortgage Loans – Introduction*") on 22 July 2015 (the "**Portfolio Selection Date**") using a random selection process. The Seller will also sell the benefit of all collections received in respect of the Mortgage Portfolio for the period from the Cut-off Date to the Closing Date. The Issuer will retain the Retained Amount from the issue proceeds from the Notes. See sections "*Cashflows and Cash Management – Retained Amount and Reconciliation*" and "*Use of Proceeds*" for more information.

The Mortgage Loans forming part of the Provisional Mortgage Portfolio were previously legally and beneficially owned by CHL or beneficially owned by Auburn Securities 3 plc, Auburn Securities 6 plc or Auburn Securities 7 plc, as further described in the section entitled "*The Mortgage Portfolio*". The beneficial interest in the Mortgage Loans owned by Auburn Securities 3 plc was repurchased by CHL on 2 February 2015. The beneficial interest in the Mortgage Loans owned by Auburn Securities 6 plc and Auburn Securities 7 plc was repurchased by CHL on or about 23 July 2015 before being sold to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.

The Mortgage Loans and Related Security and any non-contractual obligations arising out of or in connection with them are governed by English law.

Please refer to the section entitled "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*" for further information.

**Portfolio Reference Date:** 31 May 2015.

**Cut-off Date:** 30 June 2015.

**Portfolio Selection Date:** 22 July 2015.

**Features of Mortgage Loans:** Certain features of the Mortgage Loans as at the Portfolio Reference Date are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in "*The Mortgage Portfolio – Statistical Information on the Provisional Mortgage Portfolio*". The Mortgage Loans comprise loans predominantly to buy-to-let Borrowers and are secured by first priority charges over freehold and leasehold properties in England and Wales.

<b>Type of Borrower .....</b>	Predominantly Buy-to-let
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<b>Type of mortgage.....</b>	Repayment and interest only
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<b>Number of Mortgage</b>	13,901
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**Loan  
Primary  
Accounts<sup>2</sup> .....**

**Number of  
Mortgage  
Accounts<sup>3</sup>**

15,232

	<b>Weighted average</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Current Balance (£)*..</b>	127,979	446	1,996,797
<b>Current LTV Ratio (%)<sup>4</sup> .....</b>	77.34	0.35	124.67
<b>Months since origination ....</b>	103.89	1.00	308
<b>Remaining Term to maturity (months).....</b>	126.40	0.00	337.00

\* Current Balance calculated as a simple average based on the number of Mortgage Accounts

**Consideration:**

The consideration from the Issuer to the Seller in respect of the sale of the Mortgage Portfolio together with its Related Security shall be an amount equal to £508,289,285 due and payable on the Closing Date (the "**Purchase Price**"), together with the issuance to the Seller on the Closing Date of the Residual Certificates representing excess spread in respect of the Mortgage Portfolio.

The consideration from the Issuer to the Seller in respect of the sale of Flexible Drawings to the Issuer shall be the Flexible Drawings Purchase Price which will, if sufficient, be met through Principal Receipts and paid to the Seller on (or as soon as practicable after) the date on which the Flexible Drawing is made.

See the section entitled "*The Mortgage Portfolio - Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*" for further information.

**Certificateholders:**

Any Residual Payment will be paid to the Certificateholders in accordance with the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments.

**Representations and  
Warranties:**

The Seller will make certain representations and warranties to the Issuer and the Trustee on (i) the Closing Date in respect of the Mortgage Portfolio; (ii) each Drawings Date in respect of the relevant Flexible Drawing; and (iii) each Switch Date in respect of a Product Switch.

<sup>2</sup> Accounts linked to a Property and including Mortgage Loan together with any Further Advance secured against the same Property.

<sup>3</sup> Mortgage Loans and Further Advances treated as separate loans, even where relate to the same Property.

<sup>4</sup> Non-indexed figures used.

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

- First ranking mortgage;
- No right of set-off; and
- Arrears of one month or more not exceeding 0.5 per cent. of the aggregate Current Balance of the Provisional Mortgage Portfolio as at the Portfolio Reference Date.

See the section entitled "*The Mortgage Portfolio - Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*" for further information.

**Repurchase of Mortgage Loans:**

The Seller shall be obliged to repurchase the Mortgage Loans and their Related Security in the following circumstances:

- upon material breach of any of the representations or warranties given by the Seller on the Closing Date, which have not been remedied by the Seller within 30 days of being notified by the Issuer of such breach;
- upon material breach of any of the representations or warranties given by the Seller (i) in respect of a Flexible Drawing, on the relevant Drawings Date; or (ii) in respect of a Product Switch, on the relevant Switch Date (where such breach has been subsequently determined) (in each case which is not capable of remedy or is not remedied within 30 Business Days of being notified by the Issuer);
- in certain circumstances upon making a Product Switch or Flexible Drawing where the Seller has notified the Issuer that certain conditions have not been or were not in fact met (including if the Issuer has insufficient Principal Receipts available to fund any such purchase); and
- if the Seller wishes to make Further Advances.

As an alternative to any Mortgage Loan which is the subject of a Flexible Drawing or a Product Switch remaining in the Mortgage Portfolio, and notwithstanding that the conditions for the relevant Mortgage Loan remaining in the Mortgage Portfolio have been satisfied, the Seller may offer to repurchase the relevant Mortgage Loan and its Related Security and the Issuer shall accept such offer within 30 days of the last day of the calendar month in which the Drawings Date or Switch Date occurred for a consideration equal to its Current Balance.

**Consideration for Repurchase:**

An amount equal to the Current Balance of the Mortgage Loans to be repurchased as at the date of such repurchase plus relevant expenses in accordance with the Mortgage Sale Agreement. Such consideration shall be satisfied by a cash payment by the Seller.

See the section entitled "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*" for further information.

**Repurchase of Mortgage loans in connection with the optional redemption of**

In addition, the Seller shall be obliged to repurchase the Mortgage Loans and their Related Security in the following circumstances:

**the Notes:**

- if the Issuer exercises its clean up call option where the Principal Amount Outstanding of the Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date; or
- if the Issuer exercises a general call option on any Interest Payment Date from and including the Step-Up Date (see the section headed "*Overview of the Terms and Conditions of the Notes – Redemption*" and Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*)); or
- the Issuer exercises its call option following a change in Tax law in respect of which: (a) the Issuer (or the Paying Agents on the Issuer's behalf) would be required to make a Tax Deduction in respect of a payment under the Notes or (b) the Issuer would be subject to United Kingdom corporation tax otherwise than in accordance with regulations 14 to 21 of the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the "**Securitisation Regulations**"), in each case in accordance with Condition 9.4 (*Optional Redemption in whole for taxation reasons*).

See the section entitled "*Terms and Conditions of the Notes*" for further information.

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

Prior to the completion of the transfer of legal title of the Mortgage Loans, the Issuer will hold only an equitable and/or beneficial interest in those Mortgage Loans and will, therefore, be subject to certain risks as set out in the risk factor entitled "*Seller initially to retain legal title to the Mortgage Loans and risks relating to set-off*" in the section entitled "*Risk Factors*".

**Servicing of the Mortgage Portfolio:** The Servicer agrees to service on behalf of the Issuer the Mortgage Loans and their Related Security. The appointment of the Servicer may be terminated by the Issuer and/or the Trustee (subject to the terms of the Servicing Agreement) upon the occurrence of a Servicer Termination Event (see "*Servicer Termination Event*" in the "*Non-Rating Triggers Table*").

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

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

**Back-Up Servicer** The Back-Up Servicer will be appointed on the Closing Date pursuant to the Back-Up Servicing Agreement and, upon termination of the appointment of the Servicer in accordance with the provisions of the Servicing Agreement, the Issuer will be required to take such steps as are required under the Back-Up Servicing Agreement to require the

Back-Up Servicer to administer the Mortgage Loans on behalf of the Issuer.

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
Issuer Account Bank:	<p>in the case of S&amp;P, a short-term unsecured, unsubordinated and unguaranteed debt rating of at least A-1 by S&amp;P (if a short-term rating is assigned by S&amp;P) and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by S&amp;P, or should the Issuer Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-1 from S&amp;P, a long term unsecured, unsubordinated and unguaranteed rating of at least A+ by S&amp;P; and</p> <p>in the case of Moody's, a long-term, unsecured, unguaranteed and unsubordinated debt rating of at least A3 by Moody's,</p> <p>or (in each case) such other credit rating as would not adversely affect the then current rating of the Rated Notes (the "<b>Issuer Account Bank Rating</b>").</p>	<p>The consequences of a breach may include the transfer of the amounts standing to the credit of the Transaction Account and the GIC Account to a bank account of the Issuer held with a replacement account bank which has the Issuer Account Bank Rating within a period not exceeding 30 calendar days from the date of such breach See the section entitled "<i>The Issuer Account Bank and Back-Up Cash Manager</i>".</p>
Collection Account Bank:	<p>in the case of S&amp;P, a short-term, unsecured, unsubordinated and unguaranteed debt rating of A-2 by S&amp;P (if a short-term rating is assigned by S&amp;P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of BBB or (if no short-term, unsecured, unsubordinated and unguaranteed debt rating is assigned by S&amp;P) BBB+; and</p> <p>in the case of Moody's, a long-term, unsecured and unsubordinated debt rating of at least Baa3,</p> <p>or such other lower rating</p>	<p>The consequences of a breach may include the transfer of the Collection Account to another institution authorised under FSMA which has the Collection Account Bank Rating, within a period not exceeding 30 calendar days from the date on which such downgrade occurs.</p>



which is consistent with the then current rating methodology of the relevant Rating Agency in respect of the then current ratings of the Rated Notes (the "**Collection Account Bank Rating**")

### Non-Rating Triggers Table

Nature of Trigger		Description of Trigger	Consequence of Trigger
Servicer Termination Event  See the section entitled " <i>The Servicer</i> " for further information on this.	(i)	Servicer payment default;	The Back-Up Servicer will replace the Servicer and shall provide the Services in accordance with the terms of the Replacement Servicing Agreement as replacement Servicer.
	(ii)	Failure to comply with any of its other covenants or obligations; or	
	(iii)	failure to maintain licences;	
	(iv)	Insolvency Event in relation to the Servicer; or	
	(v)	Change of Control in relation to the Servicer.	
Perfection Trigger Events  See the section entitled " <i>Sale of the Mortgage Portfolio under the Mortgage Sale Agreement</i> " for further information on this.	(i)	delivery of an Enforcement Notice by the Trustee;	The legal transfer by the Seller to the Issuer of all the Mortgage Loans and their Related Security as soon as reasonably practicable.
	(ii)	Seller being required to perfect by an order of a court or regulatory authority;	
	(iii)	Seller being required to perfect by requirement of law;	
	(iv)	(for as long as CHL is the Servicer) termination of the appointment of the Servicer or resignation of the Servicer and failure of any substitute servicer to assume the duties of the Servicer in such capacity;	
	(v)	the security under the Deed of Charge or any material part of that security is, in the opinion of the Trustee, in jeopardy;	
	(vi)	Seller notifying the Issuer in writing of its decision to perfect; or	
	(vii)	Insolvency Event in	

				relation to the Seller.	
Cash Manager Termination Event	(i)	Cash Manager payment default;	The Back-Up Cash Manager will replace the Cash Manager and shall provide the cash management services in accordance with the terms of the Replacement Cash Management Agreement as replacement Cash Manager.		
	(ii)	Failure to provide the Investor Report;			
	(iii)	Failure to comply with any other of its covenants or obligations;			
	(iv)	failure to instruct the Principal Paying Agent;			
	(v)	It becomes unlawful for the Cash Manager to perform or comply with any of its obligations; or			
	(vi)	Insolvency Event in relation to the Cash Manager.			
Back-Up Servicer Termination Event	(i)	Failure to comply with any of its obligations;	Successor Back-Up Servicer to be appointed.		
	(ii)	it becomes unlawful for the Back-Up Servicer to perform or comply with any of its obligations; or			
	(iii)	Insolvency Event occurs in relation to Back-Up Servicer.			
Back-Up Cash Manager Termination Event	(i)	Failure to comply with any of its obligations;	Successor Back-Up Cash Manager to be appointed.		
	(ii)	it becomes unlawful for the Back-Up Cash Manager to perform or comply with any of its obligations; or			
	(iii)	Insolvency Event occurs in relation to Back-Up Cash Manager.			
Issuer Account Bank		Insolvency Event in respect of the Issuer Account Bank.	Replacement account bank to be appointed.		

Collection Account Bank	Insolvency Event in respect of the Collection Account Bank.	Replacement Account Bank to be appointed.	Collection to be
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## FEES

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

<b>Type of Fee</b>	<b>Amount of Fee</b>	<b>Priority in Cashflow</b>	<b>Frequency</b>
Servicer Fees	0.15 per cent. per annum (inclusive of VAT) of the aggregate Current Balance of the Mortgage Loans at the start of the first of the three Collection Periods preceding the relevant Interest Payment Date	Ahead of all outstanding Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date
Back-Up Servicer Fees (prior to invocation)	0.007 per cent. per annum (exclusive of VAT) of the aggregate Current Balance of the Mortgage Portfolio at the opening of business on the first of the three Collection Periods preceding the relevant Interest Payment Date, subject to a minimum annual fee of £55,000 and a maximum annual fee of £85,000	Ahead of all outstanding Notes and Residual Certificates	Quarterly in advance on each Interest Payment Date with the first payment on the Closing Date
Invocation fee of the Back-Up Servicer	A fee of £120,000 (exclusive of VAT)		
Servicing fees of the Back-Up Servicer post invocation	0.095 per cent. Per annum (exclusive of VAT) of the aggregate Current Balance of the Mortgage Portfolio at the start of the first of the three Collection Periods preceding the relevant Interest Payment Date  A fee of £50 per calendar month (exclusive of VAT) in respect of any Mortgage Loans that is one month or more		

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
	in arrears; and		
	A redemption processing fee of £120 per Mortgage Loan (exclusive of VAT)		
Cash Management Fees	0.01 per cent. per annum (inclusive of VAT) of the aggregate Current Balance of the Mortgage Loans at the start of the first of the three Collection Periods preceding the relevant Interest Payment Date	Ahead of all outstanding Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer (including the Back-Up Cash Manager Fees)	Estimated at approximately £64,000 each year (exclusive of VAT)	Ahead of all outstanding Notes and Residual Certificates	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at approximately £8,000 (exclusive of any applicable VAT)	Funded by the proceeds of the issue of Subordinated Notes	On or about the Closing Date

## CERTAIN REGULATORY DISCLOSURES

### Article 405-409 of the Capital Requirements Regulation

CHL, as originator, will for the life of the transaction, retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Article 405 of the CRR ("**Article 405**"), Article 51 of the AIFMR ("**Article 51**") 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). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as required by Article 405, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Delegated Act. Such retention requirement will be satisfied by CHL by holding the Class Z2 Notes and the Subordinated Notes. Any change to the manner in which such interest is held will be notified to the Trustee and the Noteholders.

Articles 405-409 of the CRR also require an EU regulated credit institution to, amongst other things, be able to demonstrate that it has undertaken certain due diligence in respect of each of its individual securitisation positions and that it has a comprehensive and thorough understanding of, and has implemented formal policies and procedures appropriate to, its trading book and non-trading book which are commensurate with the risk profile of its investment in a securitised position.

CHL will confirm its ongoing retention of the net economic interest described above in the monthly Investor Reports and any change to the manner in which such interest is held will be notified to the Noteholders.

CHL has provided a corresponding undertaking with respect to: (i) the provision of such investor information as specified in the paragraph above; and (ii) the interest to be retained by CHL as specified in the introductory paragraph above to the Joint Lead Managers in the Subscription Agreement. The Trustee shall have the benefit of certain protections contained in the Trust Deed in relation to the compliance of CHL with such undertaking. For further information please refer to the Risk Factor entitled "*The Trustee is not obliged to act in certain circumstances*".

In addition to the information set out herein, CHL has undertaken to disclose in the Investor Report (or otherwise as is applicable) such information as is required by Articles 405 and 409 of the CRR.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Article 405, Article 409 of the CRR ("**Article 409**") and Article 51 and none of the Issuer, CHL, the Trustee, the Arranger nor the Joint Lead Managers 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 they comply with the implementing provisions in respect of Articles 405 and 409 and the CRR and Article 51 and the AIFMR in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

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

### CRA3 Regulation

The credit ratings included or referred to in this Prospectus have been issued by Moody's Investors Service Limited ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), each of which is established in the European Union and is registered under CRA3.

### AIFMR

Please see section "*Mortgage Portfolio – Lending Criteria – Information Regarding the Policies and Procedures of the Seller*" for information on the Seller's underwriting procedures.

## **Volcker Rule**

The Issuer is structured so as not to constitute a "covered fund" for purposes of the regulations adopted to implement Section 619 of the Dodd-Frank Act (such statutory provision together with such implementing regulations, the "**Volcker Rule**"). The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 21 July 2012, and final regulations implementing the Volcker Rule were adopted on 10 December 2013 and became effective on 1 April 2014. Conformance with the Volcker Rule and its implementing regulations is required by 21 July 2015 (subject to the possibility of up to two one-year extensions). In the interim, banking entities must make good-faith efforts to conform their activities and investments to the Volcker Rule. Under the Volcker Rule, unless otherwise jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the Investment Company Act. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule.



## WEIGHTED AVERAGE LIFE OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Mortgage 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) the Issuer exercises its option to redeem the Notes on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Rated Notes on or after the Step-Up Date in the second scenario;
- (b) the Mortgage Loans are subject to a constant annual rate of prepayment (excluding scheduled principal redemptions) of between 0 and 15 per cent. per annum as shown on the table below;
- (c) the assets of the Issuer are not sold except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes on the Step-Up Date in the first scenario;
- (d) the characteristics of the Mortgage Loans in the Mortgage Portfolio will be identical to those of the Mortgage Loans in the Provisional Mortgage Portfolio;
- (e) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (f) no Borrowers are offered and accept different mortgage products by the Seller, and, as applicable, the Seller is not required to repurchase any Mortgage Loan in accordance with the Mortgage Sale Agreement;
- (g) the Security is not enforced;
- (h) all Mortgage Loans continue to be fully performing;
- (i) the payment frequency of the Mortgage Loans is on a monthly basis;
- (j) the ratio of the Principal Amount Outstanding of:
  - (i) the Class A Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 75.5 per cent.;
  - (ii) the Class B Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes is 9.0 per cent.;
  - (iii) the Class C Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 5.0 per cent.;
  - (iv) the Class D Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 2.5 per cent.;
  - (v) the Class E Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 3.0 per cent.;
  - (vi) the Class F Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 1.0 per cent.;
  - (vii) the Class Z1 Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 2.0 per cent.;
  - (viii) the Class Z2 Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 2.0 per cent.; and
  - (ix) the Subordinated Notes to the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date is 3.0 per cent.;
- (k) the current coupon payable in each Mortgage Loan is fixed until maturity;

- (l) three months LIBOR remains fixed at a rate of 0.58 per cent.;
- (m) Bank of England Base Rate remains fixed at a rate of 0.50 per cent.;
- (n) CHL Standard Variable Rate remains fixed at a rate of 5.25 per cent.;
- (o) the Senior Expenses are 0.25 per cent. per annum of the Current Balance of the Mortgage Portfolio
- (p) the interest and principal collections of the Mortgage Portfolio are calculated on a Mortgage Loan by Mortgage Loan basis, or where the Mortgage Loan has more than one part, a part by part basis;
- (q) all Collection Periods (including the first Collection Period) are assumed to be exactly of one month duration;
- (r) the amortisation of any repayment Mortgage Loan is calculated as an annuity loan;
- (s) there are no Flexible Drawings;
- (t) the weighted average lives of the Notes are calculated on a 30/360 basis;
- (u) there is no debit balance on the Principal Deficiency Ledger on any Interest Payment Date;
- (v) the Mortgage Portfolio has been projected assuming the Cut-off Date to be 30 June 2015;
- (w) the collections from the Mortgage Portfolio are projected starting on 30 June 2015 with all collections in respect of the Mortgage Portfolio from 30 June 2015 to 31 October available in the Issuer Transaction Account for application on the First Interest Payment Date;
- (x) the Notes are issued on or about 31 July 2015;
- (y) amounts credited to the Transaction Account and GIC Account have a yield of 0 per cent; and
- (z) no Revenue Surplus is applied as Available Principal Receipts.

Constant  
annual rate  
of  
prepayment  
of the  
Mortgage  
Loans

(Assuming Issuer call on Step-Up Date) Possible Average Life (in years) of:						
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
0.00% .....	2.87	3.05	3.05	3.05	3.05	3.05
2.50% .....	2.74	3.05	3.05	3.05	3.05	3.05
5.00% .....	2.61	3.05	3.05	3.05	3.05	3.05
7.50% .....	2.48	3.05	3.05	3.05	3.05	3.05
10.00% .....	2.36	3.05	3.05	3.05	3.05	3.05
12.50% .....	2.24	3.05	3.05	3.05	3.05	3.05
15.00% .....	2.12	3.05	3.05	3.05	3.05	3.05

Constant  
annual rate  
of  
prepayment  
of the Loans

(Assuming no Issuer call on Step-Up Date) Possible Average Life (in years) of:						
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
0.00% .....	7.96	15.27	16.66	16.91	17.10	17.30
2.50% .....	6.48	13.18	15.47	16.58	16.88	17.05
5.00% .....	5.31	12.05	13.53	15.18	16.44	16.80
7.50% .....	4.41	10.90	12.34	13.36	15.04	16.40
10.00% .....	3.73	9.66	11.41	12.33	13.40	14.91
12.50% .....	3.22	8.46	10.28	11.50	12.37	13.27
15.00% .....	2.80	7.52	9.23	10.42	11.55	12.38

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 – Credit Structure – Yield and prepayment considerations*", above.

## **USE OF PROCEEDS**

The Issuer will use the gross proceeds of the Notes to (i) pay the Purchase Price payable by the Issuer for the Mortgage Portfolio to be acquired from the Seller on the Closing Date (see "*The Mortgage Portfolio – Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*"); (ii) credit the Transaction Account to an amount equal to the Retained Amount; and (iii) in the case of the proceeds of the issue of Subordinated Notes, to credit the GIC Account to an amount equal to the Initial Reserve Fund Required Amount and to meet the costs associated with the issue of the Notes.

## THE ISSUER

### Introduction

The Issuer was incorporated and registered in England and Wales (under company registration number 8801944) as a public limited company under the Companies Act 2006 (as amended) on 4 December 2013. The registered office of the Issuer is at c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF.

The telephone number of the Issuer is +44 (0)20 7397 3600.

The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,998 shares of which are partly paid to £0.25 each and two of which are fully paid and all of which are beneficially owned by Holdings (see the section entitled "*Holdings*" below).

The Issuer has been established as a special purpose company for the purpose of acquiring the Mortgage Loans and issuing the Notes. The Issuer has no subsidiaries and no employees.

Wilmington Trust SP Services (London) Limited (the "**Corporate Services Provider**"), acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on the Closing Date between, *inter alios*, the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party. The Corporate Services Provider's principal office is at Third Floor, 1 King's Arms Yard, London EC2R 7AF.

Neither CHL nor any associated body of CHL owns directly or indirectly any of the share capital of the Share Trustee, Holdings or the Issuer.

The Issuer has not commenced operations and has not engaged, since its incorporation, and will not engage in any material activities other than those incidental to its incorporation under the Companies Act 2006 (as amended), authorisation and issue of the Notes and the Residual Certificates, the matters referred to or contemplated in this document and the authorisation, execution, delivery and performance of the other documents referred to in this document to which it is a party and matters which are incidental or ancillary to the foregoing. The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the time of this Prospectus.

The accounting reference date of the Issuer is 31 December. The first statutory accounts of the Issuer were prepared for the period from the date of its incorporation to 31 December 2014 and were filed with the Registrar of companies on behalf of the Issuer.

## Directors

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

<b>Name</b>	<b>Address</b>	<b>Principal Activities</b>
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Mignon Clarke	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director

The directors of Wilmington Trust SP Services (London) Limited and their principal activities are as follows:

<b>Name</b>	<b>Address</b>	<b>Principal Activities</b>
John Merrill Beeson	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
William James Farrell II	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Nicolas Patch	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Jean-Christophe Schroeder	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director

The company secretary of the Issuer is:

<b>Name</b>	<b>Business Address</b>
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF

## Activities

On the Closing Date, the Issuer will acquire from the Seller a portfolio of residential mortgages originated by CHL. All Mortgage Loans acquired by the Issuer on such date will be financed by the proceeds of the issue of the Notes and the Residual Certificates. The activities of the Issuer will be restricted by the Conditions and the Deed of Charge and will be limited to the issue of the Notes and the Residual Certificates, the ownership of the Mortgage Loans and other assets referred to herein, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto. These activities will include the collection of payments of principal and interest from Borrowers in respect of Mortgage Loans and the operation of arrears procedures.

## HOLDINGS

Auburn 4 Limited ("**Holdings**") was incorporated in England and Wales on 5 February 2014 (registered number 8878248) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF.

The telephone number of Holdings' registered office is +44 (0)20 7397 3600.

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

The issued share capital of Holdings comprises one ordinary share of £1. The share of Holdings is held by Wilmington Trust SP Services (London) Limited (the "**Share Trustee**"), the benefit of which is expressed to be for discretionary purposes, under a declaration of trust dated 3 November 2014.

As at the date of this Prospectus, Holdings does not have any borrowings or contingent liabilities other than a loan from the Share Trustee in an aggregate amount of £12,501.50.

Holdings is organised as a special purpose company. Holdings holds the entire beneficial interest in the issued share capital of the Issuer. Other than the Issuer, Holdings has no subsidiaries.

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

There are no restrictions on the objects of Holdings in its articles of association and Holdings is therefore permitted, amongst other things, to borrow money, grant security over its property for the performance of its obligations and purchase property.

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

### Directors

The directors of Holdings and their respective business addresses and principal activities are:

<b>Name</b>	<b>Address</b>	<b>Principal Activities</b>
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Corporate Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Mignon Clarke	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director

The directors of Wilmington Trust SP Services (London) Limited and their principal activities are as follows:

<b>Name</b>	<b>Address</b>	<b>Principal Activities</b>
John Merrill Beeson	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
William James Farrell II	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Nicolas Patch	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director
Jean-Christophe Schroeder	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Company Director

The company secretary of Holdings is:

<b>Name</b>	<b>Business Address</b>
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF

The accounting reference date of Holdings is 31 December.



## CAPITAL HOME LOANS LIMITED

Capital Home Loans Limited ("**CHL**") is a limited company incorporated in England and Wales on 6 October 1987, under the Companies Act 1985 and 1989. CHL began trading on 2 May 1989. The registered office of CHL is Admiral House, Harlington Way, Fleet, Hampshire, GU51 4YA, England. CHL has no subsidiaries.

CHL was formed as a result of a joint venture between Credit Foncier de France ("**CFF**") and Société Generale. Société Generale's 51 per cent. holding in CHL was later purchased by CFF on 23 October 1992. CHL was acquired from CFF by Permanent tsb p.l.c. ("**PTSB**") on 22 October 1996. CHL is engaged in the business of originating, purchasing and selling (including for investment) mortgage loans secured on properties in the United Kingdom.

On 26 March 2015, PTSB agreed the sale of 100 per cent. of the issued share capital in CHL to Promontoria Holding 144 B.V. ("**Initial Buyer**"), an affiliate of Cerberus Capital Management L.P. It is expected that the Initial Buyer will novate its rights and obligations under the sale and purchase agreement to its affiliate, Promontoria (Lansdowne) Limited ("**Promontoria**"), and that the sale be completed, on or prior to the Closing Date.

## THE MORTGAGE PORTFOLIO

### THE MORTGAGE LOANS

#### Introduction

Each of the Mortgage Loans in the Mortgage Portfolio was selected from the Provisional Mortgage Portfolio and originally advanced by CHL.

The Provisional Mortgage Portfolio was drawn up as at the Portfolio Reference Date and comprised 15,232 Mortgage Loans with an aggregate Current Balance of £1,949,387,383.11 (as at the Portfolio Reference Date). The Provisional Mortgage Portfolio consists of Mortgage Loans (i) the legal and beneficial title to which has been retained by CHL for the life of the Mortgage Loan, (ii) previously beneficially owned by Auburn Securities 3 plc (incorporated in England and Wales with limited liability under registered number 4442874 and the issuer of £400,000,000 mortgage backed floating rate notes due 2039 pursuant to an offering circular dated 20 November 2002), (iii) previously beneficially owned by Auburn Securities 6 plc (incorporated in England and Wales with limited liability under registered number 6370667 and the issuer of €4,150,000,000 mortgage backed floating rate notes due November 2044 (which were subsequently redenominated into Sterling on 29 January 2009) pursuant to a prospectus dated 19 November 2007) or (iv) previously beneficially owned by Auburn Securities 7 plc (incorporated in England and Wales with limited liability under registered number 6615313 and the issuer of €2,360,000,000 mortgage backed floating rate notes due August 2045 (which were subsequently redenominated into Sterling on 28 January 2009) pursuant to a prospectus dated 18 August 2008). The beneficial interest in the Mortgage Loans comprising the Provisional Mortgage Portfolio falling into category (ii) above was repurchased by CHL from Auburn Securities 3 plc on 2 February 2015. The beneficial interest in the Mortgage Loans comprising the Provisional Mortgage Portfolio falling into categories (iii) and (iv) above was repurchased by CHL from Auburn Securities 6 plc and Auburn Securities 7 plc, as applicable, on or about 23 July 2015. See "*Statistical Information on the Provisional Mortgage Portfolio*" for more detail on the Provisional Mortgage Portfolio.

The Mortgage Loans included in the Mortgage Portfolio will be selected by the Seller from the Provisional Mortgage Portfolio on or about 22 July 2015 (the "**Portfolio Selection Date**") using a random selection process after first removing: (i) Mortgage Loans which are scheduled to redeem prior to the Closing Date; and (ii) Mortgage Loans which at any time prior to the Portfolio Selection Date are found not to comply with the warranties to be given in respect of the Mortgage Loans on the Closing Date as set out in the Mortgage Sale Agreement.

The Seller will sell the Mortgage Portfolio with the benefit of all collections received in respect thereof during the period from the Cut-off Date. The Issuer will retain an amount equal to the Retained Amount from the issue proceeds of the Notes on account of such collections (see the section "*Cashflows and the Cash Management – Retained Amount and Reconciliation*" for more detail).

#### *Origination of the Mortgage Loans*

The Mortgage Loans included in the Provisional Mortgage Portfolio were all made no earlier than September 1989 and on or before April 2015 and the Seller derived its mortgage lending business at the relevant times primarily from intermediaries that included mortgage brokers and independent financial advisors.

The Provisional Mortgage Portfolio comprises Standard Variable Rate Mortgage Loans and Tracker Mortgage Loans (see "*-Types of Interest Rate Terms for all Mortgage Products*" below). Repayment terms under each Mortgage Loan differ according to the repayment type. The Provisional Mortgage Portfolio will include, *inter alia*, Repayment Mortgage Loans and Interest Only Mortgage Loans (see "*-Types of Repayment Terms for all Mortgage Products*").

#### *Types of Interest Rate Terms for all Mortgage Products*

The type of interest rate terms contained within each mortgage product will comprise any of the following types:

- (a) Mortgage Loans which are subject to a variable rate of interest set by CHL (the "**CHL Standard Variable Rate**") from time to time ("**Standard Variable Rate Mortgage Loans**"); or

- (b) Mortgage Loans which are subject to a variable rate of interest set by CHL from time to time but which rate is linked to the Bank of England's base rate ("**Tracker Mortgage Loans**").

Mortgage Loans which were but are no longer subject to a fixed rate of interest are treated as and are referred to herein as Tracker Mortgage Loans or Standard Variable Rate Mortgage Loans, as applicable.

#### *Types of Repayment Terms for all Mortgage Products*

The repayment terms contained within each mortgage product will comprise one of the following types (including possible combinations thereof):

- (a) Mortgage Loans in relation to which the principal amount is not repayable before maturity ("**Interest Only Mortgage Loans**"); and
- (b) Mortgage Loans in relation to which monthly instalments, which can cover both interest and principal, are payable until the mortgage is fully repaid by its maturity ("**Repayment Mortgage Loans**").

#### *Payment Holidays*

Payment holidays are available only to Borrowers who have "flexible mortgage product accounts" and provided that all payments are up-to-date with no arrears during the six months prior to the start of the payment holiday and the relevant Mortgage Loan has not exceeded the maturity date. All payment holiday requests are subject to CHL's current Lending Criteria (the current loan-to-value ratio of the relevant Mortgage Loan will not exceed 25% and the payment holiday does not cause the amount owed to CHL to exceed the Borrower's maximum borrowing limit). Any payment holiday requests received from a Borrower in the final 24 months of the term of the relevant Mortgage Loan will only be considered if confirmation is received from the Borrower that a suitable plan is in place to repay the increased balance at maturity. There are no restrictions on the number of payment holiday requests a Borrower can make.

#### *Flexible Drawings*

A Borrower may apply to CHL to request a Flexible Drawing subject to a minimum amount of £500. All Flexible Drawing requests are subject to CHL's current Lending Criteria (the current loan-to-value ratio of the relevant Mortgage Loan following the granting of the Flexible Drawing will not exceed 25% and the Flexible Drawing does not cause the amount owed to CHL to exceed the Borrower's maximum borrowing limit). Any Flexible Drawing requests received from a Borrower in the final 24 months of the term of the relevant Mortgage Loan will only be considered if confirmation is received from the Borrower that a suitable plan is in place to repay the increased balance at maturity. Any such request will not be approved by CHL where the Mortgage Loan has been in arrears in the six months prior to the Drawings Date or the Mortgage Loan has exceeded the maturity date.

Where a Flexible Drawing is made to a Borrower, the Seller will be responsible for funding such Flexible Drawing and the Issuer will, subject to certain conditions, purchase such Flexible Drawing. See the section "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement – Flexible Drawings*" for more detail.

#### *Porting*

CHL responds to porting requests in accordance with its Lending Criteria, and porting is typically approved only in respect of a small number of Mortgage Loans. No new advances are provided in connection with the porting.

#### *Product Switches*

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

shall be required to repurchase the Mortgage Loan and its Related Security from the Issuer (see "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Product Switches*").

#### *Further Advances*

CHL considers application for Further Advances in accordance with its Lending Criteria. CHL will be required to repurchase from the Issuer each Mortgage Loan in respect of which it agrees to grant a Further Advance. See the section "*Sale of Mortgage Portfolio under the Mortgage Sale Agreement – Further Advances*" for more detail.

#### *Valuations*

Valuations are carried out in full on all proposed new loans by one of CHL's panel valuers being a qualified surveyor (ARICS or equivalent qualification). Where a Further Advance was granted within 5 years of the original valuation a re-valuation of the Property, rather than a full mortgage valuation, was carried out. Prior to February 2007, a re-valuation was carried out if the relevant Further Advance was taken within 2 years of the original valuation. Automated valuation models and/or House Price Indexed calculations were not used for lending by CHL.

### **Lending Criteria**

#### ***Buy to Let Mortgage Loans***

As at the Portfolio Reference Date, the following lending criteria (the "**Lending Criteria**") will have been applied subject to minor changes made prior to such date in respect of the Buy to Let Mortgage Loans comprising the Provisional Mortgage Portfolio and will apply in respect of all Flexible Drawings for the Buy to Let Mortgage Loans. "**Buy to Let Mortgage Loans**" are mortgage loans originated by CHL which are intended for individual Borrowers who may be either (i) self-employed and for whom an accountant or book-keeper has completed an income verification questionnaire supplied by CHL as evidence of the Borrower's ability to repay the Mortgage Loan ("**Self-Certified Borrowers**") or (ii) self-employed or otherwise employed and whose income has been appropriately verified in accordance with the Lending Criteria ("**Full Status Borrowers**") who wish to use the Mortgage Loan as a means to purchase residential property for the purpose of letting to third parties.

#### *Security*

- (a) Each loan must be secured by a first legal mortgage (a "**Mortgage**") over a freehold or long leasehold residential property (at least 35 years longer than the term of the Mortgage Loan) in England or Wales (no Properties are accepted that are located in the Isle of Man or the Isle of Wight) (the "**Property**"). CHL will not have created more than one Mortgage over any Property. Property used as security for a Mortgage Loan in the Mortgage Portfolio does not secure another Mortgage Loan in the Mortgage Portfolio as a first ranking charge.
- (b) Properties under 10 years old will have the benefit of a National House Building Council ("**NHBC**") or an architect's certificate or equivalent guarantee from an acceptable body.
- (c) The following types of Property are deemed unacceptable as security and loans secured over such Properties are thus not included in the Mortgage Portfolio:
  - (i) flats/maisonettes subject to statutory right to buy provisions or local authority flats/maisonettes (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the valuer has confirmed that such property can be resold in the residential property market);
  - (ii) houses subject to statutory right to buy provisions or ex local authority houses in an area with less than a 50 per cent. owner/occupied rate;
  - (iii) individual studios/bedsits (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the valuer has confirmed that such property can be resold in the residential property market);

- (iv) freehold flats;
- (v) flats above shops or commercial premises (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the valuer has confirmed that such property can be resold in the residential property market);
- (vi) flats in blocks with more than four storeys (unless specifically authorised by CHL);
- (vii) Properties with agricultural restrictions, continuing structural movement, or movement that requires monitoring, provided that the valuer does not make any detrimental comments in respect of the existence of tie bars;
- (viii) multi tenanted (presently or recently) Properties divided into bed sits with individual kitchen / kitchenette facilities;
- (ix) steel framed Properties (with the exception of new build flats steel frames);
- (x) Properties with more than one kitchen;
- (xi) Properties which have been underpinned within the last three years or require underpinning;
- (xii) Properties of concrete construction;
- (xiii) Properties likely to be affected by local planning, including but not limited to road widening;
- (xiv) Properties where a third party retains an interest;
- (xv) Properties deemed by the valuer to not be capable of being readily sold;
- (xvi) Properties used for commercial purposes;
- (xvii) freehold coach houses unless they are on a long term lease that covers the flat and garage related to that flat;
- (xviii) Properties with a CHL panel valuation figure of less than £50,000;
- (xix) Properties with more than six bedrooms;
- (xx) Properties above food outlets;
- (xxi) Properties with any dry rot;
- (xxii) "Monkey Puzzle" style houses. These are mid-terrace houses where there are two houses interlocked with approximately 50 to 60 per cent. flying freehold;
- (xxiii) Properties with an element of flying freehold; and
- (xxiv) pre-1960 timber framed properties.

The Mortgage Portfolio includes a very small number of Mortgage Loans which were originated prior to 2005 and have lower CHL panel valuation figures than that specified in paragraph (xviii) above. That reflects the then current lower market values which have been adjusted since in line with the market.

- (d) Each Property offered as security will have been valued by a qualified surveyor (an Associate of the Royal Institution of Chartered Surveyors ("**ARICS**") or equivalent qualification) chosen from a panel of valuation firms approved by CHL.
- (e) Rights of consolidation will entitle CHL to refuse to release security over one Property if a Borrower fails to comply with its obligations under a Mortgage Loan secured over another of its

Properties. However, default under one Mortgage Loan does not result in cross default under other Mortgage Loans to the same Borrower.

- (f) All tenancies must be six to twelve month assured shorthold tenancies or company lets. No Department of Social Security tenants, tenants with diplomatic immunity or specific trusts are permitted.
- (g) Properties must be insured in accordance with a surveyor's recommended reinstatement valuation and the building insurance must recognise tenanted use.

#### *Loan Amount*

The Mortgage Loan at the time of completion must be at least £15,001 for Mortgage Loans originated before 1 May 1998 and £25,001 thereafter. The Mortgage Loan is not subject to any pre set maximum, however no Mortgage Loan within the Provisional Mortgage Portfolio currently exceeded £1,996,797.20 as at the Portfolio Reference Date.

#### *Loan to value*

- (a) The loan to value ratio (the "**LTV**") is calculated by dividing the initial principal amount advanced at completion of the Mortgage Loan by the valuation of the Property or the purchase price of the Property, whichever is the lesser amount.
- (b) Various fees including those payable on completion and on the making of Further Advances, higher percentage advance charges and interest due in respect of the month which a Mortgage Loan completes may be added to the balance of the loan above the permitted maximum LTV.
- (c) The LTV of each Mortgage Loan at the date of the initial advance must be no more than:
  - (i) 90 per cent. for advances secured on an individual Property up to a maximum lend of £750,000;
  - (ii) 85 per cent. for advances secured on an individual Property up to a maximum lend of £1 million; and
  - (iii) 80 per cent. for advances secured on an individual Property up to a maximum lend of £3 million.

#### *Loan to Total Lend*

- (a) The loan to total lend ratio (the "**LTL**") is calculated by dividing the initial principal amount at completion of the relevant Mortgage Loan by the current valuation of all properties owned by the relevant Borrower subject to a first ranking all monies charge in favour of CHL.
- (b) Various fees including those payable on completion and on the making of Further Advances, interest due in respect of the month in which a Mortgage Loan completes may be added to the balance of the loan above the permitted maximum LTL.
- (c) The LTL of a Mortgage Loan at the date of the initial advance must be no more than:
  - (i) 90 per cent. of the total aggregate valuation of all properties owned by the Borrower up to £3,000,000 lending;
  - (ii) 85 per cent. of the total aggregate valuation of all properties owned by the Borrower more than £3,000,000 and up to £5,000,000 lending; and
  - (iii) 75 per cent. of the total aggregate valuation of all properties owned by the Borrower (following approval of the relevant Borrower's financial status) in excess of £5,000,000 lending (prior to March 2005, 85% to maximum lend of £850,000).

Subsequent advances can be approved up to 75 per cent. of LTL subject to group credit approval.

### *Minimum Valuation*

No Property can be worth less than £50,000. The Provisional Mortgage Portfolio includes a very small number of Mortgage Loans which were originated prior to 2005 and with securing properties worth less than the current value requirement of £50,000. The values of the Properties securing those Mortgage Loans reflect the then current lower market values, and the minimum value requirements have been adjusted since in line with the market.

### *Term*

- (a) For Repayment Mortgage Loans, the Mortgage Loan's initial term must be between five (5) and thirty-five (35) years.
- (b) For Interest Only Mortgage Loans, the Mortgage Loan's initial term must be between five (5) and thirty-five (35) years and have no scheduled principal repayment prior to its stated final maturity which (in the case of mortgages in the Mortgage Portfolio) must be no later than November 2042.

### *Solicitors*

The Borrower's own solicitor acts on behalf of both the Borrower and CHL. The firm of solicitors acting on behalf of CHL or the Borrower (or both) must have at least two practising partners.

### *Further Advances*

Since 31 October 2004, CHL has applied the approach discussed in further detail in "*Standard Mortgage Loans – Further Advances*" to Further Advances in respect of the Buy to Let Mortgage Loans.

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

- (a) at least six months must have elapsed since completion of the initial advance;
- (b) the payment history in respect of a Mortgage Loan must be satisfactory to CHL, acting as a Prudent Mortgage Lender;
- (c) the Property may, at the request of CHL, be subject to a new valuation and/or inspection of the Property;
- (d) the Mortgage Loan must not have experienced arrears greater than 1 month at any time in the previous twelve months;
- (e) the Mortgage Loan must not be in arrears for more than 30 days.

### *Credit History of Borrowers and Guarantors*

- (a) The credit history of the Guarantor(s) and/or the Borrowers will have been assessed with the aid of one or more of the following:
  - (i) a search supplied by credit reference agency;
  - (ii) accounts or accountant's certificate if a loan application on full status basis; and
  - (iii) references from current lenders or twelve months proof of payment evidenced by bank statements or mortgage statements if a credit reference is not provided.
- (b) Where past County Court Judgments relating to a Borrower or a Guarantor have been revealed by a credit reference search, such County Court Judgments must have been satisfied for at least two years before the mortgage is granted.
- (c) The Guarantor or Guarantors, and in relation to Mortgage Loans originated after November 2004, the Borrower, shall have had no more than two County Court Judgments totalling no more than £500.

### *Income and Rental Income*

- (a) The income of a Borrower or a Guarantor (as the case may be) is determined by reference to the application form and supporting documentation, where appropriate, and may consist of the following:
  - (i) a Borrower's and/or Guarantor's salary plus any guaranteed overtime and 75 per cent. of any proven but unguaranteed regular overtime or bonus payments (as evidenced by the borrower's or other Guarantor's previous two years' P60s), or net profits plus any additional income confirmed by the accountant for self employed borrowers or other Guarantors (borrowers or other Guarantors are considered as self employed if they hold at least 25 per cent. of the issued share capital of a company);
  - (ii) investments and rental income; or
  - (iii) any other income approved by an authorised officer of CHL.
- (b) Sustainable gross monthly rental income (as assessed by a valuer from the originator's panel of approved valuers) of the Borrower must be at least 115 per cent. of the gross monthly interest charge.

### *Standard Mortgage Loans*

The following Lending Criteria will have been applied in respect of Mortgage Loans originated by CHL (subject to minor changes made prior to such date) which are intended for individual Borrowers who wish to use the Mortgage Loan as a means to purchase or mortgage a residential property to be used solely as the Borrower's own residence which the Borrower either intends to buy or currently resides in (the "**Standard Mortgage Loans**") comprising the Provisional Mortgage Portfolio and will apply in respect of all Flexible Drawings for Standard Mortgage Loans. Borrowers of a Standard Mortgage Loan may be either Self-Certified Borrowers or Full Status Borrowers.

On origination of each Standard Mortgage Loan from time to time comprised in the Mortgage Portfolio, the Lending Criteria would have been applied with certain minor variations to reflect the differing identities of the Borrowers of Standard Mortgage Loans and minor changes to the Lending Criteria made prior to the date of this Prospectus.

### *Security*

- (a) Each loan must be secured by a first legal mortgage over a freehold or long leasehold residential property (at least 35 years longer than the term of the Mortgage Loan) in England or Wales (no Properties are accepted that are located in the Isle of Man or the Isle of Wight). CHL will not have created more than one Mortgage over any Property. Property used as security for a Mortgage Loan in the Mortgage Portfolio does not secure another Mortgage Loan in the Mortgage Portfolio as a first ranking charge.
- (b) Properties under 10 years old will have the benefit of a NHBC or an architect's certificate or equivalent guarantee from an acceptable body.
- (c) The following types of Property are deemed unacceptable as security and loans secured over such Properties are thus not included in the Mortgage Portfolio:
  - (i) flats/maisonettes subject to statutory right to buy provisions or local authority flats/maisonettes (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000) and where the valuer has confirmed that such property can be resold in the residential property market;
  - (ii) houses subject to statutory right to buy provisions or ex-local authority houses in an area with less than a 50 per cent. owner/occupied rate;
  - (iii) individual studios/bedsits (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the value has confirmed that such property can be resold in the residential property market);



- (iv) freehold flats;
  - (v) flats above shops or commercial premises (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the value has confirmed that such property can be resold in the residential property market);
  - (vi) flats in blocks with more than four storeys (unless specifically authorised by CHL);
  - (vii) Properties with agricultural restrictions, tie bars, continuing structural movement, or movement that requires monitoring;
  - (viii) multi-tenanted (presently or recently) Properties;
  - (ix) steel framed Properties (with the exception of new build flats steel frames);
  - (x) Properties with more than one kitchen;
  - (xi) Properties which have been underpinned within the last three years or require underpinning;
  - (xii) Properties of concrete construction;
  - (xiii) Properties likely to be affected by local planning e.g. road widening;
  - (xiv) Properties where a third party retains an interest;
  - (xv) Properties deemed by the valuer to not be able to be readily sold;
  - (xvi) Properties used for commercial purposes (unless the Borrower will be resident in the property and where no structural alterations are required to convert the property to purely residential use)
  - (xvii) freehold coach house unless they are on a long term lease that covers the flat and garage related to that flat;
  - (xviii) Properties with a CHL panel valuation figure of less than £50,000;
  - (xix) Properties with more than six bedrooms;
  - (xx) Properties deemed by the valuer to represent potential resale difficulties;
  - (xxi) Properties with any dry rot;
  - (xxii) "Monkey Puzzle" style houses. These are mid-terrace houses where there are two houses interlocked with approximately 50 to 60 per cent. flying freehold; and
  - (xxiii) Properties with an element of flying freehold.
- (d) The Mortgage Portfolio includes a very small number of Mortgage Loans which were originated prior to 2005 and with related securing property value lower CHL panel valuation figures than that specified in paragraph (xviii) above.
  - (e) Each property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by CHL.
  - (f) At the time of completion, the relevant Property must have been either insured under a Buildings Insurance Policy in the name of CHL, or CHL must be jointly insured with the Borrower under, or its interest noted on a buildings policy in relation to the relevant Property.
  - (g) The Borrower must have life assurance that at least matches the value of the Mortgage Loan.

- (h) CHL, at its discretion accepts personal guarantees on the Borrower's repayment of the Mortgage Loan and, if so, the ability of the Guarantor to service the Mortgage Loan is based on the same lending criteria as that applied to the Borrower.
- (i) All married Borrowers must apply for a mortgage in joint names.

#### *Loan Amount*

The Mortgage Loan at the time of completion must be at least £15,001 for Mortgage Loans originated before 1st May, 1998 and £25,001 thereafter. The Mortgage Loan is not subject to any pre-set maximum. However, no Mortgage Loan within the Provisional Mortgage Portfolio exceeds £810,000 as at the Portfolio Reference Date.

#### *Loan to value*

- (a) The LTV is calculated by dividing the initial principal amount advanced at completion of the Mortgage Loan by the valuation of the Property or the purchase price of the Property, whichever is the lesser amount.
- (b) Various fees including those payable on completion and on the making of Further Advances, higher percentage advance charges, interest due in respect of the month which a Mortgage Loan completes and Buildings Insurance Policy premia may be added to the balance of the loan above the permitted maximum LTV.
- (c) The LTV of each Mortgage Loan at the date of the initial advance must be no more than:
  - (i) 95 per cent. for advances secured by Property valued at up to £360,000;
  - (ii) 90 per cent, for advances secured by Property valued at more than £360,000 and up to £500,000;
  - (iii) 85 per cent, for advances secured by Property valued at more than £500,000 and up to £600,000;
  - (iv) 80 per cent. for advances secured by Property valued at more than £600,000 and up to £750,000;
  - (v) advances in excess of £500,000 are considered on an individual basis;
  - (vi) Self-Certified Borrowers are subject to a maximum Mortgage Loan of £600,000 regardless of the value of the Property;
  - (vii) first time buyers are subject to a maximum Mortgage Loan of £300,000 regardless of the value of the Property; and
- (d) The value of a one bedroom Property must be in excess of £50,000.

#### *Term*

Each Mortgage Loan must have an initial term of between 5 and 35 years and have no scheduled principal repayment prior to its stated final maturity which, in the case of mortgages in the Mortgage Portfolio, is no later than 24 September 2042.

#### *Borrowers*

- (a) Borrowers who are individuals must be a minimum of 18 (21 years of age for Self-Certified Borrowers or self-employed Borrowers) and, prior to application, the maximum allowed age for the Borrower is 60 at next birthday. The Borrower must also be no older than the normal retirement age (that is, 65) or 70 years of age if the Borrower's ability to repay the Mortgage Loan can be proven at the time of the maturity of the Mortgage Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to any one Mortgage Loan.

- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) search supplied by credit reference agency;
  - (ii) confirmation of voters roll entries or proof of residency;
  - (iii) references from current employers;
  - (iv) accounts or accountant's certificate;
  - (v) references from current lenders.
- (d) Where past County Court Judgments relating to a Borrower have been revealed by the credit reference search the County Court Judgements must have been satisfied for at least two years before the mortgage is granted.
- (e) The Borrower shall have had no more than two County Court Judgments totalling no more than £500.

#### *Income*

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of the following:
  - (i) salary plus any guaranteed overtime and 75 per cent. of any proven but unguaranteed regular overtime or bonus payments (as evidenced by the borrower's previous two years' P60), or net profits plus any additional income confirmed by the accountant for self-employed borrowers;
  - (ii) pensions, investments and rental income; or
  - (iii) any other monies approved by an authorised officer of CHL.
- (b) With the exception of certain allowable fees added to the aggregate principal balance of the Mortgage, the principal amount advanced will not exceed the higher of 3.5 (or, in the case of a first time buyer, 3.25) times the assessed income of the primary Borrower plus one times the assessed income of any secondary Borrower, or 2.75 (or, in the case of a first time buyer, 2.5) times the combined assessed incomes of the primary and secondary Borrowers.

#### *Solicitors*

The firm of solicitors acting on behalf of CHL and the Borrowers on the making of each Mortgage Loan, must have at least two practising partners.

#### *Further Advances*

Since 31 October 2004, CHL has applied the following approach only to regulated mortgages as all requests for Further Advances made on unregulated mortgages will require CHL to redeem the original loan and effectively remortgage the property through a regulated mortgage. Further Advances to regulated mortgages are governed by the same criteria as initial advances with the following additions:

- (a) At least six months must have elapsed since completion of the initial advance.
- (b) The payment history in respect of a Mortgage Loan must be satisfactory to CHL, acting as a Prudent Mortgage Lender.
- (c) The Property may, at the request of CHL, be subject to a new valuation and/or inspection of the Property.
- (d) The Mortgage Loan must not have experienced arrears greater than 1 month at any time in the previous three months.

### ***Changes to Lending Criteria***

CHL may vary the Lending Criteria from time to time in the manner of a reasonably prudent mortgage lender lending to borrowers in England or Wales (a "**Prudent Mortgage Lender**"). Flexible Drawings may from time to time be included in the Mortgage Portfolio if they were originated in accordance with the Lending Criteria (as so varied) and, in relation to Flexible Drawings, the conditions contained in "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement - Flexible Drawings*" have been satisfied.

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

The 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 the 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 Mortgage Portfolio – The Mortgage Loans – Lending Criteria*" and "*The Servicer and the 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 Mortgage Portfolio will be serviced in line with the usual servicing procedure of the Seller – please see further the section entitled "*The Servicer and the Servicing Agreement*";
- (c) diversification of credit portfolios taking into account the Seller's target market and overall credit strategy, as to which, in relation to the Mortgage Portfolio, please see the section entitled "*The Mortgage Portfolio*"; and
- (d) policies and procedures in relation to risk mitigation techniques, as to which please see further the section entitled "*The Servicer and the Servicing Agreement*" and the section entitled "*The Mortgage Portfolio – The Mortgage Loans – Lending Criteria*".

## SALE OF THE MORTGAGE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT

### Mortgage Sale Agreement

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

#### *Sale of the Mortgage Portfolio from the Seller to the Issuer*

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will sell to the Issuer on the Closing Date its beneficial interest in a portfolio of Mortgage Loans and their associated mortgages (the "**Mortgage Loans**"), together with the other security for the Mortgage Loans (the "**Related Security**") and all moneys derived therefrom from time to time (collectively referred to herein as the "**Mortgage Portfolio**"), as well as the benefit of all collections received in respect of the Mortgage Portfolio during the period from the Cut-off Date until the Closing Date. The Mortgage Loans included in the Mortgage Portfolio will be randomly selected by the Seller from the Provisional Mortgage Portfolio on the Portfolio Selection Date. See "The Mortgage Portfolio – The Mortgage Loans – Introduction" above and "Statistical Information on the Provisional Mortgage Portfolio" below for more detail.

The Seller will retain legal title to the Mortgage Portfolio as at the Closing Date, and will undertake to transfer legal title when required under the terms of the Mortgage Sale Agreement, as described under "Perfection Trigger Events" below, and will provide certain further assurances to the Issuer and the Trustee.

The sale by the Seller to the Issuer of the Mortgage Loans in the Mortgage Portfolio (as defined below) will be given effect to by an equitable assignment. The consideration due to the Seller in respect of the Mortgage Portfolio will be equal to £508,289,285 payable by the Issuer on the Closing Date (the "**Purchase Price**") and the issue by the Issuer to the Seller of the Residual Certificates on the Closing Date. The Residual Certificates represent the right to receive any excess spread generated by the Mortgage Portfolio. Any Residual Payment payable pursuant to the Residual Certificates will be paid in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

#### *Retained Amount and Reconciliation*

As described more fully in "*Summary of the Principal Documents – Cash Management Agreement – Retained Amounts and Reconciliation*", the Issuer will retain the Retained Amount with respect to any collections received in respect of the Mortgage Loans during the period from the Cut-off Date until the Closing Date. Such Retained Amount will, on the Reconciliation Date, be reconciled with the amount of collections actually received during such period, and a reconciliation payment will be made between the Seller and the Issuer accordingly.

#### *Perfection Trigger Events*

Legal title to the Mortgage Loans and their Related Security will remain with the Seller on the Closing Date. Under the Mortgage Sale Agreement and the Deed of Charge, the Issuer and the Trustee (the Trustee's right arising following delivery of an Enforcement Notice) will each be entitled to effect such registrations and give (or require the Seller to give at the cost of the Seller in such manner as the Issuer or the Trustee may reasonably require) such notices as it considers necessary to protect and perfect its interests in the Mortgage Loans, and to effect a legal assignment or transfer of the Mortgage Loans and the Related Security in favour of the Issuer and a legal sub-mortgage over such Mortgage Loans and Related Security in favour of the Trustee, *inter alia*, upon the occurrence of any of the following events (each, a "**Perfection Trigger Event**"):

- (i) the delivery of an Enforcement Notice by the Trustee;
- (ii) the Seller being required to perfect legal title to the Mortgage Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Seller or by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Mortgage Loans and their Related Security;
- (iii) it becoming necessary by law to do any or all of the acts referred to in paragraph (ii) above;
- (iv) (for as long as CHL is the Servicer) termination of the appointment of the Servicer or resignation of the Servicer and failure of any substitute servicer to assume the duties of the Servicer in such capacity;
- (v) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Trustee, in jeopardy;
- (vi) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Trustee; or
- (vii) any Insolvency Event in relation to the Seller or any other entity in which legal title to any Mortgage Loan is vested.

**"Insolvency Event"** means, in relation to a company:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period of permitted deferral), or suspends making payments on any of its debts;
- (b) a moratorium is declared in respect of any indebtedness of such company;
- (c) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business;
- (d) any corporate action, legal proceedings or other procedure or step is taken in relation to:
  - (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
  - (ii) an encumbrancer (excluding, in relation to the Issuer, by the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company;
  - (iii) the making of an arrangement, composition or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or
  - (iv) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or
- (e) any procedure or step is taken, or any event occurs, analogous to those set out in (a) to (e) above, in any jurisdiction.

Following such legal assignment or transfer, the Issuer (with the consent of the Trustee) and the Trustee (following delivery of an Enforcement Notice) will each be entitled to take all necessary steps to protect

and perfect legal title to its interests in the Mortgage Loans and Related Security, including the carrying out of any necessary registrations and notifications.

The above rights are supported by irrevocable powers of attorney (including the Seller Power of Attorney given by the Seller in favour of the Issuer and Trustee).

For so long as neither the Issuer nor the Trustee have obtained legal title to the Mortgage Loans, the Seller will undertake in the Mortgage Sale Agreement for the benefit of the Issuer and the Trustee that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or the Trustee in relation to, any legal proceedings in respect of the Mortgage Loans and their Related Security. In carrying out such steps, the Seller will act in a manner consistent with the requirements of CHL's policy from time to time.

The completion of the legal transfer or conveyance of the Mortgage Loans and Related Security (and, where appropriate, their registration) to the Issuer is, save in the limited circumstances referred to in this section, deferred. Legal title to the Mortgage Loans and Related Security therefore remains with the Seller. Notice of the sale of the Mortgage Loans and their Related Security to the Issuer will not (except as stated herein) be given to any Borrower.

The title information documents and customer files relating to the Mortgage Portfolio are currently held by or to the order of the Seller. The Seller has undertaken that, until perfection of the assignments contemplated by the Mortgage Sale Agreement, all the title information documents and customer files relating to the Mortgage 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. The Servicer is required by the Servicing Agreement to ensure the safe custody (to the extent held in physical form) or security (if held electronically) of the title deeds relating to the Mortgage Loans and to provide the Issuer and the Trustee with access to them at all reasonable times.

Save as described above, neither the Issuer nor the Trustee will be entitled to effect any registration to perfect the sale of the Mortgage Loans to the Issuer or the granting of security over them by the Issuer in favour of the Trustee, nor will they be entitled to obtain possession of the title deeds to the Properties the subject of the Mortgage Loans.

Notices of the sale to the Issuer and the granting of the Security in favour of the Trustee will not, save as mentioned above, be given to the Borrowers. Notice of the interest of the Issuer and the Trustee will be given in respect of the Insurance Policies to the relevant insurance provider.

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

#### *Warranties and Repurchase*

The Mortgage Sale Agreement will contain certain representations and warranties given by the Seller to the Issuer and the Trustee in relation to the Mortgage Portfolio transferred or assigned to the Issuer pursuant to the Mortgage Sale Agreement. These representations and warranties will also be given in relation to any Flexible Drawings and Product Switches, as described below.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer or the Trustee, each of whom is relying entirely on the representations and warranties set out in the Mortgage Sale Agreement.

If there is an unremedied breach of any of the representations and warranties set out in the Mortgage Sale Agreement which has or would have a material adverse effect on such Mortgage Loan or its Related Security then the Seller will be obliged to repurchase the relevant Mortgage Loan and its Related Security for a consideration in cash equal to all sums due or owing thereunder (including Accrued Interest and Arrears of Interest) as at the date of repurchase (after deducting the amount of any interest not then accrued but paid in advance by the relevant mortgagor, which amount will be retained by the Issuer). Performance of such repurchase will be in full satisfaction of the liabilities of the Seller in respect of the relevant breach.

### *Representations and Warranties*

The Seller's warranties under the Mortgage Sale Agreement include, *inter alia*, the following:

- (a) Each Mortgage Loan was originated by CHL in the ordinary course of its commercial and residential mortgage lending activities.
- (b) Immediately prior to the transfer of the Mortgage Loans pursuant to the Mortgage Sale Agreement, the Seller was the absolute beneficial owner of the Mortgage Loans, their related Mortgages and their Related Security, free from all Encumbrances.
- (c) CHL is the absolute legal owner of all Mortgage Loans, the related Mortgages and the Related Security.
- (d) Each Mortgage Loan and its related Mortgage and any guarantee given in support of the Borrower's obligations thereunder constitutes a legal, valid, binding and enforceable obligation of the Borrower and/or the guarantor and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower in priority to any other charges registered against the Property (provided that nothing in this paragraph (d) constitutes a representation or warranty as to the sufficiency of any such Property as security for any indebtedness secured on it) except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any early repayment charges, mortgage administration exit fees or charges payable in the event of a Borrower default.
- (e) Each Mortgage constitutes a valid and subsisting first ranking legal mortgage over the relevant Property, and secures the repayment of all advances, interest, costs and expenses payable by the Borrower and any further advances under the related Mortgage Loan.
- (f) No lien, right of set-off, counterclaim or other right of deduction exists between CHL and any Borrower or any other party that would entitle that Borrower to reduce any amount payable under the relevant Mortgage Loan.
- (g) Prior to the making of each Mortgage Loan, CHL:
  - (i) instructed solicitors or a licensed conveyancer to carry out an investigation of title to the relevant Property and to undertake all investigations, searches and other action and enquiries on behalf of CHL in accordance with the instructions which CHL issued to the relevant solicitor or licensed conveyancer as are set out in the Council of Mortgage Lenders' Handbook (the "**CML's Lenders' Handbook**") for England and Wales (or, for Mortgage Loans advanced before the CML's Lenders' Handbook for England and Wales was adopted in 1999, CHL's standard form instructions to solicitors) or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a Prudent Mortgage Lender; and
  - (ii) received a certificate of title and/or report on title from the solicitor or licensed conveyancer referred to in paragraph (i) above relating to such Property the contents of which were such as would have been acceptable to a Prudent Mortgage Lender at that time.
- (h) Each Mortgage Loan is secured via a Mortgage on a freehold or leasehold residential property in England or Wales.
- (i) In the case of a Mortgage Loan secured on a leasehold property, the related leasehold interest expires not less than 35 years after the maturity of the relevant Mortgage Loan.
- (j) Not more than 12 months (or a longer period as may be acceptable to a Prudent Mortgage Lender) prior to making an advance to the Borrower, the Property was valued by an independent qualified valuer approved by CHL, the details of which are disclosed in the relevant Mortgage Loan Files and such valuation would have been acceptable to a Prudent Mortgage Lender at the date such valuation was performed.



- (k) Prior to making an advance, the nature and amount of such advance, the circumstances of the relevant Borrower (to the extent applicable) and the origination of such advance satisfied the Lending Criteria in all material respects.
- (l) To the best of CHL's knowledge (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the results of such enquiries), at the time of the relevant application for a Mortgage, no Borrower had filed for bankruptcy, entered into an individual voluntary arrangement or been sequestrated or had a county court judgment or court decree (save for satisfied county court judgments or court decrees up to the value of £500) entered or awarded against him in the period commencing on the date falling six years prior (or two years prior in relation to county court judgments) to the date they executed the relevant Mortgage and ending on the day they executed the relevant Mortgage.
- (m) Each Mortgage Loan and its related Mortgage has been made on the terms of the Standard Documentation (so far as applicable) which has not been varied in any material respect and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect other than:
  - (i) any variation agreed with a Borrower to control or manage arrears on a Mortgage Loan;
  - (ii) any variation in the maturity date of a Mortgage Loan;
  - (iii) any variation imposed by statute or as a result of legally binding UK government policy changes or initiatives aimed at assisting home owners in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Mortgage Loan is charged;
  - (iv) any variation to the interest rate as a result of the Borrower switching to a different rate;
  - (v) any change to a Borrower under the Mortgage Loan or the addition of a new Borrower under a Mortgage Loan;
  - (vi) any change in the repayment method of the Mortgage Loan (including from an interest only loan to a repayment loan); or
  - (vii) any other variation that would be acceptable to a Prudent Mortgage Lender.
- (n) Each Mortgage Loan is denominated in GBP.
- (o) Subject to completion of any registration or recording which may be pending at the Land Registry, all title deeds (save for title deeds held at the Land Registry and title deeds existing in dematerialised forms) and Mortgage Loan Files are held by, or to the order of, CHL or CHL's solicitors or licensed conveyancers.
- (p) For each Mortgage Loan, proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts, proceedings and notices relating to that Mortgage Loan in accordance with applicable law and applicable regulatory guidance or directions and are in all material respects up to date, accurate and in the possession of CHL.
- (q) No Mortgage Loan or its related Mortgage contains a mandatory obligation on the part of CHL to make any Further Advance or any Flexible Drawing.
- (r) At the time of completion of the relevant Mortgage, CHL or its solicitors took reasonable steps to verify that the relevant Property was insured under a Building Insurance Policy, and CHL's interest had been noted on such Building Insurance Policy in relation to the relevant Property, in all cases against risks usually covered when advancing money on the security of property of the same nature to an amount not less than the full reinstatement value thereof as determined by CHL's valuer.
- (s) CHL is not aware (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the

results of such enquiries) of any fraud in relation to any Mortgage Loan which could reasonably be expected to result in the value of the Mortgage Loan or its Related Security being reduced.

- (t) No Borrower is an employee of CHL or any of its Affiliates.
- (u) No agreement for any Mortgage Loan is in whole or in part a "regulated credit agreement" under article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) or treated as such by the Consumer Credit Act 1974 (as amended, extended or re-enacted from time to time) (the "CCA") or, to the extent that any agreement for any Mortgage Loan is in whole or in part a regulated credit agreement or consumer credit agreement, CHL has complied with all the relevant legal requirements of, and procedures set out in, the CCA and all secondary legislation made pursuant thereto and the FCA Handbook, as applicable and no such agreement, whether taken alone or with a related agreement, gives rise to an "unfair relationship" between the creditor and the debtor for the purposes of sections 140A to 140D of the CCA.
- (v) To the extent that any Mortgage Loan and related Mortgage is subject to the Unfair Terms in Consumer Contracts Regulations 1994 or 1999 (the "UTCCR"), no action whether formal or informal has been taken by the OFT, the FCA or a "qualifying body", as defined in the UTCCR, against CHL pursuant to the UTCCR or otherwise which might restrict or prevent the enforcement of any term of any Mortgage Loan and related Mortgage.
- (w) In relation to any Mortgage Loan which is a regulated mortgage loan within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, so far as CHL is aware (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the results of such enquiries), all then applicable requirements of MCOB have been complied with in all material respects in connection with such origination (including in respect of any further advance), documentation and administration of such Mortgage Loan.
- (x) So far as CHL is aware (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the results of such enquiries), there are no complaints in relation to the Mortgage Loans or Mortgages (whether relating to their origination, servicing or otherwise) made to the Financial Ombudsman Service which have been notified by the Financial Ombudsman Service to CHL and which remain outstanding.
- (y) CHL is not aware (having made all such reasonable enquiries as a Prudent Mortgage Lender would be expected to make in order to be satisfied as to the same and having due regard to the results of such enquiries) of any pending action or proceeding by a Borrower against CHL in respect of the Mortgage Loans and their Mortgages.
- (z) There have only been two successful claims for redress in relation to any payment protection insurance or similar insurance sold to a Borrower in respect of a Mortgage Loan.
- (aa) Interest on each Mortgage Loan has been charged by CHL in accordance with the provisions of the Mortgage Loan and its related Mortgage save in cases where payment concessions or arrangements to pay have been negotiated with the Borrower in the ordinary course of servicing of the Mortgage Loans.
- (bb) CHL has not knowingly waived or acquiesced in any breach of any of its rights in relation to a Mortgage Loan or a Mortgage other than those undertaken as part of being a Prudent Mortgage Lender.
- (cc) All formal approvals, consents and other steps necessary to permit an assignment or transfer of the Mortgage Loans, the Mortgages and their Related Security have been obtained or taken.
- (dd) In relation to any Buy to Let Mortgage Loan:
  - (i) no Property has been let or sub-let otherwise than by way of (a) an assured shorthold tenancy or (b) any other tenancy which would be acceptable to a Prudent Mortgage Lender; and

- (ii) to the extent there was a tenancy agreement in place at the time of origination, such tenancy agreement was on terms that would be acceptable to a Prudent Mortgage Lender and CHL is not aware of any material breach of such agreement.
- (ee) Prior to making a Mortgage Loan to a Borrower, CHL instructed solicitors to undertake to ensure each relevant guarantor (where a Mortgage Loan is the subject of a guarantee) executed a deed of guarantee in respect of the repayment by the relevant Borrower of the amounts due under the Mortgage Loan and its related Mortgage in favour of the mortgagee.
- (ff) In respect of a Mortgage Loan in respect of which the Borrower is a corporate borrower, such Borrower is a private company incorporated with limited liability in England and Wales, and prior to making of each such Mortgage Loan:
  - (i) CHL has not received written notice of any steps having been taken for the liquidation or winding-up of, or the making of an administration order or analogous proceedings in relation to, such Borrower or of any steps having been taken to enforce any security over the assets of such Borrower (including, without limitation, the appointment of any receiver of rent in respect of the Borrower); and
  - (ii) prior to making the initial advance to such Borrower, CHL instructed solicitors to undertake to conduct a search at Companies House in relation to such Borrower which revealed that no notices of appointment of a liquidator, administrator, administrative receiver or receiver had been filed and that no resolution had been passed to wind up the Borrower; and
  - (iii) in relation to such Borrower, the solicitor acting for CHL satisfied himself that the Borrower had, in accordance with its articles of association, authorised a designated person or persons to sign all relevant documentation, and such meeting was duly convened and quorate in accordance with the Borrower's articles of association; and
  - (iv) CHL, acting as a Prudent Mortgage Lender, carried out a company search at the underwriting stage to identify the directors and shareholders of the corporate borrower, and to establish whether any incidence of default was registered against either the individuals (where such individual was either a director of the company or held 20 per cent. or more of the company's shares) or the company itself; and
  - (v) the particulars of the relevant Mortgage were registered with Companies House within 21 days of the date of the grant of the Mortgage.
- (gg) Unless a Borrower is a corporate borrower and the requirements in paragraph (ff) above are satisfied, each Borrower is an individual and aged 17 years or older at the date of entering into the relevant Mortgage Loan and the identity of each Borrower has been verified by CHL in accordance with procedures which would be acceptable to a Prudent Mortgage Lender.
- (hh) Prior to the making of each Mortgage Loan or Flexible Drawing, the Lending Criteria and all preconditions to the making of any Mortgage Loan or Flexible Drawing were satisfied in all material respects subject only to such exceptions and waivers as made on a case-by-case basis as would be acceptable to a Prudent Mortgage Lender.
- (ii) Each 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) which would materially adversely affect such title.
- (jj) In relation to each Mortgage Loan and its related Property there are no other mortgage loans originated by CHL that are secured on such Property and not being sold to the Issuer pursuant to the terms of the Mortgage Sale Agreement.
- (kk) None of the Related Security or Ancillary Rights in respect of a Mortgage Loan consist of stock or a marketable security (as such terms are defined for the purposes of section 122 of the Stamp Act 1891), a chargeable security (as such term is defined for the purposes of section 99 of the Finance Act 1986) or a chargeable interest (as such term is defined for the purposes of section 48 of the Finance Act 2003).

- (ll) Each Mortgage Loan is a "financial asset" as defined in International Accounting Standard 32 (IAS32).
- (mm) The brochures, application forms, offers, offer conditions and marketing material distributed by CHL to the Borrower when offering a Mortgage Loan to a Borrower do not conflict in any material respect with the terms applicable to the relevant Mortgage Loan and its Related Security at the time that the Mortgage Loan was entered into; and do not conflict with and would not prohibit or otherwise limit the terms of the Transaction Documents or the matters contemplated thereby.
- (nn) Each Mortgage Loan has been entered into by CHL and the relevant Borrower in accordance with all applicable laws to the extent that failure to comply with those laws would have a material adverse effect on the enforceability of the collectability of that Mortgage Loan or its Related Security.
- (oo) Save for sons or daughters (who are aged 17 years or over) of the Borrower living with the Borrower, every person who, at the date upon which a Mortgage Loan was granted, had attained the age of 17 and who had been notified to CHL as residing in or about to reside in the relevant Property, is either named as a Borrower or has signed a consent agreement in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage Loan was executed.
- (pp) Neither CHL nor, as far as CHL is aware after having made all reasonable enquiries, any of CHL's agents has received written notice of any litigation, claim, dispute or complaint (excluding any vexatious or frivolous complaint) (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Mortgage Loan, Related Security or Building Insurance Policy which (if adversely determined) might have a material adverse effect on the value of any Mortgage Loan.
- (qq) At the time of origination, CHL has in connection with each Mortgage Loan:
  - (i) carried out the identification and other procedures required under the Money Laundering Regulations 2003 or the Money Laundering Regulations 2007 (as applicable), the Guidance for the UK financial sector issued by the Joint Money Laundering Steering Group and the Senior Management Arrangements, Systems and Controls (SYSC) Manual of the FCA Handbook (in relation to any Mortgage Loan where an offer was made on or after 31 October 2004) and the Money Laundering sourcebook of the FCA Handbook; and
  - (ii) complied with the requirements of the Terrorism Act 2000 and Proceeds of Crime Act 2002 to the extent (if any) that the same are applicable.
- (rr) So far as CHL is aware, at origination, no Borrower was a person with whom transactions are prohibited under any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or Her Majesty's Treasury (collectively, "**Sanctions**") and no Borrower was located in a country or territory which was the subject of any Sanctions at that time.
- (ss) None of the Seller, CHL, any of its directors, officers or employees, nor any of their respective Affiliates has engaged in any activity or conduct that has resulted or will result in a violation of:
  - (i) any anti-corruption laws or anti-money laundering laws; or
  - (ii) any applicable laws relating to economic or trade sanctions, including the Sanctions.
- (tt) The aggregate Current Balance of the Mortgage Loans which are in arrears for one month or more not exceeding 0.5 per cent. of the aggregate Current Balance in the Provisional Mortgage Portfolio as at the Portfolio Reference Date.

#### *Further Advances*

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller may make an offer to any

Borrower for a Further Advance only where the Seller confirms to the Issuer that the Seller will repurchase that Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement. If the Seller offers a Borrower, or grants the request of a Borrower for, a Further Advance under a Mortgage Loan, the Seller will be solely responsible for offering, documenting and funding that Further Advance **provided that** the Further Advance may not be made unless and until the Seller has repurchased the Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement. The Issuer may not itself offer to make any Further Advance.

If the Seller, the Servicer and the Issuer are notified or are otherwise aware that a Borrower has requested a Further Advance and the Servicer and the Issuer have received confirmation that the Seller will repurchase the relevant Mortgage Loan and its Related Security, the Issuer shall at any time upon notice from the Seller assign the relevant Mortgage Loan and its Related Security to the Seller and the Seller shall purchase such Mortgage Loan together with its Related Security (and, for the avoidance of doubt, together with any other Mortgage Loans secured on the same property) in accordance with the Mortgage Sale Agreement at an amount in cash (not less than zero) equal to the Current Balance plus accrued and unpaid interest on such Mortgage Loan as of the date of completion of such repurchase plus expenses payable thereon to such date (the "**Repurchase Price**").

#### *Flexible Drawings*

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller or the Servicer may accept an application from a Borrower for a Flexible Drawing. If a Borrower requests, or the Seller or the Servicer offers, a Flexible Drawing under a Mortgage Loan, the Seller or the Servicer (for as long as CHL is the Servicer) will be solely responsible for offering, documenting and funding that Flexible Drawing. Any Flexible Drawing made to a Borrower shall (subject to the conditions below) be purchased by the Issuer on the date that the Flexible Drawing is made by the Seller or the Servicer to the relevant Borrower (the "**Drawings Date**").

The purchase price for the relevant Flexible Drawing shall be an amount equal to the Current Balance of the Flexible Drawing (the "**Flexible Drawing Purchase Price**"). The Cash Manager (on behalf of the Issuer) shall fund the payment of the Flexible Drawing Purchase Price to the Seller by applying Principal Receipts standing to the credit of the Transaction Account (if sufficient) on the relevant Drawings Date or on any Business Day as soon as practicable thereafter, whereupon completion of the purchase of the Flexible Drawing shall occur.

The Seller must, in relation to the Mortgage Loan which is subject to the Flexible Drawing, give the representations and warranties in respect of Flexible Drawing set out in the Mortgage Sale Agreement on the relevant Drawings Date.

The funding of a Flexible Drawing by the Issuer will also be subject to the following conditions (the "**Flexible Drawings Conditions**"):

- (a) the Drawings Date falls before the Step-Up Date;
- (b) no Event of Default has occurred and is continuing;
- (c) no Insolvency Event in respect of the Seller has occurred;
- (d) the purchase of the Flexible Drawing will not result in the aggregate principal balance of all Flexible Drawings purchased by the Issuer exceeding 1 per cent. of the aggregate Current Balance of the Mortgage Portfolio as at the Cut-off Date;
- (e) the aggregate Current Balance of the Mortgage Loans comprising the Mortgage Portfolio, in respect of which the aggregate amount in arrears is more than or equal to 1 month in arrears, is less than 5 per cent. of the aggregate Current Balance of the Mortgage Loans comprising the Mortgage Portfolio;
- (f) each Mortgage Loan and its Related Security which is the subject of the Flexible Drawing complies, as at the Drawings Date, with the representations contained in the Mortgage Sale Agreement required to be given on each Drawings Date;
- (g) there is no debit entry on the Principal Deficiency Sub-Ledger corresponding to any Class of

Rated Notes after applying all Available Revenue Receipts on that Interest Payment Date;

- (h) the original weighted average LTV ratio (calculated as the ratio of X to Y) does not exceed 80 per cent. where:

X is the aggregate sum of (a) multiplied by (b) for each of the Mortgage Loans in the Mortgage Portfolio where:

- (a) is the original LTV ratio calculated by dividing debt previously advanced (including any Flexible Drawing made) by the original valuation of a Mortgage Loan in the Mortgage Portfolio; and
- (b) is the Current Balance of such Mortgage Loan in the Mortgage Portfolio;

Y is the aggregate Current Balances of all the Mortgage Loans in the Mortgage Portfolio;

- (i) the current LTV ratio (as measured by the aggregate Current Balance of such Mortgage Loan plus the relevant Flexible Drawing divided by the Latest Valuation) is less than 80 per cent.;
- (j) the combined amount standing to the credit of the Liquidity Reserve Fund and the General Reserve Fund is in aggregate equal to the Reserve Fund Required Amount;
- (k) there are sufficient Principal Receipts to fund the Flexible Drawing to be granted in respect of the relevant Mortgage Loan;
- (l) the Mortgage Loan which is the subject of the Flexible Drawing is not in arrears as at the Drawings Date; and
- (m) no Servicer Termination Event occurs as a result of it.

Notice (a "**Notice of Non-Satisfaction of Flexible Drawings Conditions**") must be given by the Servicer if the Issuer is unable to fund the purchase of a Flexible Drawing from Principal Receipts or if the Servicer has identified beyond a reasonable doubt that any of the other Flexible Drawings Conditions are not satisfied as at the relevant Drawings Date or, as applicable, would not be satisfied following the granting of the Flexible Drawing, whereupon the Seller must repurchase the relevant Mortgage Loan(s) and its Related Security from the Issuer.

Completion of such repurchase shall occur within 2 days of receipt of the Notice of Non Satisfaction of Flexible Drawings Conditions provided, however, if such Notice of Non-Satisfaction of Flexible Drawings Conditions has been served by the Servicer following the close of business on the 5<sup>th</sup> Business Day prior to the last day of the calendar month in which the relevant Drawings Date occurred, completion of such repurchase shall take place in the following calendar month.

Consideration for a repurchase shall be provided by payment in cash such that the aggregate cash payment amount equals the Current Balance(s) of the Mortgage Loan(s) subject to repurchase (the "**Flexible Drawings Purchase Price**").

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

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

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

#### *Product Switches*

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller or the Servicer may agree to a request by a Borrower to convert his Mortgage Loan (or, in the case of a default by a Borrower, may itself elect to convert such Borrower's Mortgage Loan) (subject to satisfaction of the following conditions) into a Mortgage Loan with a different type of interest rate term or repayment term (a "**Product Switch**"). A Product Switch may comprise (following the conversion) (each, an "**Eligible Product**"):

- (a) a Standard Variable Rate Mortgage Loan;
- (b) a Tracker Mortgage Loan; or
- (c) any other type of Mortgage Loan offered by CHL other than a Mortgage Loan which is subject to a fixed rate of interest, a rate of interest set by reference or a flexible repayment or current account mortgage.

Any Mortgage Loan which has been subject to a Product Switch will remain in the Mortgage Portfolio unless the Servicer has given notice (a "**Notice of Non-Satisfaction of Product Switch Conditions**") to the Issuer:

- (a) by no later than the 5th Business Day prior to the last calendar day of the month during which the relevant Product Switch is made; or
- (b) where a Product Switch is made in the period between the 5th Business Day prior to the last calendar day of a month and the last calendar day of such month, by no later than the 5th Business Day prior to the last calendar day of the immediately succeeding month,

and such notice has not been revoked prior to such date (the "**Notice of Non-Satisfaction Delivery Date**").

A Notice of Non-Satisfaction of Product Switch Conditions shall be given by the Servicer to the Issuer if the Servicer has identified beyond a reasonable doubt that any of the following conditions (the "**Product Switch Conditions**") are not satisfied as at the relevant date of the granting of the Product Switch (the "**Switch Date**") or, as applicable, would not be satisfied following the granting of the Product Switch:

- (a) the Switch Date falls before the Step-Up Date;
- (b) no Event of Default has occurred and is continuing;
- (c) no Insolvency Event in respect of the Seller has occurred;
- (d) the Product Switch will be effected by such means as would be adopted by the Seller, for the purpose of ensuring the validity and priority of the Mortgage Loan, were such switch in respect of a loan advanced by the Seller which is not part of the Mortgage Portfolio;
- (e) the Product Switch will be similar to switches offered to the Seller's mortgage borrowers whose mortgage loans do not form part of the Mortgage Portfolio;
- (f) the aggregate Current Balance of the Mortgage Loans comprising the Mortgage Portfolio, in respect of which the aggregate amount in arrears is more than or equal to 1 month in arrears, is less than 5 per cent. of the aggregate Current Balance of the Mortgage Loans comprising the Mortgage Portfolio;

- (g) each Mortgage Loan and its Related Security which is the subject of a Product Switch complies with the representations contained in the Mortgage Sale Agreement required to be given on each Switch Date;
- (h) there is no debit entry on the Principal Deficiency Sub-Ledger corresponding to any Class of Rated Notes after applying all Available Revenue Receipts on that Interest Payment Date;
- (i) the combined amount standing to the credit of the Liquidity Reserve Fund and the General Reserve Fund is in aggregate equal to the Reserve Fund Required Amount;
- (j) no Servicer Termination Event occurs as a result of it; and
- (k) the Product Switch will not result in the aggregate principal balance of all Product Switches agreed by the Seller or the Servicer exceeding 1 per cent. of the aggregate Current Balance of the Mortgage Portfolio as at the Cut-off Date.

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

If by the Notice of Non-Satisfaction Delivery Date a Notice of Non-Satisfaction of Product Switch Conditions has been given by the Servicer to the Seller and the Issuer with respect to any Mortgage Loan and has not yet to be revoked by the Servicer, then the Seller will be required to repurchase each such Mortgage Loan and its Related Security from the Issuer within 2 days of the service of Notice of Non-Satisfaction of Product Switch Conditions.

The consideration for a repurchase shall be provided by payment in cash in an amount equal to the aggregate Current Balance of the Mortgage Loan(s) subject to repurchase.

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

- (a) any representation or warranty made by it as at the relevant Switch Date was materially untrue as at the date it was made; or
- (b) any of the Product Switch Conditions were in fact not satisfied on the relevant Switch Date:
  - (i) despite no Notice of Non-Satisfaction of Product Switch Conditions being given by the Servicer; or
  - (ii) where a Notice of Non-Satisfaction of Product Switch Conditions was given but was revoked by the Servicer prior to close of business on the Notice of Non-Satisfaction Delivery Date,

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

For the avoidance of doubt, any amendment to the terms of a Mortgage Loan agreed to by the Seller or the Servicer which comprises:

- (a) any variation agreed with a Borrower to control or manage arrears on the Mortgage Loan including any variation relating to breaches of the Mortgage Conditions;
- (b) any variation in the maturity date of a Mortgage Loan provided that, following such amendment,



such Mortgage Loan has a remaining term ending no later than two years prior to the Final Maturity Date of the Notes;

- (c) any variation imposed by statute or by regulation or any variation in the frequency with which the interest payable in respect of the Mortgage Loan is charged;
- (d) any variation to the interest rate as a result of the Borrowers switching to a different rate other than where the Borrower is switching to another product;
- (e) any change to a Borrower under the Mortgage Loan or the addition of a new Borrower under a Mortgage Loan; or
- (f) any change in the repayment method of the Loan (including from an Interest Only Mortgage Loan to a Repayment Mortgage Loan),

will not constitute a Product Switch granted in respect of such Mortgage Loan and the retention of such Mortgage Loan in the Mortgage Portfolio shall not be subject to the Product Switch Conditions referred to above provided that, following the amendment, the relevant Mortgage Loan constitutes an Eligible Product (as defined above). Following any such amendment, the Seller may, but will not be obliged to, repurchase the relevant Mortgage Loan and its Related Security.

The consideration for such repurchase shall be an amount equal to the Current Balance of the relevant Mortgage Loan.

*General right to offer to repurchase following a Flexible Drawing or Product Switch*

Where in relation to a proposed Flexible Drawing or Product Switch request, the Servicer (on behalf of the Issuer) proposes making a Flexible Drawing or Product Switch (as applicable), the Seller may, despite the Servicer not having given (in the case of a Flexible Drawing) a Notice of Non-Satisfaction of Flexible Drawings Conditions or (in the case of the Product Switch) a Notice of Non-Satisfaction of Product Switch Conditions, as alternatives to the Mortgage Loan which is the subject of a Flexible Drawing or Product Switch remaining in the Mortgage Portfolio (as applicable), offer to repurchase the relevant Mortgage Loan and its Related Security from the Issuer within 30 days of the last day of the calendar month in which the Drawings Date or Switch Date (as applicable) falls for a consideration equal to its Current Balance and the Issuer shall accept such offer. Any such offer must be made prior to the last day of the calendar month in which the relevant Drawings Date or Switch Date (as applicable) falls. The Seller must pay to the Issuer the consideration for the relevant Mortgage Loan and its Related Security which is the subject of a Flexible Drawing or Product Switch (as applicable) within 30 days of the last day of the calendar month in which such Drawings Date or Switch Date occurred.

The Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and the Trustee of any breach of warranty in respect of any of the relevant Mortgage Loans subject to Flexible Drawings or Product Switches as soon as it has identified such breach.

*Governing Law*

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

## STATISTICAL INFORMATION ON THE PROVISIONAL MORTGAGE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Mortgage Portfolio of £1,949,387,383.11 as at 31 May 2015 (the "**Portfolio Reference Date**").

The Mortgage Loans included in the Provisional Mortgage Portfolio were previously owned by either CHL or beneficially owned by Auburn Securities 3 plc, Auburn Securities 6 plc or Auburn Securities 7 plc, as further described in the section entitled "*The Mortgage Portfolio*".

The Mortgage Portfolio consists of Mortgage Loans which will be selected by the Seller from the Provisional Mortgage Portfolio on the Portfolio Selection Date using a random selection process after first removing: (i) Mortgage Loans which are scheduled to redeem prior to the Closing Date; and (ii) Mortgage Loans which at any time prior to the Portfolio Selection Date are found not to comply with the warranties to be given in respect of the Mortgage Loans on the Closing Date as set out in the Mortgage Sale Agreement. The Mortgage Portfolio has a Current Balance of £525,022,024 as at the Cut-Off Date.

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

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

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

Total Current Balance .....	£1,949,387,383.11
Maximum Current Balance .....	£1,996,797.20
Number of Borrowers .....	10,223
Number of Mortgage Loan Primary Account.....	13,901
Number of Mortgage Loan Account .....	15,232
Average Mortgage Loan Balance.....	£127,979.74
Weighted Average Original LTV .....	78.78%
Weighted Average Current LTV (non-indexed).....	77.34%
Weighted Average Current LTV (indexed).....	68.07%
Weighted Average Seasoning (months) .....	104
Weighted Average Remaining Term (months) .....	126
Weighted Average Mortgage Interest Rate .....	2.07%

## 1. Current Balances as at the Portfolio Reference Date

The following table shows the range of outstanding Current Balances of Mortgage Loans in the Provisional Mortgage Portfolio as at the Portfolio Reference Date.

Range of Current Balance (£)	Current Balance (£)	(% of total balance)	No of mortgage loan accounts	(% of mortgage loan accounts)
More Than 0 and less than or equal to 50,000.....	69,592,359.05	3.57	2,576	16.91
More Than 50,000 and less than or equal to 100,000.....	322,589,140.93	16.55	4,235	27.80
More Than 100,000 and less than or equal to 150,000.....	509,812,864.74	26.15	4,174	27.40
More Than 150,000 and less than or equal to 200,000.....	341,408,074.47	17.51	1,992	13.08
More Than 200,000 and less than or equal to 250,000.....	217,152,211.28	11.14	986	6.47
More Than 250,000 and less than or equal to 300,000.....	127,031,317.23	6.52	469	3.08
More Than 300,000 and less than or equal to 350,000.....	85,771,615.65	4.40	266	1.75
More Than 350,000 and less than or equal to 400,000.....	63,736,449.68	3.27	171	1.12
More Than 400,000 and less than or equal to 450,000.....	39,839,335.10	2.04	95	0.62
More Than 450,000 and less than or equal to 500,000.....	33,348,342.63	1.71	71	0.47
More Than 500,000 and less than or equal to 550,000.....	27,760,662.34	1.42	53	0.35
More Than 550,000 and less than or equal to 600,000.....	17,771,932.76	0.91	31	0.20
More Than 600,000 and less than or equal to 650,000.....	17,277,975.76	0.89	28	0.18
More Than 650,000 and less than or equal to 700,000.....	6,013,732.73	0.31	9	0.06
More Than 700,000 and less than or equal to 750,000.....	10,132,232.87	0.52	14	0.09
More Than 750,000 and less than or equal to 800,000.....	12,346,583.21	0.63	16	0.11
More Than 800,000 and less than or equal to 850,000.....	12,269,282.49	0.63	15	0.10
More Than 850,000 and less than or equal to 900,000.....	6,107,623.32	0.31	7	0.05
More Than 900,000 and less than or equal to 950,000.....	7,428,866.55	0.38	8	0.05
More Than 1,000,000 and less than or equal to 1,050,000.....	6,098,189.09	0.31	6	0.04
More Than 1,150,000 and less than or equal to 1,200,000.....	2,365,113.54	0.12	2	0.01
More Than 1,200,000 and less than or equal to 1,250,000.....	1,207,098.22	0.06	1	0.01
More Than 1,350,000 and less than or equal to 1,400,000.....	1,353,763.14	0.07	1	0.01
More Than 1,500,000 and less than or equal to 1,550,000.....	1,503,140.76	0.08	1	0.01
More Than 1,650,000 and less than or equal to 1,700,000.....	1,698,206.06	0.09	1	0.01
More Than 1,850,000 and less than or equal to 1,900,000.....	1,889,938.40	0.10	1	0.01
More Than 1,900,000 and less than or equal to 1,950,000.....	1,925,012.47	0.10	1	0.01
More Than 1,950,000 and less than or equal to 1,996,797.....	3,956,318.64	0.20	2	0.01
<b>Total:</b> .....	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

As at the Portfolio Reference Date, in relation to the Mortgage Loans in the Provisional Mortgage Portfolio, the minimum current mortgage loan balance was £446.45; the maximum current mortgage loan balance was £1,996,797.20 and the average current mortgage loan balance was £127,979.74.

## 2. Original Loan-to-Value Ratios as at the Portfolio Reference Date

The following table shows the range of LTV ratios, which express the aggregate original balance of a Mortgage Loan (including any Further Advances) in the Provisional Mortgage Portfolio as at the date of origination of the Mortgage Loan divided by the valuation as at the time of the latest mortgage loan advance.

Original LTV (%)	Current Balance (£)	(% of total balance)	No of mortgage loan primary accounts	(% of mortgage loan accounts)
More than 0 and less than or equal to 50.....	48,769,020.88	2.50	690	4.96
More than 50 and less than or equal to 55.....	24,243,792.00	1.24	255	1.83
More than 55 and less than or equal to 60.....	45,423,450.28	2.33	367	2.64
More than 60 and less than or equal to 65.....	68,641,013.07	3.52	554	3.99
More than 65 and less than or equal to 70.....	109,854,491.05	5.64	822	5.91
More than 70 and less than or equal to 75.....	229,128,099.31	11.75	1,587	11.42
More than 75 and less than or equal to 80.....	305,433,658.23	15.67	2,237	16.09

Original LTV (%)	Current Balance (£)	(% of total balance)	No of mortgage loan primary accounts	(% of mortgage loan accounts)
More than 80 and less than or equal to 85.....	904,568,318.23	46.40	6,030	43.38
More than 85 and less than or equal to 90.....	199,272,673.64	10.22	1,243	8.94
More than 90 and less than or equal to 95.....	10,098,178.51	0.52	75	0.54
More than 95 and less than or equal to 100.....	1,540,259.10	0.08	28	0.20
More than 100 .....	2,414,428.81	0.12	13	0.09
<b>Total:</b> .....	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>13,901</b>	<b>100.00</b>

In relation to the Mortgage Loans in the Provisional Mortgage Portfolio, the minimum original LTV was 8.06%, the maximum original LTV was 198.92% and the weighted average original LTV was 78.78%.

### 3. Current Loan-to-Value Ratios as at the Portfolio Reference Date

The following table shows the range of LTV ratios, which express the aggregate Current Balance of a Mortgage Loan (including any Further Advances) in the Provisional Mortgage Portfolio as at the Portfolio Reference Date divided by the valuation as at the latest mortgage loan advance. For the avoidance of doubt, there have been no revaluations for the purposes of the issuance of the Notes.

Current LTV (%)	Current Balance (£)	(% of total balance)	No of mortgage loan primary accounts	(% of mortgage loan accounts)
More than 0 and less than or equal to 50 .....	106,533,940.28	5.46	1,783	12.83
More than 50 and less than or equal to 55.....	37,447,264.85	1.92	384	2.76
More than 55 and less than or equal to 60.....	63,576,014.45	3.26	528	3.80
More than 60 and less than or equal to 65.....	80,268,134.91	4.12	673	4.84
More than 65 and less than or equal to 70.....	111,545,399.09	5.72	799	5.75
More than 70 and less than or equal to 75.....	170,592,500.34	8.75	1,130	8.13
More than 75 and less than or equal to 80.....	260,878,258.59	13.38	1,666	11.98
More than 80 and less than or equal to 85.....	365,368,795.24	18.74	2,327	16.74
More than 85 and less than or equal to 90.....	626,185,382.44	32.12	3,924	28.23
More than 90 and less than or equal to 95.....	119,534,914.81	6.13	651	4.68
More than 95 and less than or equal to 100.....	5,240,100.45	0.27	25	0.18
More than 100 .....	2,216,677.66	0.11	11	0.08
<b>Total:</b> .....	<b>1,949,387,383.11</b>	<b>100.0</b>	<b>13,901</b>	<b>100.00</b>

As at the Portfolio Reference Date, in relation to the Mortgage Loans in the Provisional Mortgage Portfolio, the minimum current LTV was 0.35%, the maximum current LTV was 124.67% and the weighted average current LTV (non-indexed) was 77.34%.

### 4. Current Indexed Loan-to-Value as at the Portfolio Reference Date

The following table shows the range of indexed LTV ratios, which are calculated by dividing the aggregate Current Balance of a Mortgage Loan (including any Further Advances) as at the Portfolio Reference Date by the indexed valuation of the Property relating to such Mortgage Loan as at the same date (in relation to indexed valuations see "*The Mortgage Loans – Lending Criteria – Valuations*"). Such indexed valuations are obtained by indexing the valuation as at the latest mortgage loan advance. All indexations are based on the non-seasonally adjusted index from the Halifax House Price Index.

Current Indexed LTV (%)	Current Balance (£)	(% of total balance)	No of mortgage loan primary accounts	(% of mortgage loan accounts)
More than 0 and less than or equal to 50.....	228,038,137.98	11.70	2738	19.70
More than 50 and less than or equal to 55.....	91,046,222.93	4.67	610	4.39
More than 55 and less than or equal to 60.....	170,497,347.04	8.75	1000	7.19

<b>Current Indexed LTV (%)</b>	<b>Current Balance (£)</b>	<b>(% of total balance)</b>	<b>No of mortgage loan primary accounts</b>	<b>(% of mortgage loan accounts)</b>
More than 60 and less than or equal to 65.....	190,989,319.61	9.80	1068	7.68
More than 65 and less than or equal to 70.....	264,929,702.87	13.59	1535	11.04
More than 70 and less than or equal to 75.....	287,396,462.95	14.74	1661	11.95
More than 75 and less than or equal to 80.....	261,700,027.86	13.42	1860	13.38
More than 80 and less than or equal to 85.....	235,943,647.75	12.10	1789	12.87
More than 85 and less than or equal to 90.....	155,001,837.16	7.95	1149	8.27
More than 90 and less than or equal to 95.....	61,531,124.02	3.16	479	3.45
More than 95 and less than or equal to 100.....	2,031,565.60	0.10	11	0.08
More than 100 .....	281,987.34	0.01	1	0.01
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>13,901</b>	<b>100.00</b>

As at the Portfolio Reference Date, in relation to the Mortgage Loans in the Provisional Mortgage Portfolio, the minimum current (indexed) LTV was 0.16%, the maximum current (indexed) LTV was 103.39% and the weighted average current (indexed) LTV was 68.07%.

## 5. Repayment Terms

The following table shows the repayment terms for the Mortgage Loans in the Provisional Mortgage Portfolio as at the Portfolio Reference Date. For a description of the various repayment terms the Seller offers, see "*The Mortgage Loans — Characteristics of the Mortgage Loans — Repayment Terms*". The figures in the following table have been calculated on the basis of the Mortgage Loans in the Provisional Mortgage Portfolio (including Further Advances).

<b>Repayment Type</b>	<b>Current Balance (£)</b>	<b>(% of total balance)</b>	<b>No of mortgage loan accounts</b>	<b>(% of mortgage loan accounts)</b>
Interest Only .....	1,803,090,565.03	92.50	12,749	83.70
Repayment .....	146,296,818.08	7.50	2,483	16.30
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

## 6. Geographical Distribution of Properties

The following table shows the distribution of Properties securing the Mortgage Loans in the Provisional Mortgage Portfolio throughout the United Kingdom as at the Portfolio Reference Date. No such properties are situated outside the United Kingdom. The Seller's lending criteria and current credit scoring tests do not take into account the geographical location of the property securing a Mortgage Loan. The figures in the following table have been calculated on the basis of the Mortgage Loans in the Provisional Mortgage Portfolio (including Further Advances).

<b>Region</b>	<b>Current Balance (£)</b>	<b>(% of total balance)</b>	<b>No of mortgage loan accounts</b>	<b>(% of mortgage loan accounts)</b>
East Anglia .....	68,370,222.74	3.51	583	3.83
East Midlands .....	100,339,253.72	5.15	1,047	6.87
Greater London .....	684,613,334.14	35.12	3,983	26.15
North.....	24,238,013.25	1.24	294	1.93
North West.....	133,046,023.76	6.83	1,539	10.10
South East.....	486,505,664.90	24.96	3,572	23.45
South West.....	213,205,625.87	10.94	1,681	11.04
Wales .....	49,628,699.41	2.55	516	3.39
West Midlands.....	103,450,997.43	5.31	1,054	6.92
Yorkshire & Humberside.....	85,989,547.89	4.41	963	6.32
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

## 7. Interest Rate Type

The following table shows the distribution of Mortgage Loans in the Provisional Mortgage Portfolio as at the Portfolio Reference Date according to Rate Type. The figures in the following table have been calculated on the basis of the Mortgage Loans in the Provisional Mortgage Portfolio (including Further Advances).

Rate Type	Current Balance (£)	(% of total balance)	No of mortgage loan accounts	(% of mortgage loan accounts)
SVR .....	35,589,133.90	1.83	681	4.47
Tracker.....	1,913,798,249.21	98.17	14,551	95.53
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

## 8. Seasoning of Mortgage Loans

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

Months since Origination	Current Balance (£)	(% of total balance)	No of mortgage loan accounts	(% of mortgage loan accounts)
More than 0 and less than or equal to 72.....	1,594,516.02	0.08	21	0.14
More than 72 and less than or equal to 84.....	122,418,151.47	6.28	803	5.27
More than 84 and less than or equal to 96.....	712,254,757.16	36.54	4,652	30.54
More than 96 and less than or equal to 108.....	520,325,381.68	26.69	3,740	24.55
More than 108 and less than or equal to 120.....	346,185,049.29	17.76	2,924	19.20
More than 120 and less than or equal to 132.....	135,153,687.55	6.93	1,280	8.40
More than 132 and less than or equal to 144.....	31,274,729.32	1.60	261	1.71
More than 144 and less than or equal to 156.....	16,374,524.44	0.84	256	1.68
More than 156 and less than or equal to 168.....	20,065,002.72	1.03	365	2.40
More than 168 and less than or equal to 180.....	11,671,349.38	0.60	231	1.52
More than 180 and less than or equal to 192.....	17,404,592.25	0.89	311	2.04
More than 192 and less than or equal to 308.....	14,665,641.83	0.75	388	2.55
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

In relation to the Mortgage Loans in the Provisional Mortgage Portfolio, the minimum seasoning was 1 month, the maximum seasoning was 308.00 months and the weighted average seasoning was 103.89 months.

## 9. Term to Maturity

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

Term to Maturity	Current Balance (£)	(% of total balance)	No of mortgage loan accounts	(% of mortgage loan accounts)
0 or less.....	82,384.64	0.00	3	0.02
More than 0 and less than or equal to 60.....	298,665,457.77	15.32	2,588	16.99
More than 60 and less than or equal to 120.....	548,332,796.03	28.13	4,613	30.28
More than 120 and less than or equal to 180.....	629,377,971.18	32.29	4,718	30.97
More than 180 and less than or equal to 240.....	467,020,544.10	23.96	3,253	21.36
More than 240 and less than or equal to 300.....	5,175,749.12	0.27	49	0.32

<b>Term to Maturity</b>	<b>Current Balance (£)</b>	<b>(% of total balance)</b>	<b>No of mortgage loan accounts</b>	<b>(% of mortgage loan accounts)</b>
More than 300 and less than or equal to 337 .....	732,480.27	0.04	8	0.05
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

In relation to the Mortgage Loans in the Provisional Mortgage Portfolio, the minimum months to maturity was 0 months, the maximum months to maturity was 337.00 months and the weighted average months to maturity was 126.40 months.

#### 10. Mortgage Loan Purpose

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

<b>Loan Purpose</b>	<b>Current Balance (£)</b>	<b>(% of total balance)</b>	<b>No of mortgage loan accounts</b>	<b>(% of mortgage loan accounts)</b>
Equity release.....	53,710,006.08	2.76	1,332	8.74
Purchase.....	876,758,721.06	44.98	7,226	47.44
Remortgage.....	1,018,918,655.97	52.27	6,674	43.82
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

#### 11. Current Interest Rate

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

<b>Interest Rate (%)</b>	<b>Current Balance (£)</b>	<b>(% of total balance)</b>	<b>No of mortgage loan accounts</b>	<b>(% of mortgage loan accounts)</b>
More than 0 and less than or equal to 1.00 .....	53,724,044.10	2.76	489	3.21
More than 1.00 and less than or equal to 1.50 .....	51,248,564.78	2.63	597	3.92
More than 1.50 and less than or equal to 2.00 .....	550,293,676.13	28.23	5,090	33.42
More than 2.00 and less than or equal to 2.50 .....	1,252,912,663.24	64.27	8,341	54.76
More than 2.50 and less than or equal to 3.00 .....	4,961,332.61	0.25	32	0.21
More than 3.00 and less than or equal to 3.50 .....	1,314,701.66	0.07	7	0.05
More than 3.50 and less than or equal to 4.00 .....	32,713,698.09	1.68	635	4.17
More than 4.00 and less than or equal to 4.50 .....	2,112,875.65	0.11	40	0.26
More than 4.50 and less than or equal to 5.00 .....	105,826.85	0.01	1	0.01
<b>Total:.....</b>	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

In relation to Mortgage Loans in the Provisional Mortgage Portfolio, the minimum current interest rate was 0.99%, the maximum current interest rate was 7.25% and the weighted average current interest rate was 2.07%.

#### 12. Current Arrears Status

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

<b>Current Arrears status (months)</b>	<b>Current Balance (£)</b>	<b>(% of total balance)</b>	<b>No of mortgage loan accounts</b>	<b>(% of mortgage loan accounts)</b>
Less than 1 .....	1,943,621,244.39	99.70	15,184	99.68

Current Arrears status (months)	Current Balance (£)	(% of total balance)	No of mortgage loan accounts	(% of mortgage loan accounts)
More than or equal to 1 and less than 3.....	5,147,785.67	0.26	41	0.27
More than or equal to 3 and less than 6.....	389,640.00	0.02	5	0.03
More than or equal to 6.....	228,713.05	0.01	2	0.01
<b>Total:</b> .....	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

In relation to Mortgage Loans in the Provisional Mortgage Portfolio, the minimum months in arrears was 0 months and the maximum months in arrears was 18.09 months.

### 13. Ownership Type

The following tables show information in relation to the Ownership Type in respect of the Mortgage Loans in the Provisional Mortgage Portfolio. The figures in the following table have been calculated on the basis of the Mortgage Loans in the Provisional Mortgage Portfolio.

Ownership Type	Current Balance (£)	(% of total balance)	No of mortgage loan accounts	(% of mortgage loan accounts)
Non owner occupied .....	1,868,414,544.81	95.85	14,370	94.34
Owner occupied .....	80,972,838.30	4.15	862	5.66
<b>Total:</b> .....	<b>1,949,387,383.11</b>	<b>100.00</b>	<b>15,232</b>	<b>100.00</b>

### 14. Delinquency

The following table summarises the arrears experience of all Mortgage Loans in the Provisional Mortgage Portfolio across a 10 year period, being the ratio (expressed as a percentage) of the number of the Mortgage Loans in arrears divided by the total number of outstanding Mortgage Loans in the Provisional Mortgage Portfolio.

Month	Arrears >=1 month (%)	Arrears >=3 months (%)
May 15 .....	0.32%	0.04%
April 15 .....	0.25%	0.03%
March 15 .....	0.20%	0.04%
February 15 .....	0.34%	0.02%
January 15 .....	0.22%	0.01%
December 14 .....	0.00%	0.00%
November 14.....	0.19%	0.03%
October 14.....	0.22%	0.03%
September 14.....	0.19%	0.03%
August 14.....	0.14%	0.04%
July 14.....	0.21%	0.04%
June 14.....	0.22%	0.03%
May 14.....	0.22%	0.04%
April 14.....	0.26%	0.03%
March 14.....	0.24%	0.06%
February 14.....	0.19%	0.04%
January 14.....	0.22%	0.06%
December 13 .....	0.24%	0.07%
November 13.....	0.24%	0.06%
October 13.....	0.24%	0.06%
September 13.....	0.31%	0.06%
August 13.....	0.30%	0.07%
July 13.....	0.31%	0.06%
June 13.....	0.31%	0.06%
May 13.....	0.27%	0.08%



Month	Arrears >=1 month (%)	Arrears >=3 months (%)
April 13 .....	0.27%	0.07%
March 13 .....	0.45%	0.09%
February 13 .....	0.50%	0.09%
January 13 .....	0.40%	0.09%
December 12 .....	0.58%	0.10%
November 12 .....	0.46%	0.12%
October 12 .....	0.47%	0.15%
September 12 .....	0.65%	0.18%
August 12 .....	0.49%	0.18%
July 12 .....	0.53%	0.18%
June 12 .....	0.52%	0.21%
May 12 .....	0.55%	0.23%
April 12 .....	0.53%	0.21%
March 12 .....	0.48%	0.22%
February 12 .....	0.55%	0.22%
January 12 .....	0.57%	0.24%
December 11 .....	0.45%	0.22%
November 11 .....	0.53%	0.19%
October 11 .....	0.51%	0.20%
September 11 .....	0.55%	0.22%
August 11 .....	0.54%	0.23%
July 11 .....	0.53%	0.22%
June 11 .....	0.52%	0.22%
May 11 .....	0.48%	0.21%
April 11 .....	0.57%	0.22%
March 11 .....	0.43%	0.21%
February 11 .....	0.53%	0.19%
January 11 .....	0.58%	0.21%
December 10 .....	0.62%	0.24%
November 10 .....	0.63%	0.27%
October 10 .....	0.58%	0.28%
September 10 .....	0.66%	0.32%
August 10 .....	0.63%	0.30%
July 10 .....	0.55%	0.33%
June 10 .....	0.63%	0.36%
May 10 .....	0.68%	0.35%
April 10 .....	0.68%	0.32%
March 10 .....	0.82%	0.34%
February 10 .....	0.87%	0.39%
January 10 .....	0.98%	0.43%
December 09 .....	0.93%	0.43%
November 09 .....	0.97%	0.45%
October 09 .....	1.04%	0.51%
September 09 .....	0.94%	0.45%
August 09 .....	1.01%	0.46%
July 09 .....	1.02%	0.57%
June 09 .....	1.04%	0.59%
May 09 .....	1.15%	0.73%
April 09 .....	1.30%	0.86%
March 09 .....	1.78%	0.99%
February 09 .....	1.89%	0.87%
January 09 .....	1.61%	0.77%

Month	Arrears >=1 month (%)	Arrears >=3 months (%)
December 08 .....	1.49%	0.56%
November 08 .....	1.33%	0.37%
October 08 .....	1.06%	0.26%
September 08 .....	0.83%	0.17%
August 08 .....	0.65%	0.12%
July 08 .....	0.53%	0.10%
June 08 .....	0.54%	0.12%
May 08 .....	0.52%	0.10%
April 08 .....	0.46%	0.11%
March 08 .....	0.56%	0.09%
February 08 .....	0.48%	0.08%
January 08 .....	0.47%	0.08%
December 07 .....	0.44%	0.08%
November 07 .....	0.46%	0.08%
October 07 .....	0.32%	0.07%
September 07 .....	0.27%	0.05%
August 07 .....	0.31%	0.07%
July 07 .....	0.30%	0.07%
June 07 .....	0.33%	0.10%
May 07 .....	0.36%	0.11%
April 07 .....	0.41%	0.11%
March 07 .....	0.34%	0.10%
February 07 .....	0.27%	0.10%
January 07 .....	0.22%	0.10%
December 06 .....	0.28%	0.08%
November 06 .....	0.27%	0.06%
October 06 .....	0.31%	0.04%
September 06 .....	0.26%	0.05%
August 06 .....	0.29%	0.08%
July 06 .....	0.30%	0.12%
June 06 .....	0.33%	0.14%
May 06 .....	0.30%	0.14%
April 06 .....	0.46%	0.18%
March 06 .....	0.36%	0.13%
February 06 .....	0.39%	0.14%
January 06 .....	0.41%	0.08%
December 05 .....	0.37%	0.09%
November 05 .....	0.25%	0.11%
October 05 .....	0.29%	0.12%
September 05 .....	0.44%	0.10%
August 05 .....	0.38%	0.11%
July 05 .....	0.38%	0.12%
June 05 .....	0.54%	0.09%
May 05 .....	0.59%	0.14%

## CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

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

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

### 1. Arrears and Repossession Rates for UK BTL mortgages

The table below sets out the repossession and arrears rates of residential buy-to-let properties in the United Kingdom since 2007.

Year	Number of BTL Mortgages outstanding (at end of period)	> 3 months arrears rate (excluding ROR) at end of period	> 3 months arrears rate (including ROR) at end of period	Possession Rate (%)
2007 .....	1,025,500	0.73	0.78	0.20
2008 .....	1,168,800	2.31	2.99	0.25
2009 .....	1,246,900	2.01	2.99	0.38
2010 .....	1,309,400	1.67	2.42	0.36
2011 .....	1,387,800	1.37	1.78	0.45
2012 .....	1,449,000	1.14	1.37	0.48
2013 .....	1,528,200	0.92	1.08	0.38
2014 .....	1,630,600	0.64	0.73	0.30

Source: Council of Mortgage Lenders.

### 2. Quarterly House Price Index

Date	UK Retail Price Index		Nationwide House Price Index (SA) *		Halifax House Price Index (SA) *	
	Index	% annual change	Index	% annual change	Index	% annual change
31 March 1996 .....	151.5	2.7%	103.5	0.5%	202.1	0.1%
30 June 1996 .....	153.0	2.1%	105.2	2.8%	206.7	3.7%
30 September 1996 .....	153.8	2.1%	107.1	5.2%	208.8	5.6%
31 December 1996 .....	154.4	2.5%	110.4	8.3%	213.9	7.4%
31 March 1997 .....	155.4	2.6%	112.4	8.6%	216.7	7.2%
30 June 1997 .....	157.5	2.9%	115.9	10.2%	220.2	6.5%
30 September 1997 .....	159.3	3.6%	120.4	12.5%	222.6	6.6%
31 December 1997 .....	160.0	3.6%	123.8	12.2%	225.4	5.4%
31 March 1998 .....	160.8	3.5%	126.6	12.6%	228.4	5.4%
30 June 1998 .....	163.4	3.7%	129.4	11.7%	232.1	5.4%
30 September 1998 .....	164.4	3.2%	131.5	9.2%	234.8	5.5%
31 December 1998 .....	164.4	2.8%	132.9	7.4%	237.2	5.2%
31 March 1999 .....	164.1	2.1%	135.7	7.2%	238.6	4.5%
30 June 1999 .....	165.6	1.3%	138.9	7.3%	245.5	5.8%
30 September 1999 .....	166.2	1.1%	143.2	9.0%	255.5	8.8%
31 December 1999 .....	167.3	1.8%	149.7	12.6%	264.1	11.3%
31 March 2000 .....	168.4	2.6%	156.3	15.2%	273.1	14.5%
30 June 2000 .....	171.1	3.3%	161.1	16.0%	272.8	11.1%
30 September 2000 .....	171.7	3.3%	160.1	11.8%	275.9	8.0%
31 December 2000 .....	172.2	2.9%	163.8	9.4%	278.6	5.5%

Date	UK Retail Price Index		Nationwide House Price Index (SA) *		Halifax House Price Index (SA) *	
	Index	% annual change	Index	% annual change	Index	% annual change
31 March 2001 .....	172.2	2.3%	169.0	8.2%	281.7	3.1%
30 June 2001 .....	174.4	1.9%	173.8	7.9%	293.2	7.5%
30 September 2001 .....	174.6	1.7%	180.1	12.5%	302.4	9.6%
31 December 2001 .....	173.4	0.7%	185.6	13.3%	311.8	11.9%
31 March 2002 .....	174.5	1.3%	192.1	13.7%	327.3	16.2%
30 June 2002 .....	176.2	1.0%	205.1	18.1%	343.7	17.2%
30 September 2002 .....	177.6	1.7%	219.1	21.7%	366.1	21.1%
31 December 2002 .....	178.5	2.9%	232.5	25.3%	392.1	25.8%
31 March 2003 .....	179.9	3.1%	241.9	25.9%	403.8	23.4%
30 June 2003 .....	181.3	2.9%	248.4	21.1%	419.0	21.9%
30 September 2003 .....	182.5	2.8%	256.6	17.1%	434.5	18.7%
31 December 2003 .....	183.5	2.8%	268.5	15.5%	455.3	16.1%
31 March 2004 .....	184.6	2.6%	280.4	15.9%	480.3	18.9%
30 June 2004 .....	186.8	3.0%	294.0	18.4%	508.4	21.3%
30 September 2004 .....	188.1	3.1%	303.8	18.4%	522.0	20.1%
31 December 2004 .....	189.9	3.5%	305.6	13.8%	523.5	15.0%
31 March 2005 .....	190.5	3.2%	308.0	9.8%	526.9	9.7%
30 June 2005 .....	192.2	2.9%	311.8	6.1%	526.8	3.6%
30 September 2005 .....	193.1	2.7%	312.4	2.8%	537.7	3.0%
31 December 2005 .....	194.1	2.2%	315.2	3.2%	550.3	5.1%
31 March 2006 .....	195.0	2.4%	323.0	4.9%	560.4	6.4%
30 June 2006 .....	198.5	3.3%	326.8	4.8%	574.9	9.1%
30 September 2006 .....	200.1	3.6%	334.0	6.9%	581.7	8.2%
31 December 2006 .....	202.7	4.4%	344.3	9.2%	606.0	10.1%
31 March 2007 .....	204.4	4.8%	353.9	9.5%	623.5	11.3%
30 June 2007 .....	207.3	4.4%	360.1	10.2%	639.4	11.2%
30 September 2007 .....	208.0	3.9%	365.1	9.3%	646.5	11.1%
31 December 2007 .....	210.9	4.0%	367.7	6.8%	638.8	5.4%
31 March 2008 .....	212.1	3.8%	361.9	2.3%	630.0	1.0%
30 June 2008 .....	216.8	4.6%	345.7	-4.0%	597.6	-6.5%
30 September 2008 .....	218.4	5.0%	327.5	-10.3%	564.0	-12.8%
31 December 2008 .....	212.9	0.9%	313.4	-14.8%	534.6	-16.3%
31 March 2009 .....	211.3	-0.4%	302.4	-16.4%	517.7	-17.8%
30 June 2009 .....	213.4	-1.6%	305.0	-11.8%	510.6	-14.6%
30 September 2009 .....	215.3	-1.4%	317.3	-3.1%	523.6	-7.2%
31 December 2009 .....	218.0	2.4%	324.0	3.4%	540.4	1.1%
31 March 2010 .....	220.7	4.4%	329.3	8.9%	543.6	5.0%
30 June 2010 .....	224.1	5.0%	333.8	9.4%	543.6	6.5%
30 September 2010 .....	225.3	4.6%	331.5	4.5%	537.2	2.6%
31 December 2010 .....	228.4	4.8%	325.8	0.6%	531.7	-1.6%
31 March 2011 .....	232.5	5.3%	328.3	-0.3%	527.3	-3.0%
30 June 2011 .....	235.2	5.0%	329.8	-1.2%	524.5	-3.5%
30 September 2011 .....	237.9	5.6%	330.0	-0.4%	525.2	-2.2%
31 December 2011 .....	239.4	4.8%	329.6	1.2%	524.0	-1.5%
31 March 2012 .....	240.8	3.6%	328.9	0.2%	523.2	-0.8%
30 June 2012 .....	241.8	2.8%	326.1	-1.1%	520.8	-0.7%
30 September 2012 .....	244.2	2.6%	324.8	-1.6%	519.1	-1.2%
31 December 2012 .....	246.8	3.1%	326.0	-1.1%	522.9	-0.2%
31 March 2013 .....	248.7	3.3%	329.4	0.1%	529.0	1.1%

Date	UK Retail Price Index		Nationwide House Price Index (SA) *		Halifax House Price Index (SA) *	
	Index	% annual change	Index	% annual change	Index	% annual change
30 June 2013 .....	249.7	3.3%	330.8	1.4%	540.5	3.8%
30 September 2013 .....	251.9	3.2%	338.8	4.3%	551.0	6.1%
31 December 2013 .....	253.4	2.7%	349.0	7.1%	562.7	7.6%
31 March 2014 .....	254.8	2.5%	359.6	9.2%	575.2	8.7%
30 June 2014 .....	256.3	2.6%	369.1	11.6%	588.5	8.9%
30 September 2014 .....	257.6	2.3%	374.3	10.5%	604.3	9.7%
31 December 2014 .....	257.5	1.6%	378.1	8.3%	606.2	7.7%
31 March 2015 .....	257.1	0.9%	380.6	5.8%	621.9	8.1%
30 June 2015 .....	NA	NA	384.4	4.2%	NA	NA

Source: Office for National Statistics, Nationwide Building Society and Lloyds Banking Group plc. \*Seasonally Adjusted.

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

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

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society. All information contained in this Prospectus in respect of the Halifax House Price Index has been reproduced from information published by Lloyds Banking Group plc. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and Lloyds Banking Group plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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## THE SERVICER AND THE SERVICING AGREEMENT

### Introduction

The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Trustee, the Seller and the Servicer.

On the Closing Date, CHL (in such capacity, the "**Servicer**") will be appointed by the Issuer under the Servicing Agreement as its agent to administer the Mortgage Loans and their Related Security. The Servicer will undertake to comply with any proper directions and instructions that the Issuer and (following the delivery of an Enforcement Notice) the Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement. The Servicer will be required to administer the Mortgage Loans and their Related Security in the following manner:

- (a) in accordance with the Servicing Agreement; and
- (b) as if the Mortgage Loans had not been sold to the Issuer but remained with the Seller and in accordance with the Seller's procedures and administration and enforcement policies as they apply to the Mortgage Loans from time to time.

The Servicer's actions in servicing of the Mortgage Loans in accordance with its procedures and the Servicing Agreement will be binding on the Issuer. The Servicer will also be appointed by the Seller under the Servicing Agreement to be its agent to administer the Mortgage Loans and their Related Security in the making of any Flexible Drawings and/or Product Switches. For instance, the Servicer shall, on behalf of the Seller make offers to Borrowers and accept applications from Borrowers.

The Servicer may, in some circumstances, delegate or subcontract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer will remain liable at all times for the servicing of the Mortgage Loans and for the acts or omissions of any delegate or subcontractor.

### Powers

Subject to the guidelines for servicing set forth above, each Servicer will have the power, *inter alia*:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Mortgage Loans and their Related Security and to perform its duties in relation to the Mortgage 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 Mortgage Loans and their Related Security or the exercise of such rights, powers and discretions.

### Undertakings by the Servicer

The Servicer will undertake, in relation to the Mortgage Loans and their Related Security, among other things, that it will:

- (a) service the relevant Mortgage Loans and their Related Security as if the same had not been sold to the Issuer but had remained on the books of the Seller and in accordance with the Seller's procedures and servicing and enforcement policies as they apply to the Mortgage Loans from time to time;
- (b) provide the services to be undertaken by it under the Servicing Agreement in such manner and with the same level of skill, care and diligence as would a Prudent Mortgage Lender;
- (c) comply with any reasonable and proper directions, orders and instructions which the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) maintain all approvals, authorisations, permissions, consents and licenses required for itself in connection with the performance of its duties under the Servicing Agreement, and prepare and submit on a timely basis all necessary applications and requests for any further approvals,

authorisations, permissions, consents and licenses required for itself in connection with the performance of its duties under the Servicing Agreement;

- (e) save as otherwise agreed with the Issuer, provide free of charge to the Issuer and the Seller, office space, facilities, equipment and staff sufficient to fulfil the obligations of the Issuer and the Seller under the Servicing Agreement;
- (f) not knowingly fail to comply with any legal requirements in the performance of its duties under the Servicing Agreement;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;
- (h) transfer an amount equal to the Daily Mortgage Loan Amount from the Collection Account into the Transaction Account no later than the next Business Day after that Daily Mortgage Loan Amount is identified as received in the Collection Account;
- (i) not without the prior written consent of the Trustee amend or terminate any of the Transaction Documents except in accordance with their terms; and
- (j) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Mortgage Loan pursuant to the Mortgage Sale Agreement, notify the Issuer and the Seller in writing of such event.

The registered office of the Servicer is located at Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA.

### **Servicing Procedures**

This section describes the Servicer's servicing procedures based on the current CHL mortgage servicing policies. The Servicer is required to administer the Mortgage Loans and their Related Security in the Mortgage Portfolio in accordance with its policies applicable from time to time, but subject to the terms of the Servicing Agreement. The duties of the Servicer include:

- (a) setting the interest rates on the Standard Variable Rate Mortgage Loans and the Tracker Mortgage Loans from time to time;
- (b) collecting payments on the Mortgage Loans and discharging Mortgage Loans and Related Security upon redemption;
- (c) monitoring and, where appropriate, pursuing arrears and enforcing the Related Security;
- (d) taking all reasonable steps to ensure safe custody of all title deeds and documents in respect of the Mortgage Loans and their Related Security which are in its possession;
- (e) managing the Issuer's interests in the Insurance Policies and other Related Security related to the Mortgage Loans;
- (f) processing transfers of titles, notices of death, forfeitures and irritancies of leases, sale and exchange of land, account conversions, term amendments, deed amendments, compensation and enforcement notices;
- (g) dealing with all types of transactions, posting and refunding fees, setting up direct debits, payment date changes and payment holidays;
- (h) dealing with all customer correspondence on other aspects of Mortgage Loans once the Mortgage Loan is drawn down, including changes in customer details and changes on the customer mortgage, including changes of product and repayment terms; and

- (i) dealing with Flexible Drawings and Product Switches (see "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement – Further Advances*", "*– Flexible Drawings*" and "*– Product Switches*" above).

The Servicer will be entitled to delegate its functions under the Servicing Agreement subject to certain conditions. The Servicer remains liable to the Issuer for the performance of those functions notwithstanding such delegation.

#### **Right of Delegation by a Servicer**

The Servicer may subcontract or delegate the performance of its duties under the Servicing Agreement, **provided that** it meets particular conditions, including that:

- (a) written notification has been given to each of the Issuer, the Trustee and the Rating Agencies;
- (b) where the arrangements involve the custody or control of any customer files and/or title information documents, the subcontractor or delegate has executed a written acknowledgement that those customer files and/or title information documents are and will be held to the order of the Issuer and the Trustee;
- (c) where the arrangements involve or may involve the receipt by the subcontractor or delegate of moneys belonging to the Issuer which are to be paid into the Transaction Account, the subcontractor or delegate holds any such moneys on trust for the Issuer which will be paid forthwith into the Transaction Account in accordance with the terms of the Servicing Agreement;
- (d) the subcontractor or delegate has executed a written waiver of any security interest arising in connection with the delegated services;
- (e) the Issuer and the Trustee have no liability for any costs, charges or expenses in relation to the proposed subcontracting or delegation other than in respect of the Issuer any liability which the Issuer would have to the Servicer if such delegation had not occurred; and
- (f) the subcontractor or delegate has confirmed that it has and will maintain all approvals required for itself in connection with the fulfilment of its obligations under the agreement with the Servicer.

The provisos set out in paragraphs (a), (b), (c) and (d) above will not be required in respect of any delegation to (i) CHL, (ii) a wholly-owned subsidiary of CHL from time to time, (iii) persons such as valuers, surveyors, estate agents, property management agents, receivers, lawyers or other relevant professionals or (iv) any entity that provides a mortgage bureau service for the Servicer.

#### **Fees**

The Servicer will receive a servicing fee (the "**Servicing Fee**") for servicing the Mortgage Loans. The Issuer will pay the Servicer its Servicing Fee which shall be 0.15 per cent. per annum of the aggregate Current Balance of the Mortgage Loans at the start of the first of the three Collection Periods preceding the relevant Interest Payment Date (inclusive of any applicable VAT). The Servicing Fee is payable quarterly in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the applicable Priority of Payments. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Final Maturity Date or on any earlier date on which an Enforcement Notice is served by the Trustee on the Issuer.

#### **Collections**

All payments or Revenue Receipts and Principal Receipts paid by the Borrowers under the Mortgage Loans will be paid into the non-interest bearing collection account (the "**Collection Account**") held by the Seller at the Collection Account Bank. All amounts credited to the Collection Account from (and including) the Closing Date will relate to the Mortgage Loans and will be identified on a daily basis (each such aggregate daily amount, a "**Daily Mortgage Loan Amount**") and the Servicer will transfer an amount equal to the Daily Mortgage Loan Amount from the Collection Account into the Transaction Account no later than the next Business Day after that Daily Mortgage Loan Amount is identified as received in the Collection Account.



The Seller will declare a trust over its Collection Account (the "**Collection Account Declaration of Trust**") in favour of the Issuer and itself absolutely as beneficiaries. The Issuer's trust property (the "**Issuer Trust Property**") on any date shall be in an amount equal to the aggregate of the Daily Mortgage Loan Amounts paid into the Collection Account from (and including) the Portfolio Reference Date to (and including) such date less an amount equal to the payments made by the Seller into the Transaction Account from (and including) the Closing Date to (and including) such date. The Seller's trust property (the "**Seller Trust Property**") on any date shall be that which remains (if anything) after deduction of the Issuer Trust Property.

Borrowers are required to make payments by direct debit or cheque unless otherwise agreed. However, direct debits may be returned unpaid after the due date for payment and, under the Direct Debit Indemnity Scheme, a Borrower may make a claim at any time to his or her bank for a refund of direct debit payments. Similarly, cheques may be returned unpaid by the Borrower's bank.

The Collection Account Bank shall be entitled at any time to deduct from amounts standing to the credit of the Collection Account any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums relating to amounts received in respect of the Mortgage Loans from Borrowers or to pay certain other amounts due or owing to the Collection Account Bank.

The Servicer will be permitted to reclaim from the Transaction Account the corresponding amounts previously credited. If a direct debit is returned unpaid in these circumstances, the usual arrears procedures described in "*The Servicer–Arrears and default procedures*" will be taken.

Certain fees and expenses of the Collection Account Bank will be paid by the Issuer, subject to and in accordance with the Priority of Payments.

#### **Replacement of the Collection Account Bank**

If at any time the Collection Account Bank ceases to have the Collection Account Bank Rating, the Servicer shall on behalf of, and at the sole cost and expense of, the Issuer, instruct CHL to:

- (a) terminate the appointment of the Collection Account Bank in accordance with the Collection Account Agreement and use commercially reasonable efforts to procure that the funds standing to the credit of the Collection Account are promptly transferred from the Collection Account and placed on deposit on terms the same or substantially the same (*mutatis mutandis*) as the Collection Account Agreement with an institution:
  - (i) that maintains ratings at least equal to the Collection Account Bank Ratings;
  - (ii) that is a bank for the purposes of section 991 of the Income Tax Act 2007 and payments of interest are made in the ordinary course of its business within the meaning of section 878 of the Income Tax Act 2007; and
  - (iii) that is an institution authorised to carry on banking business including accepting deposits under the FSMA; or
- (b) obtain a guarantee of the Collection Account Bank's obligations under the Collection Account Agreement from a bank with ratings at least equal to the Collection Account Bank Ratings,

in each case, within 30 days of the date on which the Collection Account Bank ceases to have the Collection Account Bank Ratings.

#### **Arrears and Default Procedures**

CHL has established procedures for managing Mortgage Loans which are in arrears or where there is an early indication of potential financial distress. These procedures and the attendant policies are reviewed and updated from time to time.

Early contact in order to determine the customer's problem and find a suitable and sustainable solution is the mainstay of the above policy and resultant procedures. Only customers who will not work with CHL are classed as non-cooperating.

The "**Arrears Policy**" sets out, amongst other things, the forbearance measures available for customers who are in arrears or pre-arrears financial distress. The forbearance measures are used as solutions in line with the customers' current circumstances and demonstrated ability to repay thereby effecting a 'full cure' at the end of a period to be assessed and agreed with the customer. Such agreement must be for the shortest time over which the customer can repay in order to minimise the interest impact.

The forbearance measures include concessions (where it can be shown that, at the end of the period the accrued payment shortfall can be repaid), hold arrears (where arrears have already accrued but currently the customer has demonstrated that they have no surplus income), and 'Arrangement to Pay' (where the customer has accrued arrears but has now demonstrated that they have sufficient surplus income to repay sustainably over an agreed period). Capitalisation is only considered in line with current policies, where the customer has made every effort to repay arrears and CHL can demonstrate that by so doing this is in the best interests of the customer (continued interest impact). Where a customer has a repayment mortgage CHL may offer a short term (6 – 12 months maximum) on interest only, again where the customer can demonstrate that their problem is short term and they will be in a position to pay after the solution period.

Every solution must be fully assessed and supported by relevant documentation or, where this is not available by full justification.

### **Termination**

The Issuer (prior to delivery of an Enforcement Notice) with the written consent of the Trustee, or the Trustee itself (following delivery of an Enforcement Notice), (in the case of (a), (b), (d) or (e) below) shall deliver written notice to the Servicer on becoming aware of the relevant Servicer Termination Event to terminate the Servicer's appointment with effect from the date of receipt of such notice (and in the case of (c) such notice shall be deemed to have been given to terminate the Servicer's appointment as Servicer with immediate effect) if any of the following events (each a "**Servicer Termination Event**") occurs:

- (a) the Servicer defaults in the payment of any amount due under the Servicing Agreement or any other Transaction Documents to which it is party and fails to remedy that default for a period of 15 Business Days after the earlier of becoming aware of the default and receipt of written notice from the Issuer or the Trustee (following delivery of an Enforcement Notice) requiring the default to be remedied;
- (b) the Servicer fails to comply with any of its other covenants or obligations under the Servicing Agreement or any other Transaction Document to which it is party which in the opinion of the Trustee is materially prejudicial to the interests of the holders of the Most Senior Class of Notes and does not remedy that failure within 15 Business Days after the earlier of becoming aware of the failure and receipt of written notice from the Issuer or the Trustee (following delivery of an Enforcement Notice) requiring the failure to be remedied;
- (c) the Servicer fails to maintain required licences and authorisations;
- (d) an Insolvency Event occurs in relation to the Servicer; or
- (e) a Change of Control in relation to the Servicer.

"**Change of Control**" means the Servicer ceasing to be a direct or indirect subsidiary of Cerberus Capital Management, L.P.;

Subject to the fulfilment of a number of conditions (including the appointment of a replacement servicer (who may be the Back-Up Servicer)), the Servicer may voluntarily resign by giving not less than 12 months' notice to the Issuer and the Trustee. The substitute servicer is required to have experience of servicing mortgages in England and Wales and to enter into a servicing agreement with the Issuer and the Trustee substantially on the same terms as the relevant provisions of the Servicing Agreement.

If the appointment of the Servicer is terminated, the Servicer must deliver the title information documents and customer files relating to the Mortgage Loans and Related Security to, or at the direction of, the Issuer.

Where the Back-Up Servicer or a substitute servicer is appointed following the occurrence of a Servicer Termination Event, or the voluntary resignation by the Servicer, the Issuer's costs and expenses associated with the transfer of servicing to the substitute servicer (the "**Transfer Costs**") will be paid by the Servicer. Where the Servicer fails to pay such Transfer Costs, the Issuer shall pay such Transfer Costs in accordance with the Pre-Enforcement Revenue Priority of Payments.

### **Liability of the Servicer**

The Servicer has agreed to indemnify each of the Issuer and the Trustee against all direct and reasonably foreseeable losses, liabilities, claims, expenses or damages incurred as a result of negligence, fraud or wilful default by the Servicer in carrying out its functions as servicer under the Servicing Agreement or any other Transaction Document to which it is party or as a result of a breach by the Servicer of the terms of the Servicing Agreement or the other Transaction Documents to which it is party (in such capacity).

### **Back-Up Servicer**

On or about the Closing Date, the Issuer will appoint the Back-Up Servicer to perform back-up servicer services pursuant to the Back-Up Servicing Agreement entered into between the Issuer, the Servicer, the Seller, the Trustee and the Back-Up Servicer dated on or about the Closing Date (the "**Back-Up Servicing Agreement**").

The Back-Up Servicer will, on such basis as it deems reasonably necessary to perform its obligations, but in any event not less than once per calendar year undertake a review of the Servicer's computer hardware, software, processes and facilities employed in the performance of its obligations as Servicer under the Servicing Agreement.

Upon the termination of the appointment of the Servicer under the Servicing Agreement, the Back-Up Servicer will, upon sixty days of receiving notice of the same, replace the Servicer under the terms of the Replacement Servicing Agreement.

Under the Servicing Agreement in the event that the appointment of the Back-Up Servicer under the Back-Up Servicing Agreement is terminated, the Back-Up Servicer Facilitator shall use best efforts to appoint a suitable back-up servicer in accordance with the terms of the Servicing Agreement or the Back-Up Servicing Agreement, as applicable.

The aggregate liability of the Back-Up Servicer in connection with the performance of its obligations under the Transaction Documents is limited to £2.5 million following its invocation as replacement Servicer other than in the case of the fraud, wilful default or gross negligence of the Back-Up Servicer.

### **Governing law**

The Servicing Agreement and the Back-Up Servicing Agreement and any non-contractual obligations arising out of or in connection with the Servicing Agreement and Back-Up Servicing Agreement are governed by English law.

## **THE BACK-UP SERVICER**

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 £35 billion of mortgage assets for 26 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 a residential primary servicer rating of S&P's Primary Servicer rating of Above Average with a Stable Outlook and 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 COLLECTION ACCOUNT BANK

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

Barclays Bank PLC (together with its subsidiary undertakings (the "**Bank Group**")) is engaged in personal banking, credit cards, corporate and investment banking, wealth and investment management services. The Bank Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Businesses and assets which no longer fit the Bank Group's strategic objectives, are not expected to meet certain returns criteria and/or offer limited growth opportunities to Barclays PLC (together with its subsidiary undertakings (the "**Group**")), have been reorganised into Barclays Non-Core. These assets are designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-2 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A- by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Bank Group's audited financial information for the year ended 31 December 2014<sup>5</sup>, the Bank Group had total assets of £1,358,693m (2013: £1,344,201m), total net loans and advances<sup>6</sup> of £470,424m (2013: £474,059m), total deposits<sup>7</sup> of £486,258m (2013: £487,647m), and total shareholders' equity of £66,045m (2013: £63,220m) (including non-controlling interests of £2,251m (2013: £2,211m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2014 was £2,309m (2013: £2,885m) after credit impairment charges and other provisions of £2,168m (2013: £3,071m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2014.

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<sup>5</sup> As noted in the financial statements of the Bank for the year ended 31 December 2014, the prior year (2013) has been restated to reflect the IAS 32 (revised) standard.

<sup>6</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>7</sup> Total deposits include deposits from bank and customer accounts.

#### **THE ISSUER ACCOUNT BANK AND THE BACK-UP CASH MANAGER**

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.

## KEY STRUCTURAL FEATURES

### CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT

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

- Available Revenue Receipts are expected to exceed interest due and payable on the Notes and Senior Expenses of the Issuer (including retaining the Issuer Profit Amount).
- Any Revenue Shortfall on any Interest Payment Date may be funded by applying amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund, and any Remaining Revenue Shortfall on any Interest Payment Date may be funded by applying Principal Receipts, in each case subject to certain conditions as more fully described below.
- Payments of interest and principal on the Classes of Notes are made in Sequential Order and interest payments on the Notes other than the Most Senior Class of Notes may be deferred where the Issuer has insufficient proceeds to make payment in full of all amounts of interest.
- Losses are allocable to the Classes of Notes in reverse Sequential Order in the Principal Deficiency Ledger, first, to the Class Z Principal Deficiency Sub-Ledger until the balance of the Class Z Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class Z Notes then outstanding, second, on the Class F Principal Deficiency Sub-Ledger until the balance of the Class F Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class F Notes then outstanding, third, to the Class E Principal Deficiency Sub-Ledger until the balance of the Class E Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class E Notes then outstanding, fourth, to the Class D Principal Deficiency Sub-Ledger until the balance of the Class D Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class D Notes then outstanding, fifth, to the Class C Principal Deficiency Sub-Ledger until the balance of the Class C Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, sixth, to the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding and seventh, to the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.
- The Transaction Account earns interest at a specified rate (subject to a minimum rate of zero) and amounts credited to the Transaction Account may be invested by the Cash Manager, on behalf of the Issuer, in Authorised Investments in accordance with the provisions of the Cash Management Agreement.
- The Issuer Account Bank provides an agreed rate of interest with respect to the GIC Account and amounts standing to the credit of the GIC Account may be invested by the Cash Manager, on behalf of the Issuer, in Authorised Investments in accordance with the provisions of the Cash Management Agreement.
- The Subordinated Notes are issued to CHL (in its capacity as the "**Subordinated Notes Subscriber**") by the Issuer to (i) fund the Liquidity Reserve Fund on the Closing Date, and (ii) to meet the costs in connection with the issuance of the Notes.

For the purposes of this paragraph and where used elsewhere in this Prospectus:

**"Reconciled Revenue Amount"** means an amount equal to the Revenue Receipts collected in respect of the Mortgage Loans forming part of the Mortgage Portfolio during the period from the Cut-off Date until the Closing Date, as determined by the Cash Manager on the Reconciliation Date.

**"Reconciled Principal Amount"** means an amount equal to the Principal Receipts collected in respect of the Mortgage Loans forming part of the Mortgage Portfolio during the period from the Cut-off Date until the Closing Date, as determined by the Cash Manager on the Reconciliation Date.

**"Senior Expenses"** means any senior expenses of the Issuer which rank in priority to the Class A Notes in the relevant Priority of Payments.

**"Sequential Order"** means:

- (a) in respect of payments of interest to be made in respect of the Notes, *first*, to the Class A Notes, *second*, to the Class B Notes, *third*, to the Class C Notes, *fourth*, to the Class D Notes, *fifth*, to the Class E Notes, *sixth*, to the Class F Notes, *seventh*, to the Class Z1 Notes, *eighth* to the Class Z2 Notes and, *ninth*, to the Subordinated Notes.
- (b) in respect of repayments of principal to be made in respect of the Notes, *first*, to the Class A Notes, *second*, to the Class B Notes, *third*, to the Class C Notes, *fourth*, to the Class D Notes, *fifth*, to the Class E Notes, *sixth*, to the Class F Notes, *seventh*, to the Class Z1 Notes, *eighth*, to the Class Z2 Notes and, *ninth*, to the Subordinated Notes.

Each of these factors is considered in more detail below.

#### ***Credit Support for the Notes provided by Available Revenue Receipts***

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Mortgage Loans will, assuming that all of the Mortgage Loans are fully performing, be sufficient so that the Available Revenue Receipts will be available to pay the amounts payable under items (a) to (v) of the Pre-Enforcement Revenue Priority of Payments. The actual amounts of any Residual Payment Amounts payable to the Certificateholders are not fixed and will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Mortgage Loans in the Mortgage Portfolio and the performance of the Mortgage Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency Ledger entries (which may arise from, *inter alia*, (i) Losses on the Mortgage Portfolio or (ii) the application of Principal Receipts to cover previous Remaining Revenue Shortfalls.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met in priority to item (g) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish and increase the Liquidity Reserve Fund up to an amount equal to the Liquidity Reserve Fund Required Amount as at such Interest Payment Date.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met in priority to item (q) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to credit the General Reserve Fund in an amount equal to the General Reserve Fund Amount.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date from and including the Step-Up Date or the Final Maturity Date exceeds the aggregate of the payments required to be met under items (a) to (r) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to be applied as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

#### ***Liquidity Reserve Fund and Liquidity Reserve Ledger***

On the Closing Date, a fund will be established called the Liquidity Reserve Fund. The Liquidity Reserve Fund will be funded on the Closing Date through the proceeds of the issuance of the Subordinated Notes, in the sum of £15,750,660 (being an amount equal to 3.0 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date (the **"Initial Reserve Fund Required Amount"**)).



The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Liquidity Reserve Fund (the "**Liquidity Reserve Ledger**"). The Liquidity Reserve Fund will be initially credited to the GIC Account and a corresponding credit entry will be made to the Liquidity Reserve Ledger.

After the Closing Date, the Liquidity Reserve Fund will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments up to the Liquidity Reserve Fund Required Amount, and to that effect, transfers of the relevant amounts will be made from the Transaction Account (where and as required) with the corresponding entry made to the Liquidity Reserve Ledger.

**"Liquidity Reserve Fund Required Amount"** means, with respect to any Interest Payment Date, an amount equal to:

- (a) prior to the redemption in full of the Rated Notes, the lesser of:
  - (i) the Initial Reserve Fund Required Amount; and
  - (ii) 3.0 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and Class Z Notes as at the Calculation Date immediately preceding such Interest Payment Date;

and

- (b) following the redemption in full of the Rated Notes, zero.

The Liquidity Reserve Fund Excess (if any) on any Interest Payment Date will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

**"Liquidity Reserve Fund Excess"** means, on any Interest Payment Date, the amount by which the funds standing to the credit of the Liquidity Reserve Fund (after deducting any amounts to be applied to eliminate any Revenue Shortfall on such Interest Payment Date) exceed the Liquidity Reserve Fund Required Amount.

The Liquidity Reserve Fund is available exclusively to cover shortfalls in amounts available to pay the Senior Expenses and the payments of interest due on the Class A Notes and the Class B Notes. The Liquidity Reserve Fund will be available to cover shortfalls in payments of interest on the Class C, Class D, Class E and Class F Notes only once the Class A Notes and the Class B Notes have been redeemed in full.

#### ***General Reserve Fund and General Reserve Ledger***

On the Closing Date, a fund will be established in the GIC Account called the General Reserve Fund. The General Reserve Fund will not be funded on the Closing Date but, on each Interest Payment Date following the Closing Date, will be funded in an amount up to the General Reserve Fund Amount using Available Revenue Receipts.

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund (the "**General Reserve Ledger**"). The Cash Manager will make corresponding credits to the General Reserve Ledger and, in the case of the replenishment of the General Reserve Fund out of the Available Revenue Receipts, transfers of the relevant amounts from the Transaction Account.

The Issuer (or the Cash Manager on its behalf) may invest the amounts standing to the credit of the GIC Account in Authorised Investments. See "*Key Structural Features*" above.

**"General Reserve Fund Amount"** means, on any date, an amount equal to the Reserve Fund Required Amount less the Liquidity Reserve Fund Required Amount.

The General Reserve Fund is available to cover shortfalls in amounts available to pay the Senior Expenses, the payments of Interest on the Rated Notes and to cure debit entries on the Principal Deficiency Sub-Ledgers (other than the Class Z Principal Deficiency Sub-Ledger).

Following redemption in full of the Rated Notes, the Issuer will not be required to maintain the Liquidity Reserve Fund or the General Reserve Fund and the Reserve Fund Required Amount will be zero, at which point, amounts standing to the credit of the Liquidity Reserve Fund and the General Reserve Fund will form part of Available Revenue Receipts and be applied as Available Principal Receipts pursuant to item (s) of the Pre-Enforcement Revenue Priority of Payments to repay, *first*, the Class Z1 Notes, *second*, the Class Z2 Notes and, *third*, the Subordinated Notes.

**"Reserve Fund Required Amount"** means, (i) prior to the redemption in full of the Rated Notes, the Initial Reserve Fund Required Amount, and (ii) following the redemption in full of the Rated Notes, zero.

***Liquidity support provided by use of Liquidity Reserve Fund, General Reserve Fund and Principal Receipts to fund Revenue Shortfall and Remaining Revenue Shortfall***

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts (other than items (e) and (f) of Available Revenue Receipts) are sufficient to pay or provide for payment of items (a) to (p) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose (with any such shortfall being a **"Revenue Shortfall"**), the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Revenue Shortfall by applying amounts standing to the credit of:

- (1) first, the General Reserve Fund; and
- (2) second, the Liquidity Reserve Fund, provided that (i) prior to the redemption in full of the Class A Notes and the Class B Notes, the Liquidity Reserve Fund can only be applied to make up any shortfall in the amounts available to pay the Senior Expenses and interest in respect of the Class A Notes and the Class B Notes pursuant to items (a) to (d) and (f) of the Pre-Enforcement Revenue Priority of Payments; and (ii) following the redemption in full of the Class A Notes and the Class B Notes, the Liquidity Reserve Fund can be applied to make up any shortfall in the amounts available to pay interest on the Class C Notes, Class D Notes, Class E Notes and Class F Notes.

If following application of Available Revenue Receipts and amounts standing to the credit of the Liquidity Reserve Fund and the General Reserve Fund, the Cash Manager determines that there would be a Remaining Revenue Shortfall, the Cash Manager will on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Revenue Shortfall by applying Principal Receipts (if any) as described in " – Use of Available Principal Receipts to fund a Remaining Revenue Shortfall" below.

**"Remaining Revenue Shortfall"** means for each Calculation Date, the extent, if any, of any remaining shortfall in amounts available to pay or provide for payment of items (a) to (o) inclusive, of the Pre-Enforcement Revenue Priority of Payments after application by the Cash Manager (on behalf of the Issuer) of (i) Available Revenue Receipts (other than items (e) and (f) of Available Revenue Receipts), (ii) amounts standing to the credit of the General Reserve Fund and (iii) amounts standing to the credit of the Liquidity Reserve Fund, to make up a Revenue Shortfall.

***Use of Available Principal Receipts to fund a Remaining Revenue Shortfall***

If, following application of Available Revenue Receipts and amounts standing to the credit of the Liquidity Reserve Fund and the General Reserve Fund as described above, the Cash Manager determines that there would be a Remaining Revenue Shortfall, the Cash Manager will on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Revenue Shortfall by applying Principal Receipts (if any) on the following Interest Payment Date towards the payment (in order of priority) of any Senior Expenses and interest payments due on the Rated Notes, provided that with respect to payments of interest on the Class or Classes of Notes other than the Most Senior Class outstanding on the relevant Interest Payment Date, Principal Receipts shall only be applied in respect of such Class or Classes if the losses recorded on a Principal Deficiency Sub-Ledger relating to such Class or Classes of Notes do not exceed 50 per cent. of the Principal Amount Outstanding of such Class or Classes of Notes on the immediately preceding Calculation Date.

Principal Receipts so applied will not be available to be applied to eliminate any debit on the Principal Deficiency Sub-Ledgers relating to any of the Classes of Notes.

The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount of any Available Principal Receipts applied to fund a payment of a Remaining Revenue Shortfall arising on that Interest Payment Date.

For more information about the application of Available Principal Receipts to fund payments of Senior Expenses and interest on the Rated Notes see the section entitled "*Cashflows and Cash Management*".

***Payment of the Notes in Sequential Order and deferral of payments on the Notes***

Payments of interest on the Classes of Notes (and in the case of the Class Z Notes, on the Class Z1 Notes and the Class Z2 Notes) will be paid in Sequential Order in accordance with the relevant Priority of Payments.

Any shortfall in payments of interest on the Notes other than the Most Senior Class of Notes will be deferred until the next Interest Payment Date and this will not constitute an Event of Default. On the next Interest Payment Date, the amount of interest scheduled to be paid on the Notes other than the Most Senior Class of Notes will be increased to take account of any deferral of such amounts for the particular Class of Notes (if any). The deferral process will continue until the Final Maturity Date of the Notes, at which point, all such deferred amounts (including interest thereon) will become due and payable. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes, then the relevant Noteholders may not receive all interest amounts.

It is not intended that any surplus will be accumulated in the Issuer, other than, for the avoidance of doubt, the Issuer Profit Amount and amounts representing the Liquidity Reserve Fund and the General Reserve Fund.

***The Principal Deficiency Ledger***

On each Calculation Date, the Cash Manager will determine the following (based on information provided by the Servicer with respect to the Mortgage Portfolio):

- (i) any Losses on the Mortgage Loans in the Mortgage Portfolio; and
- (ii) any Principal Receipts applied to meet any Remaining Revenue Shortfall.

"Losses" means the aggregate of:

- (a) all realised losses on the Mortgage Loans which are not recovered from the proceeds following the sale of the Property to which such Mortgage Loan relates; and
- (b) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Mortgage Loan.

A Principal Deficiency Ledger, comprising seven sub-ledgers (one relating to each Class of Notes other than the Subordinated Notes), will be established on the Closing Date. The Principal Deficiency Ledger will record as debit items any deemed principal losses in respect of the Mortgage Portfolio, including the following:

- (i) any Losses on the Mortgage Loans in the Mortgage Portfolio; and
- (ii) the application of any Principal Receipts to meet any Remaining Revenue Shortfall.

Losses or debits recorded on each respective Class of Notes (other than the Subordinated Notes) shall be recorded in respect of such Class of Notes on the relevant Sub-Ledger of the Principal Deficiency Ledger applicable to such Class of Notes, so that:

- (i) any losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes;
- (ii) any losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B Notes;

- (iii) any losses or debits recorded on the Class C Principal Deficiency Sub-Ledger shall be recorded in respect of the Class C Notes;
- (iv) any losses or debits recorded on the Class D Principal Deficiency Sub-Ledger shall be recorded in respect of the Class D Notes;
- (v) any losses or debits recorded on the Class E Principal Deficiency Sub-Ledger shall be recorded in respect of the Class E Notes;
- (vi) any losses or debits recorded on the Class F Principal Deficiency Sub-Ledger shall be recorded in respect of the Class F Notes; and
- (vii) any losses or debits recorded on the Class Z Principal Deficiency Sub-Ledger shall be recorded in respect of the Class Z Notes.

Losses and the amount of any Principal Receipts applied to fund a Remaining Revenue Shortfall will be recorded as a debit to the Principal Deficiency Ledger as follows:

- (a) *first*, to the Class Z Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class Z Notes;
- (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 the Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments as follows:

- (a) *first*, to the Class A Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (b) *second*, to the Class B Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (c) *third*, to the Class C Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (d) *fourth*, to the Class D Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (e) *fifth*, to the Class E Principal Deficiency Sub-Ledger to reduce the debit balance to zero;
- (f) *sixth*, to the Class F Principal Deficiency Sub-Ledger to reduce the debit balance to zero; and
- (g) *seventh*, to the Class Z Principal Deficiency Sub-Ledger to reduce the debit balance to zero.

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

On each Interest Payment Date, the Issuer shall also apply any amount standing to the credit of the General Reserve Fund to extinguish or reduce any balance on any Sub-Ledger of the Principal Deficiency

Ledger (other than the Class Z Principal Deficiency Sub-Ledger) (see "*Liquidity support provided by use of General Reserve Fund and Principal Receipts to fund Revenue Shortfall and Remaining Revenue Shortfall*" above).

#### ***Transaction Account***

All monies held by the Issuer (other than any amounts applied to fund or, as applicable, replenish the Liquidity Reserve Fund and the General Reserve Fund, which will be deposited in the GIC Account) will be deposited in the Transaction Account in the first instance. The Transaction Account is maintained with the Issuer Account Bank. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the Transaction Account in Authorised Investments.

#### ***GIC Account***

All amounts that are required to be applied by the Issuer to fund or, as applicable, replenish the Liquidity Reserve Fund and the General Reserve Fund shall be deposited in the GIC Account. The GIC Account is maintained with the Issuer Account Bank. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the GIC Account in Authorised Investments and amounts standing to the credit of the GIC Account will earn an agreed rate of interest.

#### ***Subordinated Notes***

The Issuer will issue Subordinated Notes to CHL on or about the Closing Date. The Subordinated Notes will be of a subordinate ranking to the Rated Notes and the Class Z Notes. The proceeds of the issue of the Subordinated Notes will be to:

- (a) fund the Liquidity Reserve Fund (the "**Liquidity Reserve Fund Advance**"); and
- (b) meet costs and expenses incurred by the Issuer in respect of the issuance of the Notes and the Residual Certificates on the Closing Date (the "**Expenses Advance**").

The initial outstanding balance of the Subordinated Notes on the Closing Date will be £15,901,000.

Payments of interest (if any) on the Subordinated Notes are subordinated to payments of interest on the Rated Notes and the Class Z Notes and to the payments crediting the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount, payments crediting the General Reserve Fund up to the General Reserve Fund Amount and payments of principal on the Subordinated Notes are subordinated to payments of principal on the Rated Notes and the Class Z Notes. Further, after the Step-Up Date, all Available Revenue Receipts (following the payments of the Senior Expenses, the amounts of interest due on the Rated Notes and the Class Z Notes and following the crediting of the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount and the crediting of the General Reserve Fund up to the General Reserve Fund Amount) are to be applied as Available Principal Receipts.

## CASHFLOWS AND CASH MANAGEMENT

### *Appointment of the Cash Manager*

The Issuer has appointed the Cash Manager pursuant to the Cash Management Agreement. Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal functions will be effecting payments to and from the Transaction Account and the GIC Account and making corresponding calculations and determinations on behalf of the Issuer. See further the section entitled "*Cashflows and Cash Management*".

The Cash Manager may, with the prior written consent of the Issuer and the Trustee, appoint any person as its sub-contractor to carry out all or part of the cash management services subject to certain conditions, including that the Cash Manager shall not be released or discharged from any liability whatsoever under the Cash Management Agreement.

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

### *Back-Up Cash Manager*

The Issuer has appointed the Back-Up Cash Manager pursuant to the Back-Up Cash Management Agreement.

Following the occurrence of certain events (see, among other, the section entitled "*Triggers Tables – Non Rating Triggers Table*" for further information), the appointment of the Cash Manager will be terminated and the Back-Up Cash Manager will be appointed as successor Cash Manager in accordance with the terms of the Back-Up Cash Management Agreement. Pursuant to the Back-Up Cash Management Agreement, the Back-Up Cash Manager has agreed to accept such appointment.

The Back-Up Cash Management Agreement and any non-contractual obligations arising out of or in connection with the Back-Up Cash Management Agreement will be governed by English law.

### *Retained Amount and Reconciliation*

The Issuer will purchase the Mortgage Loans together with the benefit of all collections received in respect thereof during the period from the Cut-off Date until the Closing Date. On the Closing Date, the Issuer will retain an amount equal to £10,500,440 on account of such collections (the "**Retained Amount**") out of the proceeds of the issue of the Notes. The Retained Amount will be credited to the Transaction Account and recorded as a credit to a separate ledger (the "**Retained Amount Ledger**").

No later than the Reconciliation Date, the Cash Manager will perform reconciliation of the amounts collected by the Seller in respect of the Mortgage Portfolio during the period between the Cut-off Date and the Closing Date and will allocate the Retained Amount to the Reconciled Revenue Amount and the Reconciled Principal Amount.

To the extent that the Retained Amount exceeds the amount of collections actually received in respect of the Mortgage Portfolio during the period between the Cut-off Date and the Closing Date (the "**Actual Collections**"), the Cash Manager shall arrange for such excess amount to be transferred to the Seller no later than three Business Days after the Reconciliation Date (such payment, an "**Issuer Reconciliation Payment**"). To the extent that the amount of the Actual Collections exceeds the Retained Amount, the Seller will be obliged to make a payment of that amount to the Issuer no later than three Business Days after the Reconciliation Date (such payment, a "**Seller Reconciliation Payment**"). The Cash Manager shall make entries to the Retained Amount Ledger to reflect the reconciliation as follows:

- (a) an amount equal to the Reconciled Revenue Amount will be recorded as a debit to the Retained Amount Ledger and credited to the Revenue Ledger;
- (b) an amount equal to the Reconciled Principal Amount will be recorded as a debit to the Retained Amount Ledger and credited to the Principal Ledger; and

- (c) an amount remaining on the Retained Amount Ledger (if any) following the transfer under (a) and (b) above will be written down to zero, and a payment in a corresponding amount will be made out of the Transaction Account to the Seller no later than three Business Days following the Reconciliation Date (notwithstanding the Priorities of Payments) and, for the avoidance of doubt, the balance of the Retained Amount Ledger cannot become less than zero as a result of any of the transfers pursuant to (a) to (b) above.

***Application of Revenue Receipts prior to service of an Enforcement Notice***

**"Revenue Receipts"** means payments received by the Issuer directly or from the Seller representing:

- (a) payments of interest (including Arrears of Interest and Accrued Interest but excluding Capitalised Arrears) and fees due from time to time under the Mortgage Loans;
- (b) recoveries of interest and outstanding fees (excluding Capitalised Arrears and Capitalised Expenses, if any) from defaulting Borrowers under Mortgage Loans being enforced;
- (c) recoveries of interest and/or principal from defaulting Borrowers under Mortgage Loans in respect of which enforcement procedures have been completed;
- (d) the proceeds of the repurchase of any Mortgage Loan or of an indemnity by the Seller from the Issuer pursuant to the Mortgage Sale Agreement to the extent such proceeds are attributable to Accrued Interest, Arrears of Interest and other interest amounts in respect of the Mortgage Loans (excluding, for the avoidance of doubt, Capitalised Arrears) as at the relevant transfer date; and
- (e) any early repayment charges which have been paid by the Borrower in respect of the Mortgage Loans.

**"Accrued Interest"** means as at any date (the "**determination date**") on or after the Closing Date and in relation to any Mortgage Loan, interest on such Mortgage Loan (not being interest which is currently payable on the determination date) which has accrued (but is not yet due and payable) from and including the Monthly Payment Date immediately prior to such determination date to and including that determination date.

**"Arrears of Interest"** means as at any date (the "**determination date**") on or after the Closing Date and in relation to any Mortgage Loan, the aggregate of all interest (other than Capitalised Arrears or Accrued Interest) on such Mortgage Loan which is currently due, payable and unpaid on that date.

**"Capital Balance"** means in respect of a Mortgage Loan at any date the principal balance of that Mortgage Loan.

**"Capitalised Arrears"** means, in relation to a Mortgage Loan, on any date, amounts (excluding Arrears of Interest or amounts comprising Capitalised Expenses) which are overdue in respect of that Mortgage Loan and which as at that date have been added to the Capital Balance of such Mortgage Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

**"Capitalised Expenses"** means for any Mortgage Loan at any date, expenses which are overdue in respect of that Mortgage Loan and which as at that date have been added to the Capital Balance of that Mortgage Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

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

## 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) the Revenue Receipts received by the Issuer during the three immediately preceding Collection Periods which have been designated as Available Revenue Receipts by the Cash Manager in accordance with the Cash Management Agreement or, if any of the immediately preceding Collection Periods is a Determination Period, Calculated Revenue Receipts (excluding in each case an amount to be applied as Available Principal Receipts in accordance with Condition 8.12(c)(i) on the relevant Interest Payment Date);
- (b) interest payable to the Issuer on the Transaction Account and the GIC Account and income from any Authorised Investments in each case received during the three immediately preceding Collection Periods;
- (c) any amounts released from the Liquidity Reserve Fund and the General Reserve Fund when the Reserve Fund Required Amount is reduced to zero (following the redemption in full of the Rated Notes);
- (d) any Liquidity Reserve Fund Excess;
- (e) any amounts withdrawn from the Liquidity Reserve Fund or General Reserve Fund to remedy a Revenue Shortfall;
- (f) any Available Principal Receipts applied pursuant to item (a) of the Pre-Enforcement Principal Priority of Payments in order to remedy a Remaining Revenue Shortfall;
- (g) (in respect of the First Interest Payment Date only), the Reconciled Revenue Amount (excluding, if applicable, any Seller Reconciliation Payment representing revenue that remains unpaid on the First Interest Payment Date);
- (h) any amount applied as Available Revenue Receipts in accordance with Condition 8.12(c)(ii); and
- (i) other net income of the Issuer received during the three immediately preceding Collection Periods (other than any Principal Receipts);

less:

- (a) amounts applied during such Collection Periods in making payment of certain moneys which properly belong to third parties such as (but not limited to):
  - (i) payments of certain insurance premiums, as well as payments of the ground rent, service charges, agent fees, general fees, occupancy, receivership set up fees, security, solicitors costs, tradesmen and utilities payments made by the Servicer in accordance with the Seller's Policies and the Servicing Agreement;
  - (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;
  - (iii) payment when due (but subject to any right to refuse or withhold payment or any right of set-off that has arisen by reason of the Borrower's breach of the terms of the relevant Mortgage) of any revenue amount payable to a Borrower under the Mortgage Conditions applicable to such Borrower (including following any overpayment by such Borrower);
  - (iv) any amount received from a Borrower at any time (including upon redemption of the relevant Mortgage Loan) for the express purpose of payment being made to a third party or the Seller for the provision of a service to that Borrower or the Seller; and
  - (v) any Issuer Reconciliation Payment,



(items listed at (i) to (iv) above, being collectively referred to herein as "**Permitted Withdrawals**"), which amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the persons entitled thereto.

**Application of Available Revenue Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer**

On each Interest Payment Date (or in respect of items (a) and (b) below, on any date) prior to the service of an Enforcement Notice by the Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for the Available Revenue Receipts together with (in the case of any Revenue Shortfall) any amount standing to the credit of the General Reserve Fund in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any fees, costs, charges, liabilities, expenses and all other amounts then due and payable or to become due and payable in the immediately succeeding Interest Period to the Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable to the Servicer or any such amount to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (iii) any amounts due and payable to the Back-Up Servicer (including any Transfer Costs which the Servicer has failed to pay) and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer or any such amount to become due and payable to the Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Back-Up Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager or any such amount to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Back-Up Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager or any such amount to become due and payable to the Back-Up Cash Manager in the immediately succeeding Interest Period under the provisions of the Back-Up Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Collection Account Bank (including any Direct Debit Liability Amount then due and payable to the Collection Account Bank), the Issuer Account Bank or to such bank at which any other account in the name of the Issuer is held and any costs, charges, liabilities and expenses then due and payable to the Collection Account Bank, the Issuer Account Bank or to such bank at which any other account in the name of the Issuer is held, any such amount to become due and payable to the Collection Account Bank, the Issuer Account Bank or to any such other bank, as applicable, in the immediately succeeding Interest Period under the provisions of the

Collection Account Agreement, the Transaction Account Bank Agreement, the GIC Account Bank Agreement or agreement governing the operation of any other account in the name of the Issuer, together with (if payable) VAT thereon as provided therein;

- (vii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
  - (viii) any amounts due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator, or any such amount 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 (if payable) VAT thereon as provided therein;
  - (ix) 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;
- (c) *third*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class A Notes;
  - (d) *fourth*, to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
  - (e) *fifth*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class B Notes;
  - (f) *sixth*, to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
  - (g) *seventh*, (so long as any Rated Notes will remain outstanding following such Interest Payment Date) to credit the Liquidity Reserve Ledger up to the Liquidity Reserve Fund Required Amount;
  - (h) *eighth*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class C Notes;
  - (i) *ninth*, in or towards satisfaction of the Issuer Profit Amount and amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained as Issuer Profit Amount);
  - (j) *tenth*, to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
  - (k) *eleventh*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class D Notes;
  - (l) *twelfth*, to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
  - (m) *thirteenth*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class E Notes;
  - (n) *fourteenth*, to credit the Class E Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
  - (o) *fifteenth*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class F Notes;

- (p) *sixteenth*, to credit the Class F Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
- (q) *seventeenth*, (so long as any Rated Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Fund Amount;
- (r) *eighteenth*, to credit the Class Z Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
- (s) *nineteenth*, on and following the Step-Up Date or any other Interest Payment Date on which the Notes will be redeemed in full, to apply any Revenue Surplus as Available Principal Receipts;
- (t) *twentieth*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class Z1 Notes;
- (u) *twenty-first*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class Z2 Notes;
- (v) *twenty-second*, in or towards payment *pro rata* and *pari passu* of interest due and payable on the Subordinated Notes; and
- (w) *twenty-third*, in or towards the payment of Residual Payments under the Residual Certificates.

#### **Application of Principal Receipts prior to service of an Enforcement Notice**

##### **Definition of Principal Receipts**

"**Principal Receipts**" means payments received by the Issuer representing:

- (a) any payment in respect of principal received in respect of any Mortgage Loan (including Capitalised Arrears and Capitalised Expenses but excluding Accrued Interest and Arrears of Interest);
- (b) recoveries of principal from defaulting Borrowers on enforcement of any Mortgage Loan (including the proceeds of sale of the relevant Property but excluding any recoveries of principal from defaulting Borrowers under Mortgage Loans in respect of which enforcement procedures have been completed);
- (c) any payment pursuant to any Insurance Policy in respect of a Property in connection with a Mortgage Loan in the Mortgage Portfolio;
- (d) recoveries of principal on redemption (including partial redemption) of any Mortgage Loan;
- (e) proceeds of the repurchase of any Mortgage Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (excluding, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon and other interest amounts in respect of the Mortgage Loans as at the relevant repurchase date); and
- (f) any other payments received which are not classified as Revenue Receipts.

##### **Definition of Available Principal Receipts**

"**Available Principal Receipts**" means for any Interest Payment Date (without double counting):

- (a) all Principal Receipts received by the Issuer during the three immediately preceding Collection Periods;
- (b) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (e) and/or (g) and/or (j) and/or (l) and/or (n) and/or (p) and/or (r) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

- (c) in respect of the First Interest Payment Date only, the Reconciled Principal Amount (excluding, if applicable, any Seller Reconciliation Payment representing principal that remains unpaid on the First Interest Payment Date);
- (d) any amount to be applied as Available Principal Receipts in accordance with Condition 8.12(c)(i);
- (e) any Revenue Surplus to be applied as Available Principal Receipts in accordance with item (s) of the Pre-Enforcement Revenue Priority of Payments,

less:

- (i) the amount of Principal Receipts used during the three immediately preceding Collection Periods to purchase any Flexible Drawings.

The Issuer shall pay or provide for amounts due under the Pre-Enforcement Revenue Priority of Payments before paying amounts due under the Pre-Enforcement Principal Priority of Payments.

***Application of Available Principal Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer***

Prior to the service of an Enforcement Notice on the Issuer by the Trustee, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Enforcement Principal Priority of Payments**"):

- (a) *first*, any amounts to be applied as Available Revenue Receipts to remedy a Remaining Revenue Shortfall;
- (b) *second*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class A Notes until the Class A Notes have been redeemed in full;
- (c) *third*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class B Notes until the Class B Notes have been redeemed in full;
- (d) *fourth*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class C Notes until the Class C Notes have been redeemed in full;
- (e) *fifth*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class D Notes until the Class D Notes have been redeemed in full;
- (f) *sixth*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class E Notes until the Class E Notes have been redeemed in full;
- (g) *seventh*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class F Notes until the Class F Notes have been redeemed in full;
- (h) *eighth*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class Z1 Notes until the Class Z1 Notes have been redeemed in full;
- (i) *ninth*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class Z2 Notes until the Class Z2 Notes have been redeemed in full;
- (j) *tenth*, in or towards payment *pro rata* and *pari passu* of principal due and payable on the Subordinated Notes until the Subordinated Notes have been redeemed in full; and
- (k) *eleventh*, the remainder (if any) to be applied as Available Revenue Receipts.

## **APPLICATION OF REVENUE RECEIPTS, PRINCIPAL RECEIPTS AND OTHER MONIES OF THE ISSUER FOLLOWING THE SERVICE OF AN ENFORCEMENT NOTICE**

Following the service of an Enforcement Notice by the Trustee on the Issuer, the Trustee (or the Cash Manager on its behalf or a Receiver) will apply all monies held in the Charged Accounts and all amounts received or recovered following service of an Enforcement Notice in the following order of priority (the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the "**Priorities of Payments**" and each, a "**Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Trustee or any Appointee, under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
  - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to any Receiver appointed by the Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable to the Servicer or any such amount to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (iii) any amounts due and payable to the Back-Up Servicer or any other substitute servicer (including any Transfer Costs which the Servicer has failed to pay) and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer or any such amount to become due and payable to the Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Back-Up Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager or any such amount to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Back-Up Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager or any such amount to become due and payable to the Back-Up Cash Manager in the immediately succeeding Interest Period under the provisions of the Back-Up Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Collection Account Bank (including any Direct Debit Liability Amount then due and payable to the Collection Account Bank), the Issuer Account Bank or to such bank at which any other account in the name of the Issuer is held and any costs, charges, liabilities and expenses then due and payable to the Collection Account Bank, the Issuer Account Bank or to such bank at which any other account in the name of the Issuer is held, any such amount to become due and payable to

the Collection Account Bank, the Issuer Account Bank or to any such other bank, as applicable, in the immediately succeeding Interest Period under the provisions of the Collection Account Agreement, the Transaction Account Bank Agreement, the GIC Account Bank Agreement or agreement governing the operation of any other account in the name of the Issuer, together with (if payable) VAT thereon as provided therein;

- (vii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
  - (viii) any amounts due and payable to the Back-Up Servicer Facilitator, and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator, or any such amount 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 (if payable) VAT thereon as provided therein; and
  - (ix) 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;
- (c) *third*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class A Notes;
  - (d) *fourth*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class B Notes;
  - (e) *fifth*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class C Notes;
  - (f) *sixth*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class D Notes;
  - (g) *seventh*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class E Notes;
  - (h) *eighth*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class F Notes;
  - (i) *ninth*, to the Issuer, the Issuer Profit Amount and amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained as the Issuer Profit Amount);
  - (j) *tenth*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class Z1 Notes;
  - (k) *eleventh*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Class Z2 Notes;
  - (l) *twelfth*, in or towards payment *pro rata* and *pari passu* of interest and principal due and payable on the Subordinated Notes; and
  - (m) *thirteenth*, in or towards the payment of Residual Payments under the Residual Certificates.

In relation to the Priorities of Payments, as applicable, "**Direct Debit Liability Amount**" means (i) any amount credited to the Collection Account (including under the Direct Debiting Scheme) which has not been received as cleared funds or has otherwise been recalled and (ii) any amounts required to satisfy any of the obligations and/or liabilities incurred by the Collection Account Bank under the Direct Debiting

Scheme in respect of direct debit indemnity claims, where any such amount has not been paid to the Collection Account Bank pursuant to the Collection Account Declaration of Trust.

### **Compensation of the Cash Manager**

The Cash Manager will receive a cash management fee for the performance of the cash management services. The Issuer will pay the Cash Manager its cash management fee (inclusive of any applicable VAT) of 0.01 per cent. per annum of the aggregate Current Balance of the Mortgage Loans at the start of the first of the three Collection Periods preceding the relevant Interest Payment Date (or such other amount as may be agreed between the Issuer and the Cash Manager). The cash management fees are payable quarterly in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the relevant Priority of Payments to pay them. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Final Maturity Date or on any earlier date on which an Enforcement Notice is served by the Trustee on the Issuer.

### **Investor Reports**

The Cash Manager will publish an investor report (each, an "**Investor Report**") on a monthly basis in respect of the Mortgage Portfolio and the Notes containing, *inter alia*, certain aggregated loan data in relation to the Mortgage Portfolio in respect of the relevant Collection Period, information in relation to the Notes including, but not limited to, the ratings of the Notes, amounts paid by the Issuer pursuant to the relevant Priority of Payments, required counterparty information and the Seller's holding of the Notes and confirmation of the Seller's compliance with Article 405 of the CRR and Article 51 of the AIFMR. The Investor Reports will be published on CHL's website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk). In addition, loan level information will be provided on a quarterly basis and published on the website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

### **Removal or Resignation of the Cash Manager**

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

- (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 3 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 an Enforcement Notice, the Trustee, as the case may be, requiring the same to be remedied; or
- (b) *Investor Report*: the Cash Manager does not provide the Investor Report within the time period set out in Clause 13.6 (*Information Covenants*) of the Cash Management Agreement;
- (c) *Paying Agent instructions*: the Cash Manager fails, in respect of an Interest Payment Date, to deliver a notice to the Principal Paying Agent and the Back-Up Cash Manager setting out principal and interest to be paid on such Interest Payment Date in accordance with paragraph 2.3 (*Notification*) of Schedule 2 (*Cash Management*) to the Cash Management Agreement;
- (d) *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 Trustee is materially prejudicial to the interests of the Noteholders and such default continues unremedied for a period of 20 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 Trustee (following the service of an Enforcement Notice), as applicable, requiring the same to be remedied (where capable of remedy) **provided that** where the relevant default occurs as a result of a default by any person to whom the Cash Manager has subcontracted or delegated part of its obligations hereunder in accordance with Clause 4 (*Appointment of Sub Contractors*) of the Cash Management Agreement, the period permitted for the remedying of any such breach shall be extended from 20 Business Days to 30 Business Days and provided further that no period for remedy shall apply in circumstances where in the opinion of the Issuer (prior to the delivery of an Enforcement Notice) or in the opinion of

the Trustee (after the delivery of an Enforcement Notice) such breach shall be incapable of remedy (which determination shall be conclusive and binding on all Secured Creditors); or

- (e) *Unlawfulness*: it is or will become unlawful for the Cash Manager to perform or comply with any of its obligations under the Cash Management Agreement; or
- (f) *Insolvency Event*: an Insolvency Event occurs in relation to the Cash Manager,

then the Issuer or (following delivery of an Enforcement Notice) the Trustee shall upon becoming aware of the relevant Cash Manager Termination Event, deliver a notice (a "**Cash Manager Termination Notice**") of such Cash Manager Termination Event to the Cash Manager (with a copy to the Issuer or the Trustee, as applicable, and a copy to the Back-Up Cash Manager) to terminate its appointment as Cash Manager under the Cash Management Agreement with effect from the date falling 5 days from the date of receipt of such Cash Manager Termination Notice (the "**Cash Manager Termination Date**") **provided that**, the Cash Manager's appointment shall not be terminated until a successor Cash Manager (which may be the Back-Up Cash Manager) has been appointed and in relation to (c) only, if the Cash Manager remedies such breach within 2 Business Days of the occurrence of such Cash Manager Termination Event, such breach shall no longer constitute a Cash Manager Termination Event and the Cash Manager shall continue as Cash Manager under the Cash Management Agreement.

The Cash Manager Termination Event specified at item (c) above would be considered to be remedied if (i) the Cash Manager provides the notice required to be delivered in accordance with paragraph 2.3 (*Notification*) of Schedule 2 (*Cash Management*) to the Cash Management Agreement to the Principal Paying Agent and the Back-Up Cash Manager or (ii) the Cash Manager confirms in writing to the Principal Paying Agent and the Back-Up Cash Manager that it would be in a position to provide such a notice on the relevant Interest Payment Date (such that payments of principal and interest can be made on such Interest Payment Date in accordance with the Agency Agreement), each within such 2 Business Day period.

### **Back-Up Cash Manager**

On the Closing Date, the Issuer and the Cash Manager will appoint the Back-Up Cash Manager to perform certain back-up cash management services pursuant to a back-up cash management agreement between, *inter alios*, the Cash Manager, the Issuer and the Back-Up Cash Manager dated on or prior to the Closing Date (the "**Back-Up Cash Management Agreement**"). Upon the occurrence of a Cash Manager Termination Event under the Cash Management Agreement and delivery to the Back-Up Cash Manager of a Cash Manager Termination Notice, the Back-Up Cash Manager will replace the Cash Manager on terms similar to those set out in the Cash Management Agreement (see further "*Removal or Resignation of the Cash Manager*" above) with effect from the date falling seven days from the date of receipt of such Cash Manager Termination Notice.

If the Back-Up Cash Manager were appointed in replacement of the Cash Manager to carry out the cash management services, all investor reports would be published on the Back-Up Cash Manager's website at <https://sf.citidirect.com>. For the avoidance of doubt, the website and the contents thereof do not form part of this Prospectus.



## CERTAIN OTHER TRANSACTION DOCUMENTS

### Deed of Charge

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Trustee.

### Security

Under the terms of the Deed of Charge, the Issuer will provide the Trustee with the benefit of, *inter alia*, the following security (the "**Security**") as trustee for itself and for the benefit of the other Secured Creditors (including the Noteholders):

- (a) a first fixed charge over the Benefit of the Issuer's interest in the Mortgage Loans and the Related Security (which, until notice is served on the Borrowers and, in respect of mortgages of property comprising of registered land, until registration is effected, will take effect as an equitable assignment);
- (b) a first fixed charge over the Benefit, present and future, of each Authorised Investment;
- (c) first fixed charges over the Benefit, present and future, in and to and all monies now or in the future standing to the credit of (and all interest accruing thereon from time to time) the Transaction Account and the GIC Account and any other bank accounts of the Issuer established on or after the Closing Date in accordance with the Transaction Account Bank Agreement, the GIC Account Bank Agreement or the other Transaction Documents;
- (d) an assignment by way of security of the Issuer's interests in the Insurance Policies, the Life Policies and the Charges relating to the Mortgage Loans;
- (e) an assignment by way of security of the Issuer's interests in the Insurance Policies;
- (f) a first fixed charge over the Issuer's interests in the Guarantees and the Borrower Charges;
- (g) an assignment by way of security of the Benefit, present and future, under each relevant Transaction Document;
- (h) a first floating charge over the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever present and future including its uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security or absolute assignment as described above) and extending over all of its property, assets, rights or revenues as are situated in England or governed by English law (whether or not the subject of the fixed charges or assignments described above); and
- (i) a charge at law over indebtedness comprising an obligation or liability to pay money secured by each registered charge of which it is registered as proprietor at the Land Registry of England and Wales (the "**Land Registry**") (such registration to occur following a Perfection Trigger Event).

where "**Benefit**" means in respect of any asset, agreement, property or right (each a "**Right**" for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

- (a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Right and all Ancillary Rights in respect of such Right;
- (b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Right or its Ancillary Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;
- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Right or its Ancillary Rights;

- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Right or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Right or its Ancillary Rights; and
- (e) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach.

"**Borrower Charges**" means the fixed charge created by a Borrower over its rental income for purposes of securing its obligations under a Mortgage Loan, and "**Borrower Charge**" shall mean either of such charges.

"**Charges**" means the security granted (by way of deposit) by the Borrowers, in favour of CHL, in respect of any Life Policies for the payment of the Mortgage Loans.

"**Guarantee**" means a guarantee provided in support of the obligations of a Borrower under a Mortgage Loan.

"**Guarantor**" means an individual who has provided a Guarantee in support of the obligations of a Borrower under a Mortgage Loan.

"**Life Policies**" means such policies of life assurance (if any), in each case in respect of a Borrower, (including any Substitute Life Policies) as may have been deposited by way of collateral security in respect of Interest Only Mortgage Loans for the payment of the sums secured under such Mortgage Loans.

"**Substitute Life Policies**" means any substitute Life Policy which replaces a Life Policy taken out by a Borrower (if any) as may be determined pursuant to Clause 17.3 (*Insurance Policies*) of the Servicing Agreement and the Charges in respect of which may be charged for the benefit of the Trustee.

The floating charge created by the Deed of Charge shall be postponed to any valid fixed charges which remain outstanding under or pursuant to the Deed of Charge from time to time and any rights of the Issuer to deal with the assets subject to the floating charge shall be expressly subject to any restrictions placed on dealing with those assets contained in any fixed charge over the same.

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 following the occurrence of specific events set out in the Deed of Charge.

#### *Payments prior to Enforcement*

Prior to the Trustee serving a notice in, or substantially in, the form of the document so named set out in the Deed of Charge (a "**Security Protection Notice**") or an Enforcement Notice on the Issuer pursuant to Clause 12 (*Security Protection Notice*) of the Deed of Charge and Condition 13 (*Events of Default*) of the Notes respectively:

- (a) payments becoming due to the Issuer under any of the Transaction Documents, together with all other monies payable to the Issuer pursuant to any other documents or arrangements to which it is a party, may be made to the Issuer in accordance with the provisions of the relevant Transaction Documents or (as the case may be) the documents or arrangements concerned;
- (b) the Issuer may, subject to paragraph (c), exercise its rights, powers and discretions and perform its obligations in relation to the Charged Property and under the Transaction Documents in accordance with the provisions of the Transaction Documents or (as the case may be) such other documents or arrangements; and
- (c) monies standing to the credit of the "**Charged Accounts**" (being the Transaction Account, the GIC Account and any other bank account in which the Issuer may at any time acquire a Benefit and over which the Issuer has created an Encumbrance in favour of the Trustee pursuant to the Deed of Charge) from time to time may be withdrawn therefrom by the Issuer (and by the Issuer

Account Bank) but only in accordance with the provisions of the Cash Management Agreement, the Transaction Account Bank Agreement and the GIC Account Bank Agreement.

where "**Encumbrance**" means:

- (i) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set-off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (iii) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

#### *Post-Enforcement Priority of Payments*

After the Trustee has served an Enforcement Notice (which has not been withdrawn) on the Issuer:

- (a) whilst the Notes are still outstanding, pursuant to Condition 13 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable; or
- (b) after the Notes have been redeemed in full and whilst the Residual Certificates are still in issue, pursuant to Residual Certificate Condition 11 (*RC Events of Default*) of the Residual Certificates, declaring any Residual Payments to be immediately due and payable,

the Trustee shall apply the monies available in accordance with Clause 16 (*Post-Enforcement Priority of Payments*) of the Deed of Charge.

The whole of the Security shall become enforceable:

- (a) upon the delivery of an Enforcement Notice on the Issuer pursuant to Condition 13 (*Events of Default*) of the Notes or pursuant to Residual Certificate Condition 11 (*RC Events of Default*), except where the Enforcement Notice has been delivered as a result of an Insolvency Event occurring solely due to the Issuer obtaining or taking steps to obtain a moratorium pursuant to section 1A of the Insolvency Act 1986; and
- (b) if any person who is entitled to do so presents a petition or an application for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court the occurrence of which shall have been notified in writing to the Trustee.

#### *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.

#### **Trust Deed**

On or about the Closing Date, the Issuer and the Trustee will enter into the Trust Deed pursuant to which the Issuer and the Trustee will agree that the Notes are subject to the provisions in the Trust Documents. The Conditions, the Residual Certificate Conditions and the forms of the Notes and the Residual Certificates are constituted by, and set out in, the Trust Deed.

The Trustee will agree to hold the benefit of, among other things, 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 Trustee for its services under the Trust Deed at the rate agreed in a separate fee letter between the Issuer and the Trustee. The Issuer shall also pay or discharge all costs, charges and expenses incurred by the Trustee and any Appointee or Receiver incurred in relation to the performance of its obligations under and in relation to the Trust Documents and the other Transaction Documents.

### *Retirement of Trustee*

Any Trustee for the time being of the Trust Documents may retire at any time upon giving not less than three calendar months notice in writing to the Issuer without assigning any reason therefor and without being responsible for any Liabilities occasioned by such retirement. The retirement of any Trustee shall not become effective unless there remains a trustee hereof (being a corporation entitled by the rules made under the Public Trustee Act 1906 to act as a custodian trustee or entitled pursuant to any other legislation applicable to a trustee in any jurisdiction other than England and Wales to act as trustee and carry on trust business under the laws of the country of its incorporation, a "**Trust Corporation**") in office after such retirement. The Issuer covenants that, in the event of the sole trustee or the only trustee hereof which is a Trust Corporation giving notice under Clause 29 (*Retirement of Trustees*) of the Trust Deed, it shall use its best endeavours to procure a new trustee, being a Trust Corporation, to be appointed. If the Issuer has not appointed a new trustee prior to the expiry of the notice period given by the Trustee, the Trustee shall be entitled to nominate a replacement, being a Trust Corporation.

### *Governing Law*

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

### **Collection Account Agreement**

Pursuant to the terms of the Collection Account Agreement entered into on the Closing Date between the Seller and the Collection Account Bank, the Seller will maintain a collection bank account (the "**Collection Account**") with the Collection Account Bank, being a non-interest bearing account which will be operated in accordance with the Collection Account Agreement.

The Collection Account Bank shall be entitled at any time to deduct from amounts standing to the credit of the Collection Account any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums relating to amounts received in respect of the Loans from Borrowers or to pay certain other amounts due or owing to the Collection Account Bank.

If at any time the Collection Account Bank ceases to have the Collection Account Bank Rating, the Collection Account Agreement may be terminated in accordance with the Collection Account Agreement.

Certain fees and expenses of the Collection Account Bank will be paid by the Issuer, subject to and in accordance with the Priority of Payments.

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

### **Transaction Account Bank Agreement**

Pursuant to the terms of the Transaction Account Bank Agreement entered into on the Closing Date between, among others, the Issuer, the Issuer Account Bank, the Cash Manager and the Trustee, the Issuer will maintain with the Issuer Account Bank a bank account (the "**Transaction Account**") which will bear a nominal rate of interest and will be operated in accordance with the Cash Management Agreement and the Deed of Charge. All collections in respect of the Mortgage Loans first credited to the Collection Account will then be transferred into the Transaction Account on a daily basis.

If at any time the Issuer Account Bank ceases to have the Issuer Account Bank Rating, the Transaction Account Bank Agreement shall be terminated by the Issuer or (so long as CHL is the Cash Manager) the Cash Manager on the Issuer's behalf in accordance with the Transaction Account Bank Agreement.

The Transaction Account Bank Agreement may be terminated in other circumstances by the Cash Manager, the Issuer Account Bank, the Issuer (in certain cases only with the consent of the Trustee) or (following the delivery of an Enforcement Notice) the Trustee, in each case in accordance with the provisions set out in the Transaction Account Bank Agreement.

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

## **GIC Account Bank Agreement**

Pursuant to the terms of the GIC Account Bank Agreement entered into on the Closing Date between, among others, the Issuer, the Issuer Account Bank, the Cash Manager and the Trustee, the Issuer will maintain with the Issuer Account Bank a bank account (the "**GIC Account**") with respect to which the Issuer Account Bank will provide an agreed rate of interest per annum equal to LIBOR for three month Sterling deposits minus 0.325 per cent. (subject always to the minimum of zero) on any cleared credit balances thereof (**provided** that the rate shall never be less than zero), which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

The funds representing the General Reserve Fund and the Liquidity Reserve Fund will be credited to, retained in and released from the GIC Account in accordance with the GIC Account Bank Agreement, the Cash Management Agreement and the Deed of Charge. See the section headed "*Cashflows and Cash Management*" for more detail.

If at any time the Issuer Account Bank ceases to have the Issuer Account Bank Rating, the GIC Account Bank Agreement shall be terminated by the Issuer or (so long as CHL is the Cash Manager) the Cash Manager on the Issuer's behalf in accordance with the GIC Account Bank Agreement.

The GIC Account Bank Agreement may be terminated in other circumstances by the Cash Manager, the Issuer Account Bank, the Issuer (in certain cases only with the consent of the Trustee) or (following the delivery of an Enforcement Notice) the Trustee, in each case in accordance with the provisions set out in the GIC Account Bank Agreement.

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

## **Collection Account Declaration of Trust**

Pursuant to the collection account arrangements in place on the Closing Date, only collections received in respect of the Mortgage Loans constituting the Mortgage Portfolio will be transferred into the Collection Account.

The Seller has declared a trust over the funds in the Collection Account in favour of the Issuer and itself pursuant to the Collection Account Declaration of Trust.

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

## **Agency Agreement**

Pursuant to the Agency Agreement entered into on or before the Issue Date between the Issuer, the Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision has been made for, among other things, payment of principal and interest in respect of the Notes and payments of Residual Payments in respect of the Residual Certificates. The Agency Agreement and any non-contractual obligations arising out of it are governed by English law.

## DESCRIPTION OF THE NOTES IN GLOBAL FORM

### General

The Notes of each Class will be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and will be represented on issue by one or more Global Notes of such class in fully registered form without interest coupons or principal receipts attached (each a "**Global Note**"). Beneficial interests in a Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time.

All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be deposited on or about the Closing Date with a common safekeeper for both Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**").

The Global Notes will be registered in the name of a nominee of the Common Safekeeper. The Issuer will procure the Registrar to maintain a register in which it will register the nominee of the Common Safekeeper, as the owner of the Global Notes.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record book-entry interests representing beneficial interests (the "**Book-Entry Interests**") in the Global Notes attributable thereto.

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £100,000 and, for so long as Euroclear or Clearstream, Luxembourg so permit integral multiples of £1,000 in excess thereof (a "**Minimum Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Safekeeper is the registered holder of the Global Notes underlying the Book-Entry Interests, the nominee of the Common Safekeeper will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set forth under "*Issuance of Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in Respect of the Global Note and the Book-Entry Interests*", below.

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

Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear or Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Unless and until Book-Entry Interests in the Global Notes are exchanged for Definitive Notes, the Global Notes registered in the name of a nominee of the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note pursuant to Regulation S will hold Book-Entry Interests in the Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Global Note, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

#### **Trading between Euroclear and/or Clearstream, Luxembourg participants**

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

#### **Payments on the Global Notes**

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Citibank, N.A., London Branch as the Principal Paying Agent on behalf of the Common Safekeeper or its nominee as the registered holder thereof. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The record date, in respect of the Notes shall be one Clearing System Business Day prior to the relevant Interest Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Notes are being held is open for business. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

#### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

### ***Euroclear and Clearstream, Luxembourg***

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

### **Redemption**

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

### **Cancellation**

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

### **Transfers and Transfer Restrictions**

All transfer of Book-Entry Interests will be recorded with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to the customary procedures established by each respective system and its Participants.

Beneficial interests in the Global Notes may be held only through Euroclear and Clearstream, Luxembourg. Neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.



## Settlement and transfer of notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the "**beneficial owner**") will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners. **Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.**

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

## Issuance of Definitive Notes

Holders of Book-Entry Interests in the Global Note will be entitled to receive certificates evidencing definitive notes in registered form ("**Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business 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 therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Closing Date, the Issuer or the Principal 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 Notes in definitive form.

Any Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Notes issued in exchange for Book-Entry Interests in a Global Note, as the case may be, will not be entitled to exchange such Definitive Note, for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "Transfers and Transfer Restrictions" above provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £1,000. As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

### **Action in Respect of the Global Note and the Book-Entry Interests**

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

### **Reports**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to each of Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**") for communication by them to the holders of the relevant Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are admitted to trading and listed on the Official List) any notice shall also be published in accordance with the relevant guidelines of the Irish Stock Exchange. See also Condition 22 (*Notices*) of the Notes.

## DESCRIPTION OF THE RESIDUAL CERTIFICATES

The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificate will be registered on issue on or around the Closing Date in the name of a nominee of the Common Depositary as nominee for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the holder of the Global Residual Certificate.

Upon confirmation by the Common Depositary that it has been issued with the Global Residual Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Residual Certificate ("**Residual Certificate Book-Entry Interests**") representing beneficial interests in the Residual Certificates attributable thereto.

Ownership of Residual Certificate Book-Entry Interests will be limited to Participants or Indirect Participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Residual Certificate Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Residual Certificate Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Seller. Ownership of Residual Certificate Book-Entry Interests will be shown on, and transfers of Residual Certificate Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Residual Certificate Book-Entry Interests.

So long as the nominee of the Common Depositary is the registered holder of the Global Residual Certificate underlying the Residual Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Residual Certificate represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Residual Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Residual Certificate Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Residual Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests*".

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

Unless and until Residual Certificate Book-Entry Interests are exchanged for Definitive Residual Certificates, the Global Residual Certificate held by the nominee for the Common Depositary may not be

transferred except as a whole by that nominee for the Common Depositary to a successor nominee for that Common Depositary or a nominee of a successor of the Common Depositary.

Purchasers of Residual Certificate Book-Entry Interests in a Global Residual Certificate will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a Global Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out in the section below entitled "*Transfers and Transfer Restrictions*"), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

### **Issuance of Definitive Residual Certificates**

The Global Residual Certificate will become exchangeable in whole, but not in part, for Definitive Residual Certificates at the request of the holder of the relevant Global Residual Certificate if Euroclear or Clearstream, Luxembourg closes for business on a permanent basis without a successor to act as a clearing system with respect to the Global Residual Certificate (the "**Exchange Event**").

Any Definitive Residual Certificate issued in exchange for Residual Certificate Book-Entry Interests in the Global Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Residual Certificate Book-Entry Interests. Whenever a Global Residual Certificate is to be exchanged for Definitive Residual Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Residual Certificate Book-Entry Interests) of such Definitive Residual Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Residual Certificate within 30 days of the occurrence of the Exchange Event.

### **Payments on Global Residual Certificate**

Payment of amounts due in respect of the Global Residual Certificate will be made in Sterling by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

Each holder of Residual Certificate Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or its nominee in respect of those Residual Certificate Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then none of the Issuer, the Principal Paying Agent or any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Residual Certificate Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**"), Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the Global Residual Certificate. The Record Date in respect of the Global Residual Certificate shall be as at the close of business on the Business Day prior to the relevant Interest

Payment Date. The Issuer expects that payments by Participants to owners of interests in Residual Certificate Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Residual Certificate Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Residual Certificate Book-Entry Interests.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

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

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

### **Transfers and Transfer Restrictions**

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

Beneficial interests in the Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Residual Certificate will bear a legend similar to that appearing under the section of this Prospectus entitled "*Transfer Restrictions and Investor Representations*" below, and neither the Global Residual Certificate nor any beneficial interest therein may be transferred except in

compliance with the transfer restrictions set out in the legend appearing in the relevant Global Residual Certificate.

#### **Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests**

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

#### **Notices**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Certificateholders for communication by Euroclear and Clearstream, Luxembourg to the Certificateholders and shall procure that the information contained in such notice shall appear on a relevant Screen (see also Residual Certificate Condition 20 (*Notices*)). The Trustee may in accordance with the Residual Certificate Condition 20.2 (*Other Methods*) sanction other methods of giving notice to all or some of the Certificateholders, if such method is reasonable having regard to the then prevailing market practice.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed. If the Notes were to be represented by Definitive Notes, the Conditions set out on the reverse of each of such Definitive Notes would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Documents and the other Transaction Documents (as defined below).*

### 1. General

- 1.1 The £396,375,000 Class A Mortgage Backed Floating Rate Notes due 2047 (the "**Class A Notes**"), the £47,250,000 Class B Mortgage Backed Floating Rate Notes due 2047 (the "**Class B Notes**"), the £26,250,000 Class C Mortgage Backed Floating Rate Notes due 2047 (the "**Class C Notes**"), the £13,125,000 Class D Mortgage Backed Floating Rate Notes due 2047 (the "**Class D Notes**"), the £15,750,000 Class E Mortgage Backed Notes due 2047 (the "**Class E Notes**"), the £5,250,000 Class F Mortgage Backed Notes due 2047 (the "**Class F Notes**" and, together with the Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Class E Notes, the "**Rated Notes**"), the £10,500,000 Class Z1 Mortgage Backed Notes due 2047 (the "**Class Z1 Notes**"), the £10,522,000 Class Z2 Mortgage Backed Notes due 2047 (the "**Class Z2 Notes**" and, together with the Class Z1 Notes, the "**Class Z Notes**") and the £15,901,000 Subordinated Notes due 2047 (the "**Subordinated Notes**") (and together, the "**Notes**") will be issued by Auburn Securities 9 plc (registered number 8801944) (the "**Issuer**") on or about the Closing Date.
- 1.2 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the Notes is created pursuant to, and on the terms set out in, the Deed of Charge.
- 1.3 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.4 Certain provisions of these Conditions are summaries of the Trust Documents and the Incorporated Terms Memorandum and the Agency Agreement and are subject to their detailed provisions.
- 1.5 The Noteholders are bound by the terms of the Trust Documents and the Incorporated Terms Memorandum, and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.6 Copies of the Transaction Documents and the Memorandum and Articles of Association of the Issuer are available for inspection by Noteholders, upon reasonable notice, during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below. Upon reasonable request, such Paying Agent will allow copies of such documents to be taken.

### 2. Definitions

- 2.1 In these Conditions the following defined terms have the meanings set out below:

"£", "GBP" and "Sterling" denote the lawful currency for the time being of the United Kingdom;

"**Accrued Interest**" means as at any date (the "**determination date**") on or after the Closing Date and in relation to any Mortgage Loan, interest on such Mortgage Loan (not being interest which is currently payable on the determination date) which has accrued (but is not yet due and payable) from and including the Monthly Payment Date immediately prior to such determination date to and including that determination date;

"**Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

"**Agent Bank**" means Citibank, N.A., London Branch in its capacity as agent bank pursuant to the Agency Agreement (or any successor duly appointed);

"**Agents**" means the Agent Bank, the Paying Agents and Registrar (or any successors duly appointed) and "**Agent**" means any one of them;

"**Ancillary Rights**" means in relation to a Right, all ancillary rights, accretions and supplements to such Right, including any guarantees or indemnities in respect of such Right;

"**Appointee**" means any delegate, agent, nominee, custodian, attorney or manager appointed by the Trustee pursuant to the provisions of the Trust Documents and other Transaction Documents;

"**Arrears of Interest**" means as at any date (the "**determination date**") on or after the Closing Date and in relation to any Mortgage Loan, the aggregate of all interest (other than Capitalised Arrears or Accrued Interest) on such Mortgage Loan which is currently due, payable and unpaid on that date;

"**Authorised Investments**" means

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

provided that, no withholding or deduction for or account of tax will be made on any payments of interest or principal in respect of any such deposit, bond, debenture, note or other debt investment or security evidencing debt, and provided further that each such instrument will be denominated in Sterling, and provided further that no such instrument will be a volatile instrument (as specified in the Rating Agencies' published criteria) and/or an instrument issued by a mutual fund or similar investment vehicle or an instrument convertible into any form of shares or equity based instruments, and provided further that each such instrument shall mature (or otherwise be capable of being redeemed, terminated or broken (at no additional cost)) on or before the next succeeding Calculation Date so that such funds will be available for withdrawal on such date, in each case such Authorised Investment to be made by the Cash Manager, on behalf of the Issuer, in accordance with the provisions of the Cash Management Agreement;

"**Authorised Signatory**" means, in relation to any Transaction Party, any person who is duly authorised and in respect of whom a certificate has been provided signed by a director or another duly authorised person of such Transaction Party setting out the name and signature of such person and confirming such person's authority to act;

"**Available Principal Receipts**" means for any Interest Payment Date (without double counting):

- (a) all Principal Receipts received by the Issuer during the three immediately preceding Collection Periods;
- (b) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (e) and/or (g) and/or (j) and/or (l) and/or (n) and/or (p) and/or (r) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;



- (c) in respect of the First Interest Payment Date only, the Reconciled Principal Amount (excluding, if applicable, any Seller Reconciliation Payment representing principal that remains unpaid on the First Interest Payment Date);
- (d) any amount to be applied as Available Principal Receipts in accordance with Condition 8.12(c)(i);
- (e) any Revenue Surplus to be applied as Available Principal Receipts in accordance with item (s) of the Pre-Enforcement Revenue Priority of Payments,

less:

- (i) the amount of Principal Receipts used during the three immediately preceding Collection Periods to purchase any Flexible Drawings;

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

- (a) an amount equal to the Revenue Receipts received by the Issuer during the three immediately preceding Collection Periods which have been designated as Available Revenue Receipts by the Cash Manager in accordance with the Cash Management Agreement or, if any of the three immediately preceding Collection Periods is a Determination Period, Calculated Revenue Receipts (excluding in each case an amount to be applied as Available Principal Receipts in accordance with Condition 8.12(c)(i) on the relevant Interest Payment Date);
- (b) interest payable to the Issuer on the Transaction Account and the GIC Account and income from any Authorised Investments in each case received during the three immediately preceding Collection Periods;
- (c) any amounts released from the Liquidity Reserve Fund and the General Reserve Fund when the Reserve Fund Required Amount is reduced to zero (following the redemption in full of the Rated Notes);
- (d) any Liquidity Reserve Fund Excess;
- (e) any amounts withdrawn from the Liquidity Reserve Fund or General Reserve Fund to remedy a Revenue Shortfall;
- (f) any Available Principal Receipts applied pursuant to item (a) of the Pre-Enforcement Principal Priority of Payments in order to remedy a Remaining Revenue Shortfall;
- (g) in respect of the First Interest Payment Date only, the Reconciled Revenue Amount (excluding, if applicable, any Seller Reconciliation Payment representing revenue that remains unpaid on the First Interest Payment Date);
- (h) any amount applied as Available Revenue Receipts in accordance with Condition 8.12(c)(ii); and
- (i) other net income of the Issuer received during the three immediately preceding Collection Periods (other than any Principal Receipts),

less:

- (a) amounts applied during such Collection Periods in making payment of certain moneys which properly belong to third parties such as (but not limited to):
  - (i) payments of certain insurance premiums, as well as payments of the ground rent, service charges, agent fees, general fees, occupancy, receivership set up fees, security, solicitors costs, tradesmen and utilities payments made by the Servicer in accordance with the Seller's Policies and the Servicing Agreement;

- (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;
- (iii) payment when due (but subject to any right to refuse or withhold payment or any right of set-off that has arisen by reason of the Borrower's breach of the terms of the relevant Mortgage) of any revenue amount payable to a Borrower under the Mortgage Conditions applicable to such Borrower (including following any overpayment by such Borrower); and
- (iv) any amount received from a Borrower at any time (including upon redemption of the relevant Mortgage Loan) for the express purpose of payment being made to a third party or the Seller for the provision of a service to that Borrower or the Seller,

(items within paragraphs (i) to (iv), inclusive, being collectively referred to herein as "**Permitted Withdrawals**"), which amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the persons entitled thereto;

**"Back-Up Cash Management Agreement"** means the agreement dated on or about the Closing Date between the Back-Up Cash Manager, the Cash Manager, the Issuer and the Trustee pursuant to which the Back-Up Cash Manager will be appointed as back-up cash manager or any agreement entered into between the Issuer, the Trustee and any replacement Back-Up Cash Manager;

**"Back-Up Cash Manager"** means Citibank, N.A., London Branch in its capacity as back-up cash manager pursuant to the Back-Up Cash Management Agreement (or any successor duly appointed);

**"Back-Up Servicer"** means Homeloan Management Limited in its capacity as back-up servicer pursuant to the Back-Up Servicing Agreement (or any successor duly appointed);

**"Back-Up Servicer Facilitator"** means Wilmington Trust SP Services (London) Limited (or any successor duly appointed);

**"Back-Up Servicing Agreement"** means the agreement dated on or about the Closing Date between the Back-Up Servicer, the Servicer, the Seller, the Issuer and the Trustee pursuant to which the Back-Up Servicer will be appointed as back-up servicer in relation to the Mortgage Loans or any agreement entered into between the Issuer, the Trustee and any replacement Back-Up Servicer;

**"Benefit"** in respect of any asset, agreement, property or right (each a "**Right**" for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

- (a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Right and all Ancillary Rights in respect of such Right;
- (b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Right or its Ancillary Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;
- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Right or its Ancillary Rights;
- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Right or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of

and amounts due under or in respect of or relating to such Right or its Ancillary Rights;  
and

- (e) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach;

**"BoE"** means the Bank of England;

**"BoE Base Rate"** means the Bank of England base rate;

**"Borrower"** means, in relation to a Mortgage 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 Mortgage Loan or part of it;

**"Breach of Duty"** means in relation to any person (other than the Trustee, the Issuer Account Bank, the Back-up Cash Manager and the Agents), a wilful default, fraud, illegal dealing, negligence or material breach of any agreement or breach of trust by such person and in relation to the Trustee, the Issuer Account Bank, the Back-up Cash Manager and each Agent means a wilful default, fraud or gross negligence by the Trustee or the relevant Agent (as the case may be);

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

**"Business Day"** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London;

**"Calculation Date"** means, in relation to an Interest Payment Date, the third Business Day prior to such Interest Payment Date;

**"Capital Balance"** means in respect of a Mortgage Loan at any date the principal balance of that Mortgage Loan;

**"Capitalised Arrears"** means, in relation to a Mortgage Loan, on any date, amounts (excluding Arrears of Interest or amounts comprising Capitalised Expenses) which are overdue in respect of that Mortgage Loan and which as at that date have been added to the Capital Balance of such Mortgage Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;

**"Capitalised Expenses"** means for any Mortgage Loan at any date, expenses which are overdue in respect of that Mortgage Loan and which as at that date have been added to the Capital Balance of that Mortgage Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;

**"Cash Management Agreement"** means the cash management agreement so named entered into on or about the Closing Date between the Cash Manager, the Issuer and the Trustee and/or any successor or replacement cash management agreement entered into by the Issuer from time to time (including the Replacement Cash Management Agreement);

**"Cash Manager"** means CHL in its capacity as cash manager pursuant to the Cash Management Agreement (or any successor duly appointed, including the Back-Up Cash Manager);

**"Certificate of Title"** means a solicitor's or licensed conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the *pro-forma* set out in the Standard Documentation;

**"Charged Accounts"** means the Issuer Accounts and any bank or other account in which the Issuer may at any time acquire a Benefit and over which the Issuer has created an Encumbrance in favour of the Trustee pursuant to the Deed of Charge;

**"Charged Property"** means all the property of the Issuer which is subject to the Security;

**"Charges"** means the security granted (by way of deposit) by the Borrowers, in favour of CHL, in respect of any Life Policies for the payment of the Mortgage Loans;

**"CHL"** means Capital Home Loans Limited;

**"CHL Standard Variable Rate"** means a variable rate of interest set by CHL from time to time;

**"Class A Noteholders"** means the persons who for the time being are the holders of the Class A Notes;

**"Class A Principal Deficiency Sub-Ledger"** means the sub-ledger of the Principal Deficiency Ledger relating to the Class A Notes;

**"Class B Noteholders"** means the persons who for the time being are the holders of the Class B Notes;

**"Class B Principal Deficiency Sub-Ledger"** means the sub-ledger of the Principal Deficiency Ledger relating to the Class B Notes;

**"Class C Noteholders"** means the persons who for the time being are the holders of the Class C Notes;

**"Class C Principal Deficiency Sub-Ledger"** means the sub-ledger of the Principal Deficiency Ledger relating to the Class C Notes;

**"Class D Noteholders"** means the persons who for the time being are the holders of the Class D Notes;

**"Class D Principal Deficiency Sub-Ledger"** means the sub-ledger of the Principal Deficiency Ledger relating to the Class D Notes;

**"Class E Noteholders"** means the persons who for the time being are the holders of the Class E Notes;

**"Class E Principal Deficiency Sub-Ledger"** means the sub-ledger of the Principal Deficiency Ledger relating to the Class E Notes;

**"Class F Noteholders"** means the persons who for the time being are the holders of the Class F Notes;

**"Class F Principal Deficiency Sub-Ledger"** means the sub-ledger of the Principal Deficiency Ledger relating to the Class F Notes;

**"Class Z Noteholders"** means, together, the Class Z1 Noteholders and the Class Z2 Noteholders;

**"Class Z1 Noteholders"** means the persons who for the time being are the holders of the Class Z1 Notes;

**"Class Z2 Noteholders"** means the persons who for the time being are the holders of the Class Z2 Notes;

**"Class Z Principal Deficiency Sub-Ledger"** means the sub-ledger of the Principal Deficiency Ledger relating to the Class Z Notes;

**"Clearing Systems"** means Clearstream, Luxembourg and Euroclear;

**"Clearstream, Luxembourg"** means Clearstream Banking, *société anonyme*, with offices at 42 Avenue J.F. Kennedy L-1855 Luxembourg;

**"Closing Date"** means 31 July 2015, or such other date as the Issuer, the Joint Lead Managers and the Seller may agree;

**"Collection Account"** means an account in the name of the Seller held with the Collection Account Bank pursuant to the Collection Account Agreement;

**"Collection Account Agreement"** means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, the Collection Account Bank and the Trustee;

**"Collection Account Bank"** means Barclays Bank PLC acting in its capacity as the bank at which the Collection Account is maintained (and any successor duly appointed);

**"Collection Account Bank Rating"** means:

- (i) in the case of S&P, a short-term, unsecured, unsubordinated and unguaranteed debt rating of A-2 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of BBB or (if no short-term, unsecured, unsubordinated and unguaranteed debt rating is assigned by S&P) BBB+; and
- (ii) in the case of Moody's, a long-term, unsecured and unsubordinated debt rating of at least Baa3,

or such other lower rating which is consistent with the then current rating methodology of the relevant Rating Agency in respect of the then current ratings of the Rated Notes;

**"Collection Account Declaration of Trust"** means the deed entered into on or about the Closing Date, between (*inter alios*) the Issuer, the Seller and the Collection Account Bank whereby the Seller declared a trust over the Collection Account (including all amounts standing to the credit of the Collection Account) in favour of the Issuer and the Seller;

**"Collection Period"** means each period from (and including) the last day in a calendar month (or, in the case of the first Collection Period, from (and including) the Cut-off Date) to (but excluding) the last day of the following calendar month;

**"Conditions"** means, in relation to the Notes, the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 6 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly;

**"Contingency Policies"** means the certain contingency policies of insurance effected by CHL with various insurance companies;

**"Corporate Services Agreement"** means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Issuer and the Seller;

**"Corporate Services Provider"** means Wilmington Trust SP Services (London) Limited (or any successor duly appointed);

**"Coupons"** means the interest coupons related to the Notes in definitive form;

**"Current Balance"** for each Mortgage Loan means, at any given date, the aggregate balance of the amounts charged to the Borrower's account in respect of a Mortgage Loan as at such date (but avoiding double counting) including:

- (i) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance or Flexible Drawing) advanced on or before the given date to the relevant Borrower and secured or intended to be secured by the related Mortgage; and

- (ii) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Seller's normal charging practices and any applicable regulatory obligation and added to the amounts secured or intended to be secured by the related Mortgage; and
- (iii) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Seller's normal charging practices and any applicable regulatory obligations but which is secured or intended to be secured by the related Mortgage,

as at the end of the Business Day immediately preceding that given date, minus 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 Flexible Drawings or Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date;

**"Cut-off Date"** means 30 June 2015;

**"Day Count Fraction"** means, in respect of an Interest Period, the actual number of days in such period divided by 365 (or 366 days if the relevant calculation is being made in respect of an Interest Period ending in a leap year);

**"Deed of Charge"** means the deed so named entered into on or about the Closing Date between, amongst others, the Issuer and the Trustee;

**"Deferred Interest"** shall have the meaning given to such term in Condition 8.11(a) (*Interest Accrual*);

**"Definitive Notes"** means any individual note certificate issued to a Noteholder in respect of its holding of the Notes in, or substantially in, the form set out in the Trust Deed;

**"Electronic Consent"** means consent given by way of electronic consents communicated through the electronic communications system of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Trustee in accordance with the operating rules and procedures of the relevant clearing system(s);

**"Encumbrance"** means:

- (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

**"Enforcement Notice"** means a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default*) and Residual Certificate Condition 11 (*RC Events of Default*) which declares the Notes or, as applicable, the Residual Certificates to be immediately due and payable;

**"Euroclear"** means Euroclear Bank S.A./N.V., with offices in 1 Boulevard du Roi Albert II B-1210 Brussels, Belgium, and any successor to such business;

**"Event of Default"** means any one of the events specified in Condition 13 (*Events of Default*);

**"Exchange Date"** means the first day following the expiry of forty days after the Closing Date;

**"Extraordinary Resolution"** means: (i) a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders and Certificateholders by a majority of not less than 75 per cent. of the votes cast; (ii) a Written Resolution; or (iii) consent given by way of Electronic Consent by or on behalf of the Noteholders or the Certificateholders, in the case of the Noteholders, of not less than 75 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding or, in the case of the Certificateholders, of not less than 75 per cent. of the Residual Certificates then in issue;

**"Final Discharge Date"** means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other monies and other liabilities due or owing by the Issuer have been paid or discharged in full;

**"Final Maturity Date"** means the Interest Payment Date falling in August 2047;

**"First Interest Payment Date"** means the Interest Payment Date falling in November 2015;

**"Flexible Drawing"** means any further drawing of moneys made by a Borrower under a Flexible Mortgage Loan other than the Initial Advance (but including any capitalised interest);

**"Flexible Mortgage Loan"** means a type of Mortgage Loan product that typically incorporates features that give the Borrower options (which may be subject to certain conditions) to, among other things, make further drawings on the Mortgage Loan account and/or to overpay or underpay interest and principal in a given month and/or take a payment holiday;

**"FSMA"** means the Financial Services and Markets Act 2000 (as amended);

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

**"General Reserve Fund"** means the reserve fund established on the Closing Date with a balance of zero and thereafter funded with the Liquidity Reserve Fund Excess (if any) and/or, as appropriate, through the application of Available Revenue Receipts on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, in an amount up to the then applicable General Reserve Fund Amount;

**"General Reserve Fund Amount"** means, on any date, an amount equal to the Reserve Fund Required Amount *less* the Liquidity Reserve Fund Required Amount;

**"General Reserve Fund Required Amount"** means, (i) prior to the redemption in full of the Rated Notes, an amount equal to 3.0 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and Class Z Notes as at the Closing Date, and (ii) following the redemption in full of the Rated Notes, zero.

**"GIC Account"** means the account in the name of the Issuer held at the Issuer Account Bank, or such additional or replacement bank account at such other account bank and/or other banks as may for the time being be in place with the prior consent of the Trustee and designated as such;

**"GIC Account Bank Agreement"** means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Issuer Account Bank and the Trustee;

**"Global Note"** means the global note representing each Class of Notes (together, the **"Global Notes"**);

**"Guarantee"** means a guarantee provided in support of the obligations of a Borrower under a Mortgage Loan;

**"Guarantor"** means an individual who has provided a Guarantee in support of the obligations of a Borrower under a Mortgage Loan;

**"holder"** means the holder of a Note and the words **"holders"** and related expressions shall (where appropriate) be construed accordingly;

**"Holdings"** means Auburn 4 Limited (registered number 8878248), a private limited company incorporated under the laws of England and Wales, whose registered office is at Third Floor, 1 King's Arms Yard, London EC2R 7AF;

**"Incorporated Terms Memorandum"** means the memorandum so named dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction Parties;

**"Initial Advance"** means, in relation to a Mortgage Loan, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, and it may include any fees (if capitalised);

**"Initial Reserve Fund Required Amount"** means, on the Closing Date, the sum of £15,750,660 (being an amount equal to 3.0 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date);

**"Insolvency Event"** means, in relation to a company:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period of permitted deferral), or suspends making payments on any of its debts;
- (b) a moratorium is declared in respect of any indebtedness of such company;
- (c) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business;
- (d) any corporate action, legal proceedings or other procedure or step is taken in relation to:
  - (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
  - (ii) an encumbrancer (excluding, in relation to the Issuer, by the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company;
  - (iii) the making of an arrangement, composition or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or
  - (iv) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or
- (e) any procedure or step is taken, or any event occurs, analogous to those set out in (a) to (d) above, in any jurisdiction.

**"Insolvency Official"** means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the



terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes) provisional liquidator, administrator, examiner, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

**"Insurance Policies"** means the Buildings Insurance Policies and the Contingency Policies relating to the Mortgage Loans from time to time;

**"Interest Amount"** means in respect of a Note for any Interest Period the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by:

- (a) multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date by the relevant Note Rate; and
- (b) then multiplying the amount so calculated in paragraph (a) by the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

**"Interest Determination Date"** means each Interest Payment Date or, in the case of the first Interest Period, the Closing Date and, in relation to an Interest Period, the **"related Interest Determination Date"** means the Interest Determination Date which falls on the first day of such Interest Period;

**"Interest Determination Ratio"** means (i) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports or, where there are not at least three previous Servicer Reports, any previous Servicer Reports received in the preceding Collection Periods, divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports;

**"Interest Only Mortgage Loan"** means a Mortgage Loan in relation to which the principal amount is not repayable before maturity;

**"Interest Payment Date"** means the 18<sup>th</sup> of each of February, May, August and November, commencing on the First Interest Payment Date, **provided that** if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day;

**"Interest Period"** means the period from (and including) an Interest Payment Date (except in the case of the first Interest Period, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date and, in relation to an Interest Determination Date, the **"related Interest Period"** means the Interest Period in which such Interest Determination Date falls;

**"Investor Report"** means the report in respect of the Issuer provided by the Cash Manager to the Issuer, the Trustee, the Seller, the Back-Up Cash Manager, the Back-Up Servicer and the Rating Agencies on a monthly basis pursuant to the Cash Management Agreement;

**"Irish Stock Exchange"** means the Irish Stock Exchange plc;

**"Issuer"** means Auburn Securities 9 plc (registered number 8801944), a public limited company incorporated under the laws of England and Wales, whose registered office is at Third Floor, 1 King's Arms Yard, London EC2R 7AF;

**"Issuer Account Bank"** means Citibank, N.A., London Branch acting in such capacity (or any successor duly appointed);

**"Issuer Account Bank Rating"** means in respect of the Issuer Account Bank:

- (a) in the case of S&P, a short-term unsecured, unsubordinated and unguaranteed debt rating of at least A-1 by S&P (if a short-term rating is assigned by S&P) and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by S&P, or should the Issuer Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-1 from S&P, a long term unsecured, unsubordinated and unguaranteed rating of at least A+ by S&P; and
- (b) in the case of Moody's, a long-term, unsecured, unguaranteed and unsubordinated debt rating of at least A3 by Moody's,

or (in each case) such other credit rating as would not adversely affect the then current ratings of the Rated Notes;

**"Issuer Accounts"** means the Transaction Account, the GIC Account and any additional bank accounts in the name of the Issuer established or to be established pursuant to the Transaction Account Bank Agreement or the GIC Account Bank Agreement (as applicable);

**"Issuer Covenants"** means the covenants of the Issuer set out in Schedule 8 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

**"Issuer Jurisdiction"** means England and Wales (and the United Kingdom for tax purposes) or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Condition 21 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

**"Issuer Profit Amount"** means £21,000 on the Interest Payment Date falling in November 2015 and £250 on each Interest Payment Date thereafter in each case to be credited to the Transaction Account and to be retained by the Issuer as profit in respect of the business of the Issuer;

**"Issuer Reconciliation Payment"** means a payment to be made by the Issuer to the Seller in accordance with the Mortgage Sale Agreement where the Cash Manager makes a determination of the Issuer Reconciliation Payment Amount;

**"Issuer Reconciliation Payment Amount"** means an amount equal to the positive difference (if any) between the Retained Amount and the actual amount of collections received in respect of the Portfolio during the period from the Cut-off Date to the Closing Date;

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

**"LIBOR"** means the London Interbank Offered Rate;

**"Life Policies"** means such policies of life assurance (if any), in each case in respect of a Borrower, (including any Substitute Life Policies) as may have been deposited by way of collateral security in respect of Interest Only Mortgage Loans for the payment of the sums secured under such Mortgage Loans;

**"Liquidity Reserve Fund"** means the reserve fund established on the Closing Date which will be initially funded by the proceeds of issuer of Subordinated Notes up to the Initial Reserve Fund Required Amount and which will subsequently be maintained in the amount equal to the Liquidity Reserve Fund Required Amount and replenished from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments;

**"Liquidity Reserve Fund Excess"** means, on any Interest Payment Date, the amount by which the funds standing to the credit of the Liquidity Reserve Fund (after deducting any amounts to be applied to eliminate any Revenue Shortfall) exceed the Liquidity Reserve Fund Required Amount;

**"Liquidity Reserve Fund Required Amount"** means, with respect to any Interest Payment Date, an amount equal to:

- (a) prior to the redemption in full of the Rated Notes, the lesser of:
  - (i) the Initial Reserve Fund Required Amount; and
  - (ii) 3.0 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and Class Z Notes as at the Calculation Date immediately preceding such Interest Payment Date;

and

- (b) following the redemption in full of the Rated Notes, zero;

**"Losses"** means the aggregate of:

- (i) all realised losses on the Mortgage Loans which are not recovered from the proceeds following the sale of the Property to which such Mortgage Loan relates; and
- (ii) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Mortgage Loan;

**"Meeting"** means (as the case may be) a meeting of Noteholders of any Class or Classes (whether originally convened or resumed following an adjournment) or a meeting of Certificateholders (whether originally convened or resumed following an adjournment);

**"Minimum Amount"** means £0.01;

**"Minimum Denomination"** means in respect of the Notes represented by the Global Notes and (if issued) the Definitive Notes will be £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000;

**"Monthly Payment Date"** means the date in each month on which interest (and principal in relation to a repayment mortgage) is due to be paid by a Borrower on a Mortgage Loan under the applicable Mortgage Conditions or, if any such day is not a Business Day, the next following Business Day, except where such next following Business Day falls in a different month in which case, the preceding Business Day;

**"Moody's"** means Moody's Investors Service Limited and any successor to its rating business;

**"Mortgage"** means a first ranking legal charge over freehold or leasehold Properties located in England and Wales which is security for a Mortgage Loan;

**"Mortgage Conditions"** means the terms and conditions applicable to a Mortgage Loan and/or Mortgage as contained in the Seller's "Mortgage Conditions" booklet applicable from time to time;

**"Mortgage Loan"** means a residential mortgage loan, secured by a Mortgage and its Related Security, sold or to be sold to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement including, where the context so requires, any Further Advance or Flexible Drawing made by the Seller to a Borrower prior to the Closing Date and sold to the Issuer pursuant to the Mortgage Sale Agreement, each Flexible Drawing sold or to be sold (as applicable) to the Issuer by the Seller after the Closing Date and any mortgage loan which is the subject of a Product Switch but excluding (for the avoidance of doubt) a mortgage loan and its Related Security which is repurchased by the Seller pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

**"Mortgage Loan Files"** means the file or files relating to each Mortgage Loan (including files kept in microfiche format 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 Borrower and the Seller and including mortgage documentation applicable to the

Mortgage Loan, each letter of offer for that Mortgage Loan, the Valuation Report (if applicable) and, to the extent available, the solicitor's or licensed conveyancer's Certificate of Title;

**"Mortgage Portfolio"** means the portfolio of Mortgage Loans, their Related Security and all moneys derived therefrom purchased or to be purchased by the Issuer from the Seller on the Closing Date;

**"Mortgage Sale Agreement"** means the agreement so named dated on or about the Closing Date between the Seller, the Issuer, the Trustee and the Servicer in relation to the sale of the Mortgage Portfolio to the Issuer;

**"Most Senior Class"** means Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes then outstanding, the Class E Notes or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes then outstanding, the Class F Notes or, if there are no Rated Notes then outstanding, the Class Z1 Notes or, if there are no Rated Notes or Class Z1 Notes then outstanding, the Class Z2 Notes or, if there are no Rated Notes, Class Z1 Notes or Class Z2 Notes then outstanding, the Subordinated Notes;

**"Note Principal Payment"** means in respect of any Note on any Interest Payment Date, the principal amount redeemable in respect of such a Note, which shall be a proportion of the amount of Available Principal Receipts required as at that Interest Payment Date pursuant to the Pre-Enforcement Principal Priority of Payments to be applied in redemption of the relevant class of Notes on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such class of Notes rounded down to the nearest Minimum Amount **provided always that** no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note;

**"Note Rate"** for each Interest Period means, in respect of (i) each Class of Notes other than the Class E Notes, the Class F Notes, the Class Z Notes and the Subordinated Notes, the Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such Class; and (ii) in respect of the Class E Notes, the Class F Notes, the Class Z Notes and the Subordinated Notes, 0.00 per cent. per annum;

**"Noteholder"** means the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders, the Class Z Noteholders and the holders of the Subordinated Notes or, where the context otherwise requires, the holders of Notes of a particular class or classes, as the case may be;

**"Notices Condition"** means, in the case of the Notes, Condition 22 (*Notices*) and, in the case of the Residual Certificates, Residual Certificate Condition 20 (*Notices*);

**"Notices Details"** means, in relation to any Party, the provisions set out in Schedule 9 (*Notice Details*) of the Incorporated Terms Memorandum;

**"outstanding"** means:

- (A) in relation to the Notes, all the Notes other than:
  - (i) those which have been redeemed in full and cancelled in accordance with the Conditions;
  - (ii) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to, or to the order of, the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;

- (iii) those which have been redeemed or surrendered for cancellation as provided in Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and notice of the cancellation of which has been given to the Trustee;
- (iv) those which have become void under the Conditions;
- (v) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and
- (vi) any Global Note, to the extent that it shall have been exchanged for the related Definitive Notes pursuant to the provisions contained therein and the Conditions;

**provided that** for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 13 (*Waiver*), Clause 14 (*Modifications*), Clause 17 (*Proceedings and Actions by the Trustee*), Clause 25 (*Appointment of Trustees*) and Clause 26 (*Notice of New Trustee*) of the Trust Deed and Condition 13 (*Events of Default*), Condition 14 (*Enforcement*), Condition 16 (*Meetings of Noteholders*) and Condition 17 (*Modification and Waiver*) and the Provisions for Meetings of Noteholders and Certificateholders; and
- (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, CHL, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of CHL, any holding company of CHL or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Notes of any class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the "**Relevant Class of Notes**") shall be deemed to remain outstanding except that, if there is any other class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

- (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 Certificate Condition 16 (*Prescription*);
  - (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 Certificate Condition 17 (*Replacement of 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 Certificate Condition 17 (*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:

- (v) the right to attend and vote at any meeting of Certificateholders;
- (vi) the determination of how many and which Residual Certificates are for the time being outstanding for the purposes of Clause 13 (*Waiver*), Clause 14 (*Modifications*), Clause 17 (*Proceedings and Actions by the Trustee*), Clause 25 (*Appointment of Trustees*) and Clause 26 (*Notice of a New Trustee*) of the Trust Deed and Residual Certificate Condition 11 (*RC Events of Default*), Residual Certificate Condition 12 (*Enforcement*), Residual Certificate Condition 14 (*Meetings of Noteholders and Certificateholders*) and Residual Certificate Condition 15 (*Modification and Waiver*) and the Provisions for Meetings of Noteholders and Certificateholders; and
- (vii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Certificateholders or any of them,

those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, CHL, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of CHL, any holding company of CHL or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Residual Certificates are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case the Residual Certificates shall be deemed to remain outstanding;

**"Participants"** means persons that have accounts with Euroclear or Clearstream, Luxembourg;

**"Paying Agents"** means the Principal Paying Agent and any other paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement;

**"Portfolio Reference Date"** means 31 May 2015;

**"Portfolio Selection Date"** means 22 July 2015;

**"Post-Enforcement Priority of Payments"** means the provisions relating to the order of priority of payments from the Charged Accounts following delivery of an Enforcement Notice, set out in Clause 16 (*Post-Enforcement Priority of Payments*) of the Deed of Charge;

**"Pre-Enforcement Principal Priority of Payments"** means the provision relating to the order of priority of payments from the Principal Ledger set out in Schedule 4 (*Priorities of Payment*) of the Cash Management Agreement;

**"Pre-Enforcement Revenue Priority of Payments"** means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Schedule 4 (*Priorities of Payment*) of the Cash Management Agreement;

**"Principal Amount Outstanding"** means, on any day:

- (a) in relation to a Note, the principal amount outstanding of that Note as at the Closing Date, less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and been paid) on or prior to that day;
- (b) in relation to a class, the aggregate of the amount in (a) in respect of all Notes outstanding in such class; and

- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of class;

**"Principal Deficiency Ledger"** means the Principal Deficiency Ledger comprising the Class A Principal Deficiency Sub-Ledger, 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, the Class F Principal Deficiency Sub-Ledger and the Class Z Principal Deficiency Sub-Ledger maintained by the Cash Manager on behalf of the Issuer which records on it all deficiencies arising from Losses allocated to the Notes and Principal Receipts used to pay a Remaining Revenue Shortfall;

**"Principal Ledger"** means the ledger maintained by the Cash Manager on behalf of the Issuer which records all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the provisions of the Cash Management Agreement and in particular with the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);

**"Principal Paying Agent"** means Citibank, N.A., London Branch (or any successor duly appointed);

**"Principal Receipts"** means payments received by the Issuer representing:

- (a) any payment in respect of principal received in respect of any Mortgage Loan (including Capitalised Arrears and Capitalised Expenses but excluding Accrued Interest and Arrears of Interest);
- (b) recoveries of principal from defaulting Borrowers on enforcement of any Mortgage Loan (including the proceeds of sale of the relevant Property but excluding any recoveries of principal from defaulting Borrowers under Mortgage Loans in respect of which enforcement procedures have been completed);
- (c) any payment pursuant to any Insurance Policy in respect of a Property in connection with a Mortgage Loan in the Mortgage Portfolio;
- (d) recoveries of principal on redemption (including partial redemption) of any Mortgage Loan;
- (e) proceeds of the repurchase of any Mortgage Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (excluding, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon and other interest amounts in respect of the Mortgage Loans as at the relevant repurchase date); and
- (f) any other payments received which are not classified as Revenue Receipts;

**"Priorities of Payments"** means the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments and the Post-Enforcement Priority of Payments;

**"Product Switch"** means the conversion of a Mortgage Loan (either by the agreement of the Servicer to a Borrower's request to convert his Mortgage Loan or, in the case of a default by a Borrower, by election by the Servicer) into a Mortgage Loan with a different type of interest rate or repayment term;

**"Product Switch Conditions"** means the conditions set out at Clause 5.3 (*Product Switches*) of the Mortgage Sale Agreement;

**"Property"** means a freehold or leasehold property which is subject to a Mortgage;

**"Provisions for Meetings of Noteholders and Certificateholders"** means in respect of the Notes the provisions contained in Schedule 7 (*Provisions for Meetings of Noteholders*) to the Trust Deed, and, in respect of the Certificates, the provisions contained in Schedule 8 (*Provisions for Meetings of Certificateholders*) of the Trust Deed;

**"Prudent Mortgage Lender"** means the manner of a reasonably prudent mortgage lender lending to borrowers in England and Wales where the Mortgage Loan is secured over residential property;

**"Purchase Price"** means the consideration from the Issuer to the Seller in respect of the sale of the Mortgage Portfolio on the Closing Date in an amount equal to £508,289,285;

**"Rating Agencies"** means Moody's and S&P, and **"Rating Agency"** means either of them;

**"RC Event of Default"** means any one of the events specified in Residual Certificate Condition 11 (*RC Events of Default*);

**"Receiver"** means any receiver, manager, administrator, receiver or manager, or administrative receiver appointed in respect of the Issuer by the Issuer at the request of the Trustee or by the Trustee in accordance with Clause 18 (*Appointment and Removal of Administrators and Receivers*) of the Deed of Charge;

**"Reconciled Principal Amount"** means an amount equal to the Principal Receipts collected in respect of the Mortgage Loans forming part of the Mortgage Portfolio during the period from the Cut-off Date until the Closing Date, as determined by the Cash Manager on the Reconciliation Date;

**"Reconciled Revenue Amount"** means an amount equal to the Revenue Receipts collected in respect of the Mortgage Loans forming part of the Mortgage Portfolio during the period from the Cut-off Date until the Closing Date, as determined by the Cash Manager on the Reconciliation Date;

**"Reconciliation Amount"** means in respect of any Collection Period which is a Determination Period, (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (ii) the Calculated Principal Receipts in respect of such Collection Period, plus (iii) any Reconciliation Amount not applied in previous Collection Periods;

**"Reconciliation Date"** means the fifth Business Day following the Closing Date.

**"Reference Banks"** means the principal London office of four major banks in the London interbank market, selected by the Agent Bank (in consultation with the Issuer) at the relevant time;

**"Reference Rate"** means, on any Interest Determination Date, the floating rate determined by the Agent Bank by reference to the Screen Rate on such date or if, on such date, the Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Agent Bank after request of each of the Reference Banks;
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Reserve Reference Rate,

subject always to a minimum of zero;

**"Registrar"** means Citibank N.A., London Branch (or any successor duly appointed);

**"Related Security"** means, in relation to a Mortgage Loan, the security for the repayment of that Mortgage Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Mortgage Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement including (without limitation):



- (a) the benefit of all affidavits, declarations, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, deeds of consent relating to the relevant Property) from occupiers and other persons having an interest in or rights in connection with the relevant Property;
- (b) each right of action of the Seller against any person (including, without limitation, any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Mortgage Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the Mortgage Loan; and
- (c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (including, the relevant Insurance Policies, Life Policies and Charges) deposited, charged, obtained, or held in connection with the Mortgage Loan, Mortgage and/or Property and relevant Mortgage Loan Files;

**"Relevant Margin"** means:

- (a) for the Class A Notes, 1.000 per cent. per annum up to and excluding the Step-Up Date and thereafter 1.750 per cent. per annum;
- (b) for the Class B Notes, 1.200 per cent. per annum up to and excluding the Step-Up Date and thereafter 2.100 per cent. per annum;
- (c) for the Class C Notes, 1.500 per cent. per annum up to and excluding the Step-Up Date and thereafter 2.625 per cent. per annum; and
- (d) for the Class D Notes, 1.800 per cent. per annum up to and excluding the Step-Up Date and thereafter 3.150 per cent. per annum;

**"Relevant Period"** means, in relation to the first Interest Determination Date, the linear interpolation of 3 months and 6 months and, in relation to each subsequent Interest Determination Date, the length in months of the related Interest Period;

**"Remaining Revenue Shortfall"** means for each Calculation Date, the extent, if any, of any remaining shortfall in amounts available to pay or provide for payment of items (a) to (o) inclusive, of the Pre-Enforcement Revenue Priority of Payments after application by the Cash Manager (on behalf of the Issuer) of (i) Available Revenue Receipts (other than items (e) and (f) of Available Revenue Receipts), (ii) amounts standing to the credit of the General Reserve Fund and (iii) amounts standing to the credit of the Liquidity Reserve Fund, to make up a Revenue Shortfall;

**"Replacement Cash Management Agreement"** means the replacement cash management agreement scheduled to the Back-Up Cash Management Agreement and entered into in accordance with the Back-Up Cash Management Agreement between the Back-Up Cash Manager (as Cash Manager), the Issuer, the Trustee, the Seller and the Servicer;

**"Replacement Servicing Agreement"** means the replacement servicing agreement scheduled to the Back-Up Servicing Agreement and entered into in accordance with the Back-Up Servicing Agreement between the Issuer, the Back-Up Servicer (as Servicer), the Seller, the Back-Up Servicer Facilitator and the Trustee;

**"Representative Amount"** means £10,000,000;

**"Reserve Reference Rate"** means on any Interest Determination Date:

- (a) the Rounded Arithmetic Mean of the rates at which deposits in Sterling are offered in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date by the principal London office of each of four major banks selected

by the Agent Bank (in consultation with the Issuer) in its absolute discretion for Sterling loans for the Relevant Period in the Representative Amount to major banks in the London interbank market; or

- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the relevant Interest Determination Date;

**"Reserved Matter"** means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of, or any class or for any payment in respect of the Residual Certificates including, without limitation, any Residual Payment, to modify the amount of principal or interest due on any date in respect of the Notes of any class or any payment in respect of the Residual Certificates (including, without limitation, any Residual Payment Amount) or to alter the method of calculating the amount of any payment in respect of the Notes of any class or the Residual Certificates (including, without limitation the Residual Payment Amount);
- (b) (except in accordance with Condition 21 (*Substitution of Issuer*) or Residual Certificate Condition 19 (*Substitution of the Issuer*) and Clause 13 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any class or the Residual Certificates for, or the conversion of such Notes or Residual Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes or the Residual Certificates are payable;
- (d) to alter the Priority of Payments in respect of the Notes or the Residual Certificates;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

**"Residual Certificate Conditions"** means, in relation to the Residual Certificates, the terms and conditions to be endorsed on the Residual Certificates in, or substantially in, the form set out in Schedule 6 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Residual Certificate Condition shall be construed accordingly;

**"Residual Payment"** means:

- (i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the amount (if any) by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (v) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date; and
- (ii) following the delivery of an Enforcement Notice, in respect of each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (a) to (l) of the Post-Enforcement Priority of Payments on that date.

**"Residual Payment Amount"** means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Residual Payment for that date, divided by the number of Residual Certificates then in issue.

**"Revenue Ledger"** means the ledger maintained by the Cash Manager on behalf of the Issuer which records all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);

**"Revenue Receipts"** means payments received by the Issuer directly or from the Seller representing:

- (a) payments of interest (including Arrears of Interest and Accrued Interest but excluding Capitalised Arrears) and fees due from time to time under the Mortgage Loans;
- (b) recoveries of interest and outstanding fees (excluding Capitalised Arrears and Capitalised Expenses, if any) from defaulting Borrowers under Mortgage Loans being enforced;
- (c) recoveries of interest and/or principal from defaulting Borrowers under Mortgage Loans in respect of which enforcement procedures have been completed;
- (d) the proceeds of the repurchase of any Mortgage Loan or an indemnity by the Seller from the Issuer pursuant to the Mortgage Sale Agreement to the extent such proceeds are attributable to Accrued Interest, Arrears of Interest and other interest amounts in respect of the Mortgage Loans (excluding, for the avoidance of doubt, Capitalised Arrears) as at the relevant transfer date; and
- (e) any early repayment charges which have been paid by the Borrower in respect of the Mortgage Loans;

**"Revenue Shortfall"** means, for each Calculation Date, the extent if any, by which Available Revenue Receipts (other than items (e) and (f) of Available Revenue Receipts) are insufficient to pay or provide for items (a) to (p) of the Pre-Enforcement Revenue Priority of Payments;

**"Revenue Surplus"** means, for each Calculation Date, the amount if any, by which Available Revenue Receipts exceeds the aggregate amounts payable by the Issuer on the related Interest Payment Date under items (a) to (r) of the Pre-Enforcement Revenue Priority of Payments;

**"Rounded Arithmetic Mean"** means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

**"S&P"** means Standard & Poor's Credit Market Services Europe Limited;

**"Screen"** means Reuters Screen LIBOR01; or

- (a) such other page as may replace Reuters Screen LIBOR01 on that service for the purpose of displaying such information; or
- (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen;

**"Screen Rate"** means, in relation to (i) the first Interest Determination Date, the linear interpolation of the offered quotations for Sterling deposits for the Relevant Period in the London interbank market displayed on the Screen or (ii) any subsequent Interest Determination Date, the offered quotations for Sterling deposits for the Relevant Period which appears on the Screen (in the case of (i) and (ii)) as at or about 11:00 a.m. (London time) on that date (rounded upwards if necessary, to five decimal places);

**"Secured Amounts"** means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes, the Residual Certificates or the Transaction Documents;

**"Secured Creditors"** means the Trustee in its own capacity, any Receiver or any Appointee appointed by the Trustee, each in its own capacity, the Agent Bank, the Paying Agents, the Corporate Services Provider, the Servicer, the Back-Up Servicer (and any replacement of the Servicer or the Back-Up Servicer), the Back-Up Servicer Facilitator, the Cash Manager, the Back-Up Cash Manager (and any replacement of the Cash Manager or the Back-Up Cash Manager), the Collection Account Bank, the Issuer Account Bank, any bank at which any other

account in the name of the Issuer is held, the Noteholders and the Certificateholders and any party named as such in a Transaction Document;

**"Security"** means the security granted by the Issuer to the Trustee under and pursuant to the Deed of Charge in favour of the Secured Creditors;

**"Seller"** means CHL acting in its capacity as originator and seller of the Mortgage Loans and their Related Security to the Issuer pursuant to the Mortgage Sale Agreement;

**"Seller Power of Attorney"** means the power of attorney granted by the Seller in favour of the Issuer and the Trustee on the Closing Date in substantially the same form as that set out in Schedule 3 (*Seller Power of Attorney*) to the Mortgage Sale Agreement;

**"Seller Reconciliation Payment"** means a payment to be made by the Seller to the Issuer in accordance with the Mortgage Sale Agreement where the Cash Manager makes a determination of the Seller Reconciliation Payment Amount;

**"Seller Reconciliation Payment Amount"** means an absolute value of the negative difference (if any) between the Retained Amount and the actual amount of collections received in respect of the Portfolio during the period from the Cut-off Date to the Closing Date;

**"Servicer"** means CHL or such other person as may from time to time be appointed as servicer of the relevant Mortgage Loans in the Mortgage Portfolio pursuant to the Servicing Agreement;

**"Servicer Report"** means such information to be provided by the Servicer in respect of each Collection Period to enable the Cash Manager to comply with its obligations to calculate the Available Revenue Receipts and Available Principal Receipts and to make certain other determinations on each Calculation Date;

**"Services"** means the services to be provided by the Servicer set out in the Servicing Agreement including in Schedule 1 (*The Services*) thereto;

**"Servicing Agreement"** means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, the Seller and the Trustee, and/or any successor or replacement servicing agreement entered into by the Issuer from time to time (including the Replacement Servicing Agreement);

**"Share Trustee"** means Wilmington Trust SP Services (London) Limited, (registered number 02548079), a company incorporated under the laws of England and Wales, whose principal office is at Third Floor, 1 King's Arms Yard, London EC2R 7AF;

**"Specified Office"** means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 13.8 (*Changes in Specified Offices*) of the Agency Agreement;

**"SPV Criteria"** means the criteria established from time to time by the Rating Agencies for a single purpose company in the Issuer Jurisdiction;

**"Standard Documentation"** means the standard documentation of CHL, a list of which is set out in the Mortgage Sale Agreement;

**"Standard Variable Rate Mortgage Loans"** means the Mortgage Loans which are subject to the CHL Standard Variable Rate;

**"Step-Up Date"** means the Interest Payment Date falling in August 2018;

**"Subordinated Noteholder"** means the holder for the time being of the Subordinated Notes;

**"Substitute Life Policies"** means any substitute Life Policy which replaces a Life Policy taken out by a Borrower (if any) as may be determined pursuant to Clause 17.3 (*Insurance Policies*) of

the Servicing Agreement and the Charges in respect of which may be charged for the benefit of the Trustee;

**"Substituted Obligor"** means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

**"Tax"** shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority in the United Kingdom and Ireland and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

**"Tax Authority"** means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

**"Tax Deduction"** means any deduction or withholding on account of Tax;

**"Tracker Mortgage Loans"** means the Mortgage Loans which are BoE-linked mortgages where the applicable rate of interest is calculated by reference to the BoE Base Rate or, where the applicable rate of interest is calculated by reference to a combination of the BoE Base Rate and the appropriate loan to value ratio;

**"Transaction Account"** means the account in the name of the Issuer held at the Issuer Account Bank, or such additional or replacement bank account at such other account bank and/or other banks as may for the time being be in place with the prior consent of the Trustee and designated as such;

**"Transaction Account Bank Agreement"** means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Issuer Account Bank and the Trustee;

**"Transaction Documents"** means the Transaction Account Bank Agreement, the GIC Account Bank Agreement, the Collection Account Agreement, the Servicing Agreement, the Agency Agreement, the Cash Management Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed of Charge (and any documents entered into pursuant to the Deed of Charge), the Incorporated Terms Memorandum, the Mortgage Sale Agreement, the Seller Power of Attorney, the Trust Deed, the Back-Up Servicing Agreement, the Back-Up Cash Management Agreement and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and the Residual Certificates and any other document designated as such (other than the Subscription Agreement);

**"Transaction Party"** means any person who is a party to a Transaction Document and **"Transaction Parties"** means some or all of them;

**"Trust Deed"** means the deed so named dated on or about the Closing Date between the Issuer and the Trustee and any document expressed to be supplemental to the Trust Deed;

**"Trust Documents"** means the Trust Deed, the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

**"Trustee"** means Citicorp Trustee Company Limited in its capacity as trustee under the terms of the Trust Documents, or such other person as may be appointed from time to time as Trustee (or co-Trustee) pursuant to the Trust Documents;

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

**"Written Resolution"** means a resolution in writing signed by or on behalf of the holders of 75 per cent. in aggregate Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding or of 75 per cent. of the number of Residual Certificates then in issue who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for Meetings of Noteholders and Certificateholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes or the Residual Certificates.

2.2 **Interpretation:** Any reference in the Conditions to:

**"continuing"**, in respect of an Event of Default or an RC Event of Default, shall be construed as a reference to an Event of Default or an RC Event of Default (as the case may be) which has not been waived in accordance with, respectively, the terms of the Conditions or the Residual Certificate Conditions (as the case may be) or, as the case may be, the relevant Transaction Document;

a **"class"** shall be a reference to a class of the Notes being the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class Z Notes and the Subordinated Notes and **"classes"** shall be construed accordingly;

**"including"** shall be construed as a reference to **"including without limitation"**, so that any list of items or matters appearing after the word **"including"** shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word **"including"**;

**"indebtedness"** shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a **"law"** shall be construed as any law (including common or customary law), statute, constitution, decree, judgement, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

**"principal"** shall, where applicable, include premium;

**"redeem"** and **"pay"** shall each include both of the others and **"redeemed"**, **"redeemable"** and **"redemption"** and **"paid"**, **"payable"** and **"payment"** shall be construed accordingly;

a reference to any person defined as a **"Transaction Party"** in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests; and

a **"successor"** of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred.

2.3 **Transaction Documents and other agreements:** Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, restated, varied, novated, supplemented or replaced.

2.4 **Statutes and Treaties:** Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

- 2.5 **Schedules:** Any Schedule of, or Appendix to a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.
- 2.6 **Headings:** Condition headings are for ease of reference only.
- 2.7 **Sections:** Except as otherwise specified in the Conditions, reference in the Conditions to:
- (a) a "**Section**" shall be construed as a reference to a Section of such Transaction Document;
  - (b) a "**Part**" shall be construed as a reference to a Part of such Transaction Document;
  - (c) a "**Schedule**" shall be construed as a reference to a Schedule of such Transaction Document;
  - (d) a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and
  - (e) a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

2.8 **Number**

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. **Form and Denomination**

- 3.1 The Notes are in fully registered form in the Minimum Denomination for such Notes, without principal receipts, interest coupons or talons attached.
- 3.2 The Principal Amount Outstanding of the Notes of each class initially offered and sold outside the United States to non U.S. persons pursuant to Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") is represented by one or more global registered notes in fully registered form (the "**Global Notes**") without coupons attached. References herein to the "**Notes**" shall include (i) in relation to any Notes of a class represented by a Global Note, units of the Minimum Denomination of such class, (ii) any Global Note and (iii) any Definitive Note issued in exchange for a Global Note.
- 3.3 For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme*, as appropriate.
- 3.4 For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in minimal amounts of £100,000 and integral multiples of £1,000 thereafter.
- 3.5 Certificates evidencing definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Global Notes (the "**Definitive Notes**") will be issued in registered form and serially numbered in the circumstances referred to below. Definitive Notes, if issued, will be issued in the denomination of £100,000 and any amount in excess thereof in integral multiples of £1,000.
- 3.6 If, while any Notes are represented by a Global Note:
- (a) in the case of a Global Note held in Euroclear or Clearstream, Luxembourg, 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; or

- (b) as a result of any amendment to, or change in (A) the laws or regulations of the United Kingdom or any political sub-division therein or thereof having power to tax or (B) the interpretation or administration of such legislation which becomes effective on or after the Closing Date, the Issuer or the Principal 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 if the Notes were in definitive form,

(each a "**relevant event**") the Issuer will issue Definitive Notes to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Global Note will not be exchangeable for Definitive Notes in any other circumstances.

4. **Title**

- 4.1 The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.
- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes.
- 4.3 No transfer of a Note will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Note who so requests (and who provides evidence of such holding where the Notes are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- 4.5 A Definitive Note may be transferred in whole or in part upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Note, a new Definitive Note, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- 4.6 Each new Definitive Note, to be issued upon transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Note, to such address as may be specified in such request.
- 4.7 Registration of Definitive Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.
- 4.8 No holder of a Definitive Note, may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.



5. **Status and Ranking**

5.1 **Status:** The Notes of each class constitute direct, secured and unconditional obligations of the Issuer.

5.2 **Ranking:**

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

The Class B Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B Noteholders will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).

The Class C Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class C Noteholders will be subordinated to the interests of each of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or any Class B Notes remain outstanding).

The Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class D Noteholders will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes remain outstanding).

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

The Class F Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, 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 Class F Noteholders will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and Class E Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes and/or any Class E Notes remain outstanding).

The Class Z1 Notes, with respect to payment of interest, rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z1 Noteholders will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes and/or any Class E Notes and/or any Class F Notes remain outstanding).

The Class Z2 Notes, with respect to payment of interest, rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class Z1 Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z2 Noteholders will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class Z1 Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes and/or any Class E Notes and/or any Class F Notes and/or any Class Z1 Notes remain outstanding).

The Subordinated Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest (if any) and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class Z Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Subordinated Noteholders will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class Z Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes and/or any Class E Notes and/or any Class F Notes and/or any Class Z Notes remain outstanding).

- 5.3 ***Sole Obligations:*** The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

- 5.4 ***Priority of Payments:*** Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Receipts and Available Principal Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments (as applicable) and thereafter, in accordance with the Post-Enforcement Priority of Payments.

## 6. **Security**

- 6.1 ***Security:*** The Notes are secured by the Security.

- 6.2 ***Enforceability:*** The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 13 (*Events of Default*) and subject to the matters referred to in Condition 14 (*Enforcement*).

## 7. **Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business, without the prior written consent of the Trustee. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

## 8. **Interest**

- 8.1 ***Accrual of Interest:*** Each Note bears interest on its Principal Amount Outstanding, from (and including) the Closing Date.

- 8.2 ***Cessation of Interest:*** Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused or default is otherwise made in respect of the payment, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

- (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such class (in accordance with Condition 22 (*Notices*)) that the full

amount payable is available for collection by the Noteholder, **provided that** on due presentation payment is in fact made.

- 8.3 **Interest Payments:** Interest on each Note is payable in Sterling in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.
- 8.4 **Calculation of Interest Amount:** Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Note for the related Interest Period.
- 8.5 **Determination of Note Rate, Interest Amount and Interest Payment Date:** The Agent Bank will, on each Interest Determination Date, determine:
- (a) the Note Rate for each class for the related Interest Period;
  - (b) the Interest Amount for each class for the related Interest Period; and
  - (c) the Interest Payment Date next following the related Interest Period;
- and notify the Issuer, the Servicer, the Cash Manager, the Trustee and the Paying Agents and for so long as the Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange.
- 8.6 **Publication of Note Rate, Interest Amount and Interest Payment Date:** As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 8.5 (*Determination of Note Rate, Interest Amount and Interest Payment Date*) and in any event no later than the second Business Day thereafter, the Issuer will cause such Note Rate and Interest Amount for each class and the next following Interest Payment Date to be published in accordance with the Notices Condition.
- 8.7 **Amendments to Publications:** The Note Rate, Interest Amount for each class and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.
- 8.8 **Determination or Calculation by Trustee:** If the Agent Bank does not at any time for any reason determine the Note Rate or the Interest Amount for each class in accordance with this Condition 8 (*Interest*), the Trustee may (but without, save in the case of any wilful default, fraud or gross negligence by the Trustee, any Liability accruing to the Trustee as a result):
- (a) determine the Note Rate for each class at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or
  - (b) calculate the Interest Amount for each class in the manner specified in this Condition,
- and any such determination and/or calculation shall be deemed to have been made by the Agent Bank. In each case the Trustee may, at the expense of the Issuer, employ an expert to make the determination and/or the calculation and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.
- 8.9 **Notifications to be final:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 (*Interest*), whether by the Reference Banks (or any of them), the Paying Agents, the Agent Bank or the Trustee shall (in the absence of any manifest error) be binding on the Issuer and all Noteholders and (in the absence of any Breach of Duty) no Liability to the Trustee or the Noteholders shall attach to the Reference Banks or the Agents in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 8 (*Interest*). The Trustee shall have no Liability to any person in connection with the exercise or non-exercise of its powers, duties and discretions under this Condition 8.

8.10 **Reference Banks and Agent Bank:** The Issuer shall ensure that, so long as any of the Notes remains outstanding there shall at all times be four Reference Banks, an Agent Bank, a Paying Agent and a Principal Paying Agent. In the event of any of the Reference Banks being unable or unwilling to continue to act as a Reference Bank or an Agent being unable or unwilling to continue to act as an Agent, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved in writing by the Trustee is appointed by the Issuer. Notice of any change in any of the Reference Banks or Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

8.11 **Interest Accrual:**

- (a) To the extent that funds available to the Issuer to pay interest on the Notes of any class (other than the Most Senior Class of Notes) on an Interest Payment Date are insufficient to pay the full amount of such interest due (which shall, for the purposes of this Condition 8.11, include any interest previously deferred under this Condition 8.11 and Additional Interest accrued thereon), payment of the shortfall in respect of such class of Notes ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds.
- (b) Such Deferred Interest will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to such Notes (as determined by this Condition 8 (*Interest*)) and payment of any Additional Interest will also be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest to the extent of such available funds.
- (c) Payment of any amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

8.12 **Determinations and Reconciliation**

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period being a "**Determination Period**"), then the Cash Manager may use the Servicer Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 8.12 (*Determinations and Reconciliation*). When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 8.12(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 8.12(b) and/or 8.12(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 8.12(b) and/or 8.12(c), shall be deemed to be done, 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 by reference to the three most recently received Servicer Reports (or, where there are not at least three

previous Servicer Reports, any previous Servicer Reports received in the preceding Collection Periods);

- (ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**");
  - (iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Receipts**").
- (c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 8.12(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount as follows:
- (i) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Revenue Ledger, as Principal Receipts (with a corresponding debit of the Revenue Ledger);
  - (ii) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Principal Ledger, as Revenue Receipts (with a corresponding debit of the Principal Ledger),

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

## 9. **Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation**

9.1 **Final Redemption:** Unless previously redeemed or purchased and cancelled as provided in this Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*), the Issuer shall redeem the Notes in each class at their Principal Amount Outstanding together with any accrued interest on the Final Maturity Date.

9.2 **Mandatory Redemption in part:** On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Receipts towards the redemption of the Notes to the extent that there are such amounts available to do so in accordance with the Pre-Enforcement Principal Priority of Payments.

9.3 **Optional Redemption in whole:**

- (a) The Issuer may:
  - (i) on any Interest Payment Date when, on the related Calculation Date, the aggregate of the Principal Amount Outstanding of the outstanding Notes is equal to or less than 10 per cent. of the Principal Amount Outstanding of all of the Notes as at the Closing Date, redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding; or
  - (ii) on any Interest Payment Date from and including the Step-Up Date, redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding (provided that, in relation to the Class E Notes, Class F Notes, Class Z1 Notes, Class Z2 Notes and the Subordinated Notes held by the Seller, the redemption amounts payable by the Issuer to the Seller may be set off (to the

greatest extent possible) against the purchase price payable by the Seller to the Issuer for the Mortgage Portfolio).

subject, in each case, to the following:

- (a) no Enforcement Notice has been delivered by the Trustee;
- (b) the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (c) prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Priority of Payments.

9.4 ***Optional Redemption in whole for taxation reasons:*** The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding, on any Interest Payment Date:

- (a) after the date on which, by virtue of a change in Tax law (or the application or official interpretation of Tax law), the Issuer (or the Paying Agents on the Issuer's behalf) is to make any payment in respect of the Notes and the Issuer (or the Paying Agents on the Issuer's behalf) would be required to make a Tax Deduction in respect of such relevant payment; or
- (b) after the date on which, by virtue of a change in the Tax law (or the application or official interpretation of Tax law), the Issuer would be subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period;

subject to the following:

- (a) no Enforcement Notice has been delivered by the Trustee;
- (b) that the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (c) that prior to giving any such notice, the Issuer has provided to the Trustee:
  - (i) in the case of 9.4(a) and 9.4(b) above only, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the applicable jurisdiction (approved in writing by the Trustee), opining on the relevant change in Tax law; and
  - (ii) in the case of 9.4(a) above only, a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction cannot be avoided; and
  - (iii) in the case of 9.4(a) and 9.4(b) above only, a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Priority of Payments.

9.5 ***Calculation of Note Principal Payment and Principal Amount Outstanding:*** On each Calculation Date, the Issuer shall calculate (or cause the Cash Manager to calculate):

- (a) the aggregate of any Note Principal Payment due in relation to each Note in each class on the Interest Payment Date immediately succeeding such Calculation Date; and

- (b) the Principal Amount Outstanding of each Note in each class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such class),

and notify the Issuer, the Trustee, the Paying Agents, the Agent Bank and for so long as the Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange in accordance with Condition 9.9 (*Notice of Calculation*).

- 9.6 ***Calculations final and binding:*** Each calculation by or on behalf of the Issuer of any Note Principal Payment and the Principal Amount Outstanding of a Note of each class shall in each case (in the absence of manifest error) be final and binding on all persons.
- 9.7 ***Trustee to determine amounts in case of Issuer default:*** If the Issuer does not at any time for any reason calculate (or cause the Cash Manager to calculate) any Note Principal Payment and the Principal Amount Outstanding in relation to each class in accordance with this Condition, such amounts may be calculated by the Trustee (without, in the absence of fraud, wilful default or gross negligence, any liability to any person accruing to the Trustee as a result) in accordance with this Condition (based on information supplied to it by the Issuer or the Cash Manager) and each such calculation shall be deemed to have been made by the Issuer. In each case, the Trustee may, at the expense of the Issuer employ an expert to make such calculations and any such calculations shall be deemed to have been made by the Issuer.
- 9.8 ***Conclusiveness of certificates and legal opinions:*** Any certificate and legal opinion given by or on behalf of the Issuer pursuant to Condition 9.3 (*Optional Redemption in whole*) and Condition 9.4 (*Optional Redemption in whole for taxation reasons*) shall be relied on by the Trustee without further enquiry or Liability to any other person and shall be conclusive and binding on the Noteholders, the Trustee and on the other Secured Creditors.
- 9.9 ***Notice of Calculation:*** The Issuer will cause each calculation of a Note Principal Payment and Principal Amount Outstanding in relation to each class to be notified immediately after calculation to the Trustee, the Agents and, for so long as the Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange and will immediately cause details of each calculation of a Note Principal Payment and the Principal Amount Outstanding in relation to each class to be published in accordance with the Notices Condition by no later than two Business Days prior to each Interest Payment Date.
- 9.10 ***Notice irrevocable:*** Any such notice as is referred to in Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) or Condition 9.9 (*Notice of Calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) and in an amount equal to the Note Principal Payment in respect of each Note calculated as at the related Calculation Date if effected pursuant to Condition 9.2 (*Mandatory Redemption in part*).
- 9.11 ***Cancellation of redeemed Notes:*** All Notes redeemed in full will be cancelled forthwith by the Issuer, together with all unmatured Coupons appertaining thereto or surrendered therewith, and no such Notes or Coupons may not be reissued or resold.

## 10. **Limited Recourse**

- 10.1 If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each class are due and payable; or
  - (ii) the service of an Enforcement Notice; or

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

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. For the purposes of this Condition 10, "**Realisation**" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

## 11. **Payments**

- 11.1 **Principal and interest:** Payments of principal and interest shall be made by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.
- 11.2 **Record date:** Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.
- 11.3 **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- 11.4 **Partial Payments:** If a Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note.
- 11.5 **Payments on Business Days:** If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day (unless such Business Day falls in the following calendar month, in which case it shall be brought forward to the immediately preceding Business Day) and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

## 12. **Taxation**

- 12.1 **Payments free of Tax:** All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed, levied, collected, withheld or assessed by the Issuer Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted. Notwithstanding any other provision in these Conditions, the Issuer, the Trustee and the Paying Agent shall be permitted to withhold or deduct any amounts 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 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA withholding**").



- 12.2 **No payment of additional amounts:** None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction. None of the Issuer, the Trustee or the Paying Agent shall have any obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.
13. **Events of Default**
- 13.1 **Events of Default:** Subject to the other provisions of this Condition, each of the following events shall be treated as an "**Event of Default**":
- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Most Senior Class of Notes within seven days following the due date for payment of such principal or fails to pay any amount of interest in respect of the Most Senior Class of Notes within fourteen days following the due date for payment of such interest (**provided that**, for the avoidance of doubt, a deferral of interest in respect of a class of Notes (other than the Most Senior Class of Notes) in accordance with Condition 8.11 (*Interest Accrual*) shall not constitute a default in the payment of such interest for the purposes of this Condition 13 (*Events of Default*)); or
  - (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of Notes, the Issuer Covenants, the Trust Deed, the Deed of Charge or any of the other Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) is, in the opinion of the Trustee, capable of remedy, but remains unremedied for 30 days after the Trustee has given written notice of such default to the Issuer; or
  - (c) **Insolvency:** an Insolvency Event in respect of the Issuer occurs; or
  - (d) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or Trust Documents or any of the other Transaction Documents.
- 13.2 **Delivery of Enforcement Notice:** If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:
- (a) if so requested in writing by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes outstanding; or
  - (b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding;
- deliver an Enforcement Notice to the Issuer.
- 13.3 **Conditions to delivery of Enforcement Notice:** Notwithstanding Condition 13.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless:
- (a) in the case of the occurrence of any of the events mentioned in Condition 13.1(b) (*Breach of other obligations*) the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes outstanding; and
  - (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.
- 13.4 **Consequences of delivery of Enforcement Notice:** Upon the delivery of an Enforcement Notice, the Notes of each class shall become immediately due and payable, without further action or formality, at their Principal Amount Outstanding together with any accrued interest.

14. **Enforcement**

14.1 **Proceedings:** The Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class (including these Conditions), the Deed of Charge or under the other Transaction Documents or to enforce the Security, but it shall not be bound to do so unless:

- (a) so requested in writing by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or
- (b) so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of outstanding Notes,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.2 **Directions to the Trustee:** If the Trustee shall take any action, step or proceeding described in Condition 14.1 (*Proceedings*) it may take such action, step or proceeding without having regard to the effect of such action on individual Noteholders or any other Secured Creditor, **provided that** so long as any of the Most Senior Class of Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other class of Notes unless:

- (a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the classes of Notes ranking senior to such other class; or
- (b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of the Notes ranking senior to such other class.

14.3 **Restrictions on disposal of Issuer's assets:** If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

- (a) the Cash Manager certifies to the Trustee (upon which certification the Trustee shall be entitled to rely without further enquiry and without any Liability for doing so) that a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; or
- (b) the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached solely in reliance upon the advice of an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition 14.3(b) shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments and the Trustee shall have no Liability to any person for the consequences of any such opinion reached in accordance with this Condition 14.3(b); and
- (c) the Trustee shall not be bound to make the determination, or seek the advice of an investment bank or other financial adviser, contained in Condition 14.3(b) unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing and shall have no Liability to anyone for not so doing.

14.4 **Third Party Rights:** No person shall have any right to enforce any Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

15. **No action by Noteholders, Certificateholders or any other Secured Creditor**

15.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder, Certificateholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders, the Certificateholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders, Certificateholders or any other Secured Creditors;
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any insolvency proceeding in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Priority of Payments not being observed.

16. **Meetings of Noteholders and Certificateholders**

16.1 **Convening:** The Trust Deed contains "*Provisions for Meetings of Noteholders*" for convening separate or combined meetings of Noteholders of any class and "*Provisions for Meetings of Certificateholders*" for convening meetings of Certificateholders to consider matters relating to the Notes and the Residual Certificates (as applicable), including the modification of any provision of these Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

16.2 **Separate and combined meetings:** The Trust Deed provides that:

- (a) an Extraordinary Resolution which in the opinion of the Trustee affects the interests of the Noteholders of only one class of Notes shall be transacted at a separate meeting of the Noteholders of that class;
- (b) an Extraordinary Resolution which in the opinion of the Trustee affects the interests of the Noteholders of more than one class of Notes but does not give rise to an actual or potential conflict of interest between the holders of one class of Notes and the holders of another class of Notes shall be transacted either at separate meetings of the Noteholders of each such class or at a single meeting of the Noteholders of all such classes of Notes, as the Trustee shall determine in its absolute discretion; and
- (c) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes and gives rise to any actual or potential conflict of interest between the Noteholders of one class of Notes and the Noteholders of any other class of Notes shall be transacted at separate meetings of the Noteholders of each such class.

16.3 **Request from Noteholders:** A meeting of Noteholders of a particular class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than 10 per cent. in aggregate of the Principal Amount Outstanding of the outstanding Notes of that class. However, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any action, either directly or indirectly through the Trustee, without consent of the Issuer and, if applicable, certain other Transaction Parties pursuant to any relevant Transaction Documents, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

16.4 **Quorum:** The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular class or classes of the Notes will be one or more persons holding or representing, in aggregate, more than 50 per cent. of the Principal Amount Outstanding of the outstanding Notes in that class or those classes or, at any adjourned meeting, one or more persons holding or representing, in aggregate, not less than 25 per cent. of the Principal Amount Outstanding of the outstanding Notes so held or represented in such class or those classes; and
- (b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholders) will be one or more persons holding or representing not less than 75 per cent. in aggregate of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes or, at any adjourned meeting, one or more persons holding or representing more than 50 per cent. in aggregate of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes.

16.5 **Relationship between classes:**

In relation to each class of Notes:

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are outstanding Notes in each such other classes);
- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding, unless the Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding;
- (c) any resolution passed at a Meeting of Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such class or classes, whether or not present at such Meeting and whether or not voting; and
- (d) except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes.

16.6 **Resolutions in writing or by Electronic Consents:** A Written Resolution shall take effect as if it were an Extraordinary Resolution. Any resolution passed by way of Electronic Consents given by holders through the relevant clearing system(s) in accordance with these Conditions and the Trust Deed shall also be binding on the relevant Noteholders.

17. **Modification and Waiver**

17.1 **Modification:** the Trustee may at any time and from time to time, without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors (other than the Secured Creditors who are party to the relevant Transaction Document), concur with the Issuer and any other relevant parties in making:

- (a) any modification to these Conditions, the Residual Certificate Conditions, the Trust Documents, the Notes, the Residual Certificates or the other Transaction Documents in relation to which its consent is required (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Trustee, it may be proper to make and will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes (or, if there are no Notes outstanding, the Residual Certificates); or

- (b) any modification to these Conditions, the Residual Certificate Conditions, the Trust Documents, the Notes, the Residual Certificates or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

## 17.2 ***Additional Right of Modification:***

Notwithstanding the provisions of Condition 17.1 (*Modification*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to proviso (C) below, any other Secured Creditor, to concur with the Issuer in making any modification (other than in respect of a Reserved Matter) to these Conditions or any other Transaction Document to which it is a party or in relation to which it 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 certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria;
- (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 certifies to the Trustee 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 Irish Stock Exchange, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (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 relevant Transaction Party, as applicable, certifies to the Trustee 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 certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (e) above being a "**Modification Certificate**"), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Trustee both at the time the Trustee is notified of the proposed modification and on the date that such modification takes effect;
- (C) the consent of each Secured Creditor which is party to the relevant Transaction Document or whose ranking in any Priority of Payments is affected has been obtained; and
- (D) either:
  - (1) the Issuer 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 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 certifies in writing to the Trustee (which certification may be in the Modification Certificate) that the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 22 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, and Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Issuer or Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer or Principal Paying Agent that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held, a copy of which notification the Principal Paying Agent shall promptly provide to the Issuer and the Trustee) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 16 (*Meetings of Noteholders and Certificateholders*).

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

- (f) Notwithstanding anything to the contrary in this Condition 17.2 (*Additional Right of Modification*) or any Transaction Document:
  - (i) when implementing any modification pursuant to this Condition 17.2 (*Additional Right of Modification*) (save to the extent the Trustee considers that the proposed modification would constitute a Reserved Matter), the 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 enquiry or Liability, on any certificate (including any Modification Certificates) or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 17.2 (*Additional Right of Modification*) and shall not be liable to the Noteholders, 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
  - (ii) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Transaction Documents and/or these Conditions.
- (g) Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:
  - (i) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
  - (ii) the Secured Creditors;
  - (iii) the Noteholders in accordance with Condition 22 (*Notices*); and
  - (iv) the Certificateholders in accordance with Residual Certificate Condition 20 (*Notices*).

17.3 **Waiver:** In addition, the Trustee may, without the consent of the Noteholders, the Certificateholders or any other Secured Creditor authorise or waive any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes, the Residual Certificates or any of the other Transaction Documents or determine that any Event of Default or RC Event of Default shall not be treated as such for the purposes of these Conditions, the Notes, the Residual Certificate Conditions or any of the Transaction Documents if, in the opinion of the Trustee, the holders of the Most Senior Class of outstanding Notes (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced by such waiver.

17.4 **Restriction on power to waive:** The Trustee shall not exercise any powers conferred upon it by Condition 17.3 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class outstanding (or, if there are no Notes outstanding, of the Certificateholders) or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class outstanding (or, if there are no Notes outstanding, not less than 25 per cent. by number of the holders of the Residual Certificates then in issue), but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each class of outstanding Notes and/or the holders of the Residual Certificates then in issue (as the case may be) in accordance with Condition 16.5 and Residual Certificate Condition 14.4 (as applicable) have, by Extraordinary Resolution, so authorised its exercise.

- 17.5 **Notification:** Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.
- 17.6 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Condition 17.1 (*Modification*) or Condition 17.3 (*Waiver*) shall be binding on the Noteholders and the other Secured Creditors.
18. **Prescription**
- 18.1 **Principal:** Claims for principal in respect of Notes shall become void where application for payment is made more than ten years after the due date therefor.
- 18.2 **Interest:** Claims for interest in respect of Notes, shall become void where application for payment is made more than five years after the due date therefor.
19. **Replacement of Notes**
- If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and Irish Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.
20. **Trustee and Agents**
- 20.1 **Trustee's right to Indemnity:** Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- 20.2 **Trustee not responsible for loss or for monitoring:** The Trustee is not responsible for any loss, expense or Liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee (as applicable). The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.
- 20.3 **Regard to classes of Noteholders:** In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will:
- (a) have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
  - (b) in the event of a conflict of interests of holders of different classes and the Residual Certificates, have regard only to the interests of the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking class of Notes or (following the redemption in full of all classes of Notes) the Residual Certificates or to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments.
- 20.4 **Paying Agents solely agents of Issuer:** In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.



- 20.5 **Initial Paying Agents:** The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent provided that there will at all times be a Paying Agent in a Member State of the European Union that is not required to withhold or deduct tax pursuant to EC Council Directive 2003/48/EC on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive.
21. **Substitution of Issuer**
- 21.1 **Substitution of Issuer:** The Trustee may, without the consent of the Noteholders, the Certificateholders or any other Secured Creditor, subject to such further conditions as are specified in the Trust Deed, concur with the Issuer to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Transaction Documents, the Notes, the Residual Certificates and the Secured Amounts.
- 21.2 **Notice of Substitution of Issuer:** Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders, the Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.
- 21.3 **Change of Law:** In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors to a change of the law governing the Notes, the Residual Certificates and/or any of the Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class, **provided that** the Rating Agencies are notified by the Issuer. For the avoidance of doubt, a Transaction Document cannot be amended without the agreement of all the parties thereto.
- 21.4 **No indemnity:** No Noteholder or Certificateholder shall, in connection with any such substitution, be entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Certificateholders.
22. **Notices**
- 22.1 **Valid Notices:** For so long as the relevant Notes are in global form, any notice to Noteholders shall be validly given to the relevant Noteholders if sent to the Clearing Systems for communication by them to the holders of the relevant class of Notes and shall be deemed to be given on the date on which it was so sent. While the Notes are represented by Definitive Notes, any notice to the holders thereof 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 Trustee shall approve in advance having a general circulation in the United Kingdom. So long as the relevant Notes are admitted to trading and listed on the official list of the Irish Stock Exchange any notice shall also be published in accordance with the relevant guidelines of the Irish Stock Exchange by a notification in writing to the Company Announcements Office of the Irish Stock Exchange, and any notice so published shall be deemed to have been given on the date of publication.
- 22.2 **Other Methods:** The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.
23. **Non-Responsive Rating Agency**
- 23.1 In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Trustee) from the relevant Rating Agencies that the then current ratings of the

Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**").

23.2 If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and:

- (a) (I) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy provide such Rating Agency Confirmation or response or (II) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and
- (b) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be deemed modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Cash Manager on behalf of the Issuer provides to the Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (a)(I) or (II) and (b) above has occurred, the Issuer having sent a written request to each Rating Agency and the Trustee shall be entitled to rely upon such certificate without further enquiry or Liability to any person for so doing.

23.3 The Trustee shall be entitled to rely without further enquiry or Liability to any person on any certificate delivered to it in connection with a Non-Responsive Rating Agency pursuant to this Condition 23. The Trustee shall not be required to investigate any action taken by the Issuer or such Non-Responsive Rating Agency and shall treat the applicable condition or requirement to receive a Rating Agency Confirmation or response from each Rating Agency as having been modified with the consent of all Noteholders and all parties to the relevant Transaction Documents so that there shall be no requirement for such Rating Agency Confirmation or response from such Non-Responsive Rating Agency.

## 24. **Governing Law and Jurisdiction**

24.1 **Governing law:** The Transaction Documents, the Notes and the Residual Certificates and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, English law.

24.2 **Jurisdiction:** The Courts of England and Wales are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Residual Certificates and/or the Transaction Documents may be brought in such Courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such Courts.

## TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

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

### 1. General

- 1.1 The 100 residual certificates (the "**Residual Certificates**") will be issued by Auburn Securities 9 plc (registered number 8801944) (the "**Issuer**") on or about the Closing Date.
- 1.2 The Issuer has agreed to issue the Residual Certificates subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the Residual Certificates is created pursuant to, and on the terms set out in, the Deed of Charge.
- 1.3 The Agency Agreement records certain arrangements in relation to the payment of Residual Payments in respect of the Residual Certificates.
- 1.4 Certain provisions of these Residual Certificate Conditions are summaries of the Trust Documents and the Incorporated Terms Memorandum and the Agency Agreement and are subject to their detailed provisions.
- 1.5 The Certificateholders are bound by the terms of the Trust Documents and the Incorporated Terms Memorandum, and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.6 Copies of the Transaction Documents and the Memorandum and Articles of Association of the Issuer are available for inspection by Certificateholders, upon reasonable notice, during normal business hours at the principal office for the time being of the Trustee, being at the date hereof Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below. Upon reasonable request, such Paying Agent will allow copies of such documents to be taken.

### 2. Definitions

- 2.1 Capitalised terms not otherwise defined in these Residual Certificate Conditions shall have the meanings given to them in the terms and conditions of the Notes.

- 2.2 **Interpretation:** Any reference in the Residual Certificate Conditions to:

"**continuing**", in respect of an Event of Default or an RC Event of Default, shall be construed as a reference to an Event of Default or an RC Event of Default (as the case may be) which has not been waived in accordance with, respectively, the terms of the Conditions or the Residual Certificate Conditions (as the case may be), or the relevant Transaction Document;

a "**class**" shall be a reference to a class of the Notes being the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class Z Notes and the Subordinated Notes and "**classes**" shall be construed accordingly;

"**including**" shall be construed as a reference to "**including without limitation**", so that any list of items or matters appearing after the word "**including**" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "**including**";

"**indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a "**law**" shall be construed as any law (including common or customary law), statute, constitution, decree, judgement, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a "**person**" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

"**principal**" shall, where applicable, include premium;

"**redeem**" and "**pay**" shall each include both of the others and "**redeemed**", "**redeemable**" and "**redemption**" and "**paid**", "**payable**" and "**payment**" shall be construed accordingly;

a reference to any person defined as a "**Transaction Party**" in the Residual Certificate Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests; and

a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred.

2.3 ***Transaction Documents and other agreements:*** Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, restated, varied, novated, supplemented or replaced.

2.4 ***Statutes and Treaties:*** Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

2.5 ***Schedules:*** Any Schedule of, or Appendix to a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.

2.6 ***Headings:*** Residual Certificate Condition headings are for ease of reference only.

2.7 ***Sections:*** Except as otherwise specified in the Residual Certificate Conditions, reference in the Residual Certificate Conditions to:

- (a) a "**Section**" shall be construed as a reference to a Section of such Transaction Document;
- (b) a "**Part**" shall be construed as a reference to a Part of such Transaction Document;
- (c) a "**Schedule**" shall be construed as a reference to a Schedule of such Transaction Document;
- (d) a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and
- (e) a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

2.8 ***Number***

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. **Form and Denomination**

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

3.2 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 or Clearstream, Luxembourg, as appropriate. The Global Residual Certificate will be deposited with and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg.

- 3.3 A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate in definitive registered form, the "**Definitive Residual Certificates**") only if either of the following applies:
- (a) in the case of a Global Residual Certificate held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or
  - (b) as a result of any amendment to, or change in (A) the laws or regulations of the United Kingdom or any political sub-division therein or thereof having power to tax or (B) the interpretation or administration of such legislation which becomes effective on or after the Closing Date, the Issuer or the Principal 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 if the Residual Certificates were in definitive form.
- 3.4 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.
- 3.5 Definitive Residual Certificates will be serially numbered and will be issued in registered form only.
- 3.6 References to "**Residual Certificates**" in these Residual Certificate Conditions shall include the Global Residual Certificate and the Definitive Residual Certificates, and references to "**Residual Certificateholders**" means the persons holding Residual Certificates.

#### 4. **Title**

- 4.1 The person registered in the Register as the holder of any Residual Certificate will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Residual Certificate regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Residual Certificate.
- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Residual Certificates and the particulars of the Residual Certificates held by them and of all transfers and redemptions of the Residual Certificates.
- 4.3 No transfer of a Residual Certificate will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Residual Certificate and any Definitive Residual Certificates and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Residual Certificates and the detailed regulations concerning transfers of such Residual Certificates contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Residual Certificates. In no event will the transfer of a beneficial interest in a Global Residual Certificate or the transfer of a Definitive Residual Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Residual Certificate who so requests (and who provides evidence of such holding where the Residual

Certificates are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.

- 4.5 A Definitive Residual Certificate, may be transferred in whole or in part upon the surrender of the relevant Definitive Residual Certificate, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Residual Certificate, a new Definitive Residual Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- 4.6 Each new Definitive Residual Certificate, to be issued upon transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Residual Certificate, to such address as may be specified in such request.
- 4.7 Registration of Definitive Residual Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

## 5. **Status and Ranking**

- 5.1 **Status:** The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificate Condition 8.8 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay excess spread generated from its purchase of the Mortgage Portfolio, consisting of the Residual Payments.
- 5.2 **Ranking:** The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payments on the Residual Certificates. Residual Payments will be made subject to and in accordance with the Pre-Enforcement Revenue Priority of Payments, Pre-Enforcement Principal Priority of Payments and Post-Enforcement Priority of Payments.

## 6. **Security**

- 6.1 **Security:** The Residual Certificates are secured by the Security.
- 6.2 **Enforceability:** The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with (i) as long as there are Notes outstanding, Condition 13 (*Events of Default*) and subject to the matters referred to in Condition 14 (*Enforcement*), and (ii) while there are no Notes outstanding and as long as there are Residual Certificates in issue, Residual Certificate Condition 11 (*RC Events of Default*) and subject to the matters referred to in Residual Certificate Condition 12 (*Enforcement*).

## 7. **Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business, without the prior written consent of the Trustee. So long as any Note remains outstanding or a Residual Certificate remains in issue, the Issuer shall comply with the Issuer Covenants.

## 8. **Residual Payments**

- 8.1 **Right to Residual Payments:** Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of excess spread generated from the purchase by the Issuer of the Mortgage Portfolio.

- 8.2 **Payment:** A Residual Payment may be payable in respect of the Residual Certificates on each Interest Payment Date, other than an Interest Payment Date falling within a Determination Period and each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments:
- 8.3 **Determination of Residual Payment Amount:** The Cash Manager shall on each Calculation Date determine the Residual Payment payable on the immediately following Interest Payment Date and the Residual Payment Amount payable in respect of each Residual Certificate on such Interest Payment Date.
- 8.4 **Publication of Residual Payment and Residual Payment Amount:** The Cash Manager shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with the Notices Condition as soon as possible after their determination and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date.
- 8.5 **Amendments to Publications:** The Residual Payment and Residual Payment Amount (if any) so published on a given Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.
- 8.6 **Determination or Calculation by Trustee:** If the Cash Manager does not at any time for any reason determine the Residual Payment and the Residual Payment Amount in accordance with this Residual Certificate Condition 8 (*Residual Payments*), the Trustee may (but without, save in the case of any wilful default, fraud or gross negligence by the Trustee, any Liability accruing to the Trustee as a result) determine the Residual Payment and the Residual Payment Amount in the manner, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Residual Certificate Condition), it shall deem fair and reasonable in all the circumstances, and such determination and/or calculation shall be deemed to have been made by the Cash Manager. The Trustee may, at the expense of the Issuer, employ an expert to make the determination and/or the calculation and any such determination and/or calculation shall be deemed to have been made by the Cash Manager.
- 8.7 **Notifications to be final:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Residual Certificate Condition 8 (*Residual Payments*), whether by the Cash Manager or the Trustee shall (in the absence of any manifest error) be binding on the Issuer and all Certificateholders and (in the absence of any Breach of Duty) no Liability to the Trustee or the Certificateholders shall attach to the Cash Manager or the Agents in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Residual Certificate Condition 8 (*Residual Payments*). The Trustee shall have no Liability to any person in connection with the exercise or non-exercise of its powers, duties and discretions under this Residual Certificate Condition 8 (*Residual Payments*).

8.8 **Limited Recourse**

If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
  - (ii) the service of an Enforcement Notice; 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 allocated in accordance with the applicable Priority of Payments to make a payment in respect of the Residual Certificates and used to make such a payment, such amount shall cease to be due and payable by the Issuer.

For the purposes of this Residual Certificate Condition 8.7 (*Limited Recourse*):

**"Realisation"** means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

**"Charged Property"** means the property of the Issuer which is subject to the Security.

9. **Payments**

9.1 **Payments:** Payments shall be made by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final cancellation) upon surrender (or, in the case of part payment only, endorsement) of the relevant Residual Certificates at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

9.2 **Record date:** Each payment in respect of a Residual Certificate will be made to the person shown as the Certificateholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the **"Record Date"**). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Residual Certificate shall be the only person entitled to receive payments in respect of Residual Certificates represented by such Residual Certificate and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

9.3 **Payments subject to fiscal laws:** All payments in respect of the Residual Certificates are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

9.4 **Partial Payments:** If a Principal Paying Agent makes a partial payment in respect of any Residual Certificate, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Residual Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Residual Certificate.

9.5 **Payments on Business Days:** If the due date for payment of any amount in respect of any Residual Certificate is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts shall be due in respect of such Residual Certificate.

10. **Taxation**

10.1 **Payments free of Tax:** All payments in respect of the Residual Certificates shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed, levied, collected, withheld or assessed by the Issuer Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted. Notwithstanding any other provision in these Residual Certificate Conditions, the Issuer, the Trustee and the Paying Agent shall be permitted to withhold or deduct any amounts 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 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto (**"FATCA withholding"**).

10.2 **No payment of additional amounts:** None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Residual Certificateholders as a result of any such Tax Deduction. None of the Issuer, the Trustee or the Paying Agent shall have any obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.



11. **RC Events of Default**

11.1 **RC Events of Default:** Subject to the other provisions of this Residual Certificate Condition and subject to the Notes no longer being outstanding, each of the following events shall be treated as an "RC Event of Default":

- (a) *Non-payment:* the Issuer fails to pay any amount due in respect of the Residual Certificates within seven days following the due date for payment of such amount; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Residual Certificates, the Issuer Covenants, the Trust Deed, the Deed of Charge or any of the other Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) is, in the opinion of the Trustee, capable of remedy, but remains unremedied for 30 days after the Trustee has given written notice of such default to the Issuer; or
- (c) *Insolvency:* an Insolvency Event in respect of the Issuer occurs; or
- (d) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Residual Certificates or Trust Documents or any of the other Transaction Documents.

11.2 **Delivery of Enforcement Notice:** If an RC Event of Default occurs and is continuing and provided that at such time all of the Notes are no longer outstanding, the Trustee may at its discretion and shall:

- (a) if so requested in writing by the holders of at least 25 per cent. in number of the Residual Certificates then in issue; or
- (b) if so directed by an Extraordinary Resolution of the Certificateholders;

deliver an Enforcement Notice to the Issuer.

11.3 **Conditions to delivery of Enforcement Notice:** Notwithstanding Residual Certificate Condition 11.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless:

- (a) in the case of the occurrence of any of the events mentioned in Residual Certificate Condition 11.1(b) (*Breach of other obligations*) the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Certificateholders; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

11.4 **Consequences of delivery of Enforcement Notice:** Upon the delivery of an Enforcement Notice, any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable, without further action or formality.

12. **Enforcement**

12.1 **Proceedings:** The Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class, the Residual Certificates (including these Residual Certificate Conditions), the Deed of Charge or under the other Transaction Documents or to enforce the Security, but it shall not be bound to do so unless:

- (a) whilst there are Notes outstanding, it is:
  - (i) so requested 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

- (ii) so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding;
- (b) whilst there are no Notes outstanding but there are Residual Certificates in issue, it is
  - (i) so requested in writing by the holders of at least 25 per cent. in number of the Residual Certificates then in issue; or
  - (ii) so directed by an Extraordinary Resolution of the Certificateholders,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

12.2 **Directions to the Trustee:** If the Trustee shall take any action, step or proceeding described in Residual Certificate Condition 12.1 (*Proceedings*) it may take such action, step or proceeding without having regard to the effect of such action on individual Certificateholders or any other Secured Creditor, **provided that** so long as any of the Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Certificateholders unless:

- (a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders; or
- (b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of each Class of Noteholders.

12.3 **Restrictions on disposal of Issuer's assets:** If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes or the Residual Certificates, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

- (a) the Cash Manager certifies to the Trustee (upon which certification the Trustee shall be entitled to rely without further enquiry and without any Liability for doing so) that a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; or
- (b) the Trustee is of the opinion, which shall be binding on the Noteholders, the Certificateholders and the other Secured Creditors, reached solely in reliance upon the advice of an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Residual Certificate Condition 12.3(b) shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments and the Trustee shall have no Liability to any person for the consequences of any such opinion reached in accordance with this Residual Certificate Condition 12.3(b); and
- (c) the Trustee shall not be bound to make the determination, or seek the advice of an investment bank or other financial adviser, contained in Residual Certificate Condition 12.3(b) unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing and shall have no Liability to anyone for not so doing.

12.4 **Third Party Rights:** No person shall have any right to enforce any Residual Certificate Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

13. **No action by Noteholders, Certificateholders or any other Secured Creditor**

13.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder, Certificateholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders, the Certificateholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Residual Certificate Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders, Certificateholders or any other Secured Creditors;
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any insolvency proceeding in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Priority of Payments not being observed.

14. **Meetings of Certificateholders**

14.1 **Convening:** The Trust Deed contains "*Provisions for Meetings of Noteholders*" for convening separate or combined meetings of Noteholders of any class and "*Provisions for Meetings of Certificateholders*" for convening meetings of Certificateholders to consider matters relating to the Notes and the Residual Certificates (as applicable), including the modification of any provision of these Residual Certificate Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

14.2 **Request from Noteholders or Certificateholders:** A meeting of Certificateholders may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Certificateholders holding not less than 10 per cent. in number of the Residual Certificates then in issue. However, so long as no RC Event of Default has occurred and is continuing, the Certificateholders are not entitled to instruct or direct the Issuer to take any action, either directly or indirectly through the Trustee, without consent of the Issuer and, if applicable, certain other Transaction Parties pursuant to any relevant Transaction Documents, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

14.3 **Quorum:** The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of the Residual Certificates will be one or more persons holding or representing, in aggregate, more than 50 per cent. in number of the Residual Certificates then in issue or, at any adjourned meeting, one or more persons present and holding or representing not less than 25 per cent. in number of the Residual Certificates then in issue; and
- (b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholders) will be one or more persons holding or representing not less than 75 per cent. in number of the Residual Certificates then in issue or, at any adjourned meeting, one or more persons holding or representing more than 50 per cent. in number of the Residual Certificates then in issue.

14.4 **Relationship between Noteholders and Certificateholders:**

In relation to each class of Notes and the Residual Certificates:

- (a) subject to Condition 14.4(e), no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of the Residual Certificates shall, to the extent there are Notes outstanding, be effective unless it is sanctioned by an Extraordinary Resolution of

the holders of each class of Notes then outstanding in accordance with Condition 16 (*Meetings of Noteholders and Certificateholders*) unless the Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the outstanding Notes;

- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter that is passed by the holders of the Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each class of Notes then outstanding in accordance with Condition 16 (*Meetings of Noteholders and Certificateholders*) unless the Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the outstanding Notes;
- (c) any resolution passed at a Meeting of Certificateholders duly convened and held in accordance with the Trust Deed shall be binding upon all of the Certificateholders, whether or not present at such Meeting and whether or not voting;
- (d) except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes then outstanding duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes and the Residual Certificates; and
- (e) a matter which is a Reserved Matter affecting only the holders of the Residual Certificates shall only require an Extraordinary Resolution of the holders of the Residual Certificates then in issue and, for avoidance of doubt, shall not require an Extraordinary Resolution of the holders of any Class or Classes of Notes.

14.5 **Resolutions in writing or by Electronic Consents:** A Written Resolution shall take effect as if it were an Extraordinary Resolution. Any resolution passed by way of Electronic Consents given by holders through the relevant clearing system(s) in accordance with these Residual Certificate Conditions and the Trust Deed shall also be binding on the Certificateholders.

## 15. **Modification and Waiver**

15.1 **Modification:** the Trustee may at any time and from time to time, without the consent or sanction of the Noteholders, Certificateholders or any other Secured Creditors (other than the Secured Creditors who are party to the relevant Transaction Document), concur with the Issuer and any other relevant parties in making:

- (a) any modification to these Residual Certificate Conditions, the Conditions, the Trust Documents, the Notes or the other Transaction Documents in relation to which its consent is required (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Trustee, it may be proper to make and will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes (or, if there are no Notes outstanding, the Residual Certificates); or
- (b) any modification to these Residual Certificate Conditions, the Conditions, the Trust Documents, the Notes, the Residual Certificates or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

15.2 **Waiver:** In addition, the Trustee may, without the consent of the Noteholders, the Certificateholders or any other Secured Creditor authorise or waive any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes, the Residual Certificates or any of the other Transaction Documents or determine that any Event of Default or RC Event of Default shall not be treated as such for the purposes of these Residual Certificate Conditions, the Notes, the Residual Certificates or any of the other Transaction Documents if, in the opinion of the Trustee, the holders of the Most Senior Class of outstanding Notes or, if there are no Notes outstanding, the Certificateholders, will not be materially prejudiced by such waiver .

- 15.3 **Restriction on power to waive:** The Trustee shall not exercise any powers conferred upon it by Residual Certificate Condition 15.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding (or, if there are no Notes outstanding, of the Certificateholders) or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class then outstanding (or, if there are no Notes outstanding, not less than 25 per cent. by number of the holders of Residual Certificates then in issue), but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each class of outstanding Notes and/or the holders of the Residual Certificates then in issue (as the case may be) in accordance with Condition 16.5 and Residual Certificate Condition 14.4 (as applicable) have, by Extraordinary Resolution, so authorised its exercise.
- 15.4 **Notification:** Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders, the Certificateholders and the other Secured Creditors in accordance with the Residual Certificate Condition 20 (*Notices*) and the Transaction Documents, as soon as practicable after it has been made.
- 15.5 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Residual Certificate Condition 15.1 (*Modification*) or Residual Certificate Condition 15.3 (*Waiver*) shall be binding on the Noteholders, the Certificateholders and the other Secured Creditors.
16. **Prescription**
- 16.1 **Residual Payments:** Claims in respect of Residual Payment Amounts will be prescribed after ten years from the Relevant Date in respect of the relevant payment.
- In this Residual Certificate Condition 16, 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 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 Certificate Condition 20 (*Notices*).
17. **Replacement of Residual Certificates**
- If any Residual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Residual Certificates must be surrendered before replacements will be issued.
18. **Trustee and Agents**
- 18.1 **Trustee's right to Indemnity:** Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders and the Certificateholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- 18.2 **Trustee not responsible for loss or for monitoring:** The Trustee is not responsible for any loss, expense or Liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee (as applicable). The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

- 18.3 ***Regard to classes of Noteholders:*** In the exercise of its powers and discretions under these Residual Certificate Conditions and the Trust Deed, the Trustee will:
- (a) have regard to the general interests of the Certificateholders and will not be responsible for any consequence for individual Certificateholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
  - (b) in the event of a conflict of interests of holders of different classes of Notes and the Residual Certificates, have regard only to the interests of the holders of the Most Senior Class and will not have regard to any lower ranking class of Notes or (following the redemption in full of all classes of Notes) the Residual Certificates or to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments.
- 18.4 ***Paying Agents solely agents of Issuer:*** In acting under the Agency Agreement and in connection with the Notes and the Residual Certificates, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or the Certificateholders.
- 18.5 ***Initial Paying Agents:*** The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent provided that there will at all times be a Paying Agent in a Member State of the European Union that is not required to withhold or deduct tax pursuant to EC Council Directive 2003/48/EC on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive.
19. **Substitution of Issuer**
- 19.1 ***Substitution of Issuer:*** The Trustee may, without the consent of the Noteholders, the Certificateholders or any other Secured Creditor, subject to such further conditions as are specified in the Trust Deed, concur with the Issuer to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Transaction Documents, the Notes, the Residual Certificates and the Secured Amounts.
- 19.2 ***Notice of Substitution of Issuer:*** Not later than fourteen days after any substitution of the Issuer in accordance with this Residual Certificate Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders, the Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.
- 19.3 ***Change of Law:*** In the case of a substitution pursuant to this Residual Certificate Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors to a change of the law governing the Notes, the Residual Certificates and/or any of the Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial (i) to the extent there are Notes outstanding, to the interests of the holders of the Most Senior Class, and (ii) while there are no Notes outstanding, to the interests of the Certificateholders **provided that** the Rating Agencies are notified by the Issuer. For the avoidance of doubt, a Transaction Document cannot be amended without the agreement of all the parties thereto.
- 19.4 ***No indemnity:*** No Noteholder or Certificateholder shall, in connection with any such substitution, be entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Certificateholders.
20. **Notices**
- 20.1 ***Valid Notices:*** For so long as Residual Certificates are in global form, any notice to Certificateholders shall be validly given to the relevant Certificateholders if sent to the Clearing Systems for communication by them to the Certificateholders and shall be deemed to be given on

the date on which it was so sent. While the Residual Certificates are represented by Definitive Residual Certificates, the Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in its opinion, such method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholders in such manner as the Trustee shall deem appropriate.

- 20.2 **Other Methods:** The Trustee shall be at liberty to sanction some other method of giving notice to the Certificateholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholders in such manner as the Trustee shall require.

21. **Governing Law and Jurisdiction**

- 21.1 **Governing law:** The Transaction Documents, the Notes, the Residual Certificates and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, English law.
- 21.2 **Jurisdiction:** The Courts of England and Wales are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Residual Certificates and/or the Transaction Documents may be brought in such Courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such Courts.

## TAXATION

### United Kingdom Taxation

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes and United Kingdom stamp tax in relation to the issue and transfer of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. This summary does not deal with any taxation implications of an investment in the Residual Certificates other than in relation to United Kingdom stamp tax on the issue and transfer of the Residual Certificates.*

*Noteholders and Certificateholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders and Certificateholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes or the Residual Certificates 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 and Certificateholders 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 and the Residual Certificates even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### Interest on the Notes

*Withholding tax on 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 officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The Irish Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the Official List and admitted to trading on the regulated market of the Irish Stock 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 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### Provision of Information

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.

### 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 per cent. 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 Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

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 on-going 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.

#### **Other Rules Relating to United Kingdom Withholding Tax**

- (a) 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.
- (b) Where interest has been paid under deduction of United Kingdom income tax, Holders 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.
- (c) 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.
- (d) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the issuer pursuant to Condition 21 (*Substitution of Issuer*) of the Notes, Condition 19 (*Substitution of Issuer*) of the Residual Certificates or otherwise and does not consider the tax consequences of any such substitution.

#### **United Kingdom 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.

## WITHHOLDING OF U.S. TAX ON ACCOUNT OF FATCA

The United States has enacted rules, commonly referred to as "**FATCA**", that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA.

The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the United Kingdom (the "**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect non-U.S. source payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future.

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 or any paying agent, given that each of the entities in the payment chain beginning with the Issuer and ending with 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, such definitive notes will only be printed in remote circumstances. Potential investors should be aware that no additional amounts will be payable if any payments in relation to the Notes are subject to withholding or deduction under FATCA.

**FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

## SUBSCRIPTION AND SALE

The Joint Lead Managers and CHL have, pursuant to a subscription agreement dated on or about the date of this Prospectus amongst CHL, the Arranger, the Joint Lead Managers and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to procure subscriptions and payments for or subscribe and pay for:

- (a) in the case of the Joint Lead Managers:
  - (i) £396,375,000 of the Class A Notes at the issue price of 98.99 per cent. of the aggregate principal amount of the Class A Notes;
  - (ii) £47,250,000 of the Class B Notes at the issue price of 97.68 per cent. of the aggregate principal amount of the Class B Notes;
  - (iii) £26,250,000 of the Class C Notes at the issue price of 97.54 per cent. of the aggregate principal amount of the Class C Notes; and
  - (iv) £13,125,000 of the Class D Notes at the issue price of 96.29 per cent. of the aggregate principal amount of the Class D Notes;
- (b) in the case of CHL:
  - (i) £15,750,000 of the Class E Notes at the issue price of 100.00 per cent. of the aggregate principal amount of the Class E Notes;
  - (ii) £5,250,000 of the Class F Notes at the issue price of 100.00 per cent. of the aggregate principal amount of the Class F Notes;
  - (iii) £10,500,000 of the Class Z1 Notes at the issue price of 100.00 per cent. of the aggregate principal amount of the Class Z1 Notes;
  - (iv) £10,522,000 of the Class Z2 Notes at the issue price of 100.00 per cent. of the aggregate principal amount of the Class Z2 Notes; and
  - (v) £15,901,000 of the Subordinated Notes at the issue price of 100.00 per cent. of the aggregate principal amount of the Subordinated Notes,

respectively as at the Closing Date.

In the Subscription Agreement, CHL, in its capacity as originator, has covenanted that it will, *inter alia*, retain a material net economic interest of not less than 5 per cent. in the securitisation for the life of the transaction in accordance with Article 405 of the CRR, Article 51 of AIFMR and Article 254(2) of the Solvency II Delegated Act, to the extent these regulations 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). As at the Closing Date, such retention requirement will be satisfied by CHL, in its capacity as Seller, holding the first loss tranche as required by Article 405 and Article 51 (comprising the Class Z2 Notes and the Subordinated Notes). CHL, in its capacity as Seller, will also undertake to comply with its obligations under Article 409 of the CRR. Any change to the manner in which such interest is held will be notified to the Noteholders, provided that CHL will not be in breach of its obligations under Article 409 if CHL fails to so comply due to events, actions or circumstances beyond CHL's control. The information made available by CHL pursuant to this undertaking can be viewed by Noteholders on CHL's website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

The Issuer has agreed to indemnify the Seller, the Arranger and the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Notes to the Official List and the admission to trading on the Irish Stock Exchange's regulated market, no action has been taken by the Issuer, the Arranger, the Joint Lead Managers or CHL, which would or has been intended to permit a public offering of the Notes, or

possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

### **United Kingdom**

Each of the Arranger, the Joint Lead Managers, CHL and the Issuer has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Arranger, the Joint Lead Managers, CHL and the Issuer has acknowledged that, save for having obtained the approval of the Central Bank of Ireland of this Prospectus as a prospectus in accordance with the requirement of the Prospectus Directive and implementing measures in Ireland, having applied for the admission of the Notes to the Official List and admission to trading on the Irish Stock Exchange, no further action has been or will be taken in any jurisdiction by the Arranger, the Joint Lead Managers, CHL or the Issuer that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

### **United States**

The Notes 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 are being offered outside the United States to persons other than U.S. persons (as defined in and pursuant to Regulation S of the Securities Act).

Each of the Arranger, the Joint Lead Managers, CHL and the Issuer has agreed that it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering of the Notes and the closing date 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 during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account of, U.S. persons.

### **Ireland**

Each of the Arranger, the Joint Lead Managers, CHL and the Issuer has represented and agreed that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (as amended), including, without limitation, Parts 7 and 152 thereof and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2012 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1998;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and

- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

### **European Economic Area**

In relation to each Member State of the European Economic Area ("**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Arranger, the Issuer, the Joint Lead Managers and CHL has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes will require the Issuer, and the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression of an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including amendments made by Directive 2010/73/EU, and includes any relevant implementing measure in the Relevant Member State).

### **General**

Each of the Arranger, the Joint Lead Managers, CHL and the Issuer 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.

## LISTING AND GENERAL INFORMATION

- (a) It is expected that the admission of the Notes to the Official List and the admission of the Notes to trading on the Irish Stock Exchange's regulated market will be granted on or around 31 July 2015.
- (b) None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since 4 December 2013 (being the date of incorporation of the Issuer) and 5 February 2014 (being the date of incorporation of Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
- (c) The auditors for the Issuers are PricewaterhouseCoopers ("**PwC**"). PwC is a member of the Institute of Chartered Accountants in Ireland. The first statutory accounts of the Issuer were prepared for the period from the date of its incorporation to 31 December 2014 and were filed with the Registrar of Companies on behalf of the Issuer. So long as the Notes are admitted to trading on the Irish Stock Exchange's regulated market, the most recently published audited annual accounts of the Issuer from time to time shall be filed with the Irish Stock Exchange and shall be available at the Specified Office of the Principal Paying Agent in London.
- (d) The Issuer does not publish interim accounts.
- (e) Since 31 December 2014 (being the date to which the last published accounts of the Issuer have been prepared), 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.
- (f) Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
- (g) 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 or about 24 July 2015.
- (h) The following Notes and Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

<b>Class of Notes</b>	<b>ISIN</b>	<b>Common Code</b>
Class A.....	XS1255066406	125506640
Class B.....	XS1255067396	125506739
Class C.....	XS1255067982	125506798
Class D.....	XS1255068105	125506810
Class E.....	XS1255068287	125506828
Class F.....	XS1255068790	125506879
Class Z1 .....	XS1255068873	125506887
Class Z2 .....	XS1255068956	125506895
Subordinated Notes .....	XS1255069178	125506917
Residual Certificates .....	XS1256223642	125622364

- (i) From the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange's regulated market, physical copies of the following documents may be inspected at the offices of the Issuer at Third Floor, 1 King's Arms Yard, London EC2R 7AF and at the Specified Office of the Principal Paying Agent in London, upon reasonable request, during usual business hours, on any weekday (public holidays excepted):
  - (i) the Memorandum and Articles of Association of the Issuer; and
  - (ii) copies of each of the Transaction Documents.

Upon reasonable request, the Principal Paying Agent will allow copies of such documents to be taken.

- (j) 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 Mortgage Portfolio. Such Investor Reports will be published on CHL's website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Investor Reports will also be made available to the Seller and the Rating Agencies. In addition, loan level information will be provided on a quarterly basis and published on the website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes, the Residual Certificates or the Mortgage Loans.
- (k) The Issuer confirms that the Mortgage Loans backing the issue of the Notes and the Residual Certificates have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes and the Residual Certificates. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
- (l) The total expenses to be paid in relation to admission of the Notes to the Official List and trading on the regulated market of the Irish Stock Exchange are estimated to be approximately £8,000.



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## **APPENDIX – FINANCIAL STATEMENTS OF THE ISSUER**

**Auburn Securities 9 plc**

**Annual Report and Financial Statements**

**Period from date of incorporation on 4 December 2013  
to 31 December 2014**

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## **DIRECTORS AND OTHER INFORMATION**

### **Directors**

M. H. Filer  
M. Clarke  
Wilmington Trust SP Services (London) Limited

### **Company Secretary and Registered Office**

Wilmington Trust SP Services (London) Limited  
Third Floor  
1 King's Arms Yard  
London  
EC2R 7AF

**Registered Number:** 08801944

### **Independent Auditor**

PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
One Spencer Dock  
North Wall Quay  
Dublin 1

### **Solicitors**

Rosling King LLP  
10 Old Bailey  
London  
EC4 7NG

### **Bankers**

Barclays Bank plc  
Financial Markets Team  
Level 28  
One Churchill Place  
London  
E14 5HP



## STRATEGIC REPORT

The directors present their annual report and audited financial statements for the period from date of incorporation on 4 December 2013 to 31 December 2014.

The Company changed its name from Teddygrange plc (an "off the shelf" company) to Auburn Securities 8 plc on 31 July 2014. Subsequently, on 23 June 2015, the company changed its name from Auburn Securities 8 plc to Auburn Securities 9 plc.

### Principal activities

The intended principal activity of Auburn Securities 9 plc ("the Company") is the provision of residential and buy-to-let mortgages, secured on properties in the United Kingdom. The Company had not commenced activities as at 31 December 2014.

### Business review, results and future developments

The Company was established on 31 July 2014 as a special purpose entity to effect the securitisation of a tranche of mortgage assets from a related entity, Capital Home Loans Limited ("CHL"). However, the securitisation programme was put on hold due to wider ultimate parent group (Permanent TSB Group Holdings plc) strategy. Plans are currently in motion for a potential securitisation in the second half of 2015.

By order of the Board on 24 June 2015 and signed on behalf by



Mignon Clarke for and behalf of Wilmington Trust SP Services (London) Limited  
Secretary

## **DIRECTORS' REPORT**

The directors note that, as a result of the Strategic report and Directors report regulation 2014 (which are amendments to the Companies Act 2006) some of the reporting which would previously have been contained within the directors' report must now (along with certain other reporting) appear within the strategic report. The directors' report now refers to the remaining statutory information requiring disclosure.

### **Dividends**

No dividends have been paid for the period ended 31 December 2014.

### **Directors**

The following directors are in office at the date of approval of the financial statements and have held office since 31 July 2014:

M. H. Filer  
M. Clarke  
Wilmington Trust SP Services (London) Limited

A. Levy and D. J. Pudge were appointed directors on 4 December 2013 and resigned on 31 July 2014.

### **Corporate governance statement**

The Company is subject to and complies with UK law comprising the Companies Acts 2006. The Company does not apply additional requirements to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

The directors are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator (Capital Home Loans Limited), to maintain proper books and records of the Company, to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view, to operate effective internal controls in relation to the financial reporting process and to report to the Board.

Given the predetermined and limited nature of the activities of the Company and the role of the Board, the Company has determined that it is not required to and therefore has not established an audit committee.

### **Political and charitable contributions**

The Company made no political or charitable contributions during the period .

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Subsequent events**

There have been no significant events affecting the Company since the period end.

**DIRECTORS' REPORT - continued**

**Auditor**

PricewaterhouseCoopers have been appointed as the auditor of the Company, and will continue in office in accordance with the provisions of Companies Act 2006.

**On behalf of the board**



Mignon Clarke for and behalf of Wilmington Trust SP Services (London) Limited  
Secretary

Date: 24 June 2015

## **DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period . Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUBURN SECURITIES 9 PLC**

We have audited the financial statements of Auburn Securities 9 plc for the period ended 31 December 2014 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUBURN SECURITIES PLC - continued**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in dark ink, appearing to read 'Ivan McLoughlin'.

**Ivan McLoughlin (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Auditors  
Dublin**

**Date:** 24 June 2015

## ACCOUNTING POLICIES

### Statement of compliance

The statutory financial statements set out herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The standards adopted by the Company are those that are effective and adopted by the European Union as of the Company's reporting date.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### Basis of preparation

Auburn Securities 9 plc is a Company incorporated in the United Kingdom. Its principal activities are outlined in the Strategic report.

The financial statements have been prepared on the historical cost basis. The accounting policies that the Company has applied in the preparation of the financial statements for the period ended 31 December 2014 have been set out below.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about the carrying amounts of assets and liabilities. Actual results may differ from the estimates made.

### Basis of preparation - Going concern

It is expected that the Company will continue to have sufficient cash inflows from its current cash resources to meet its on-going obligations.

The Company is dependent on Capital Home Loans Limited to administer the Company. The Company is considered to be a subsidiary of Capital Home Loans Limited owing to the specific terms set out in the governing documentation relating to this entity and its securitised assets. Capital Home Loans Limited has incurred losses for the past number of years and expects to register continued losses going forward. Capital Home Loans is wholly owned by and is dependent on Permanent TSB Group Holdings Public Limited Company ("PTSBGH") for continued financial support. PTSBGH recorded continued losses in 2014.

The directors of PTSBGH have considered various matters in evaluating the appropriateness of the going concern basis of preparation for its financial statements. These various matters are set out in the basis of preparation note within the statement of accounting policies. In the PTSBGH 2014 Annual Report the directors of PTSBGH have concluded that there are no material uncertainties which would cast significant doubt on the ability of PTSBGH to continue on a going concern basis for the foreseeable future.

The directors of Capital Home Loans Limited in their 2014 annual report have considered various matters in evaluating the appropriateness of the going concern basis of preparation for its financial statements and concluded that continued financial support and funding will likely be available for Capital Home Loans Limited company and group for a period of at least 12 months from the date of approval of the Capital Home Loans Limited group 2014 consolidated financial statements. The intention to continue to support Capital Home Loans Limited has been formally confirmed by Permanent TSB plc to Capital Home Loans Limited. The directors of Capital Home Loans Limited have concluded that there is no material uncertainty regarding the ability of PTSBGH to continue to provide financial support to Capital Home Loans Limited which may cast significant doubt on the ability of Capital Home Loans Limited group to continue as a going concern. The Directors of Capital Home Loans Limited have also considered the agreement entered into by Permanent TSB plc to sell Capital Home Loans Limited within the period of assessment and have concluded that, this does not give rise to material uncertainty which may cast significant doubt on the ability of Capital Home Loans Limited company and group to continue as going concern. For these reasons, the directors of Capital Home Loans Limited continue to adopt the going concern basis in preparing the Capital Home Loans Limited group financial statements.



## ACCOUNTING POLICIES - continued

### Basis of preparation - Going concern - continued

The Directors of Auburn Securities 9 plc have considered the above in their assessment as to whether the Company has the ability to continue as a going concern. The directors of the Company have noted that the European Commission approved the updated restructuring plan for PTSBGH on 9 April 2015. On 27 April 2015 ptsb announced the successful completion of the €525 million capital raise. The directors of Auburn Securities 9 plc have confirmed with PTSBGH that other than the above developments there has been no further significant developments impacting their going concern assessment of PTSBGH.

Following on from the above, the directors of the Company, having made due enquiries, have adopted the going concern basis in preparing these financial statements. If the Capital Home Loans Limited group were unable to continue as a going concern, then, as administrator of this Company, Capital Home Loans Limited, as Servicer, would be unable to continue realising assets and discharging liabilities on behalf of the Company in the normal course of business. The financial statements do not include any adjustments that would be required if Capital Home Loans Limited, as administrator of this company, were unable to continue as a going concern.

### Cash and cash equivalents and restricted cash balances

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash and balances with banks that are freely available, bank overdrafts and short term borrowings and non-equity investments with a maturity of three months or less from the date of acquisition.

### Foreign currencies

The financial statements are presented in Pounds Sterling, which is the Company's functional currency. Except where otherwise indicated financial information presented in pounds sterling has been rounded to the nearest thousand ('000').

Foreign currency transactions are translated into Pounds Sterling at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the balance sheet date. Exchange movements on these are recognised in the statement of comprehensive income.

### Income tax expense

Income tax expense comprises both current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent it relates to an item which is recognised directly in equity, in which case it is recognised directly in equity. Current tax payable is provided on taxable profits at current taxation rates enacted or substantively enacted at the period end and also includes any adjustments to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, without discounting. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax liabilities and assets are offset only where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



## ACCOUNTING POLICIES - continued

## New and revised IFRSs in issue but not yet effective

<u>Topic</u>	<u>Description of change</u>	<u>Effective date</u>	<u>Impact</u>
<b>Annual improvements 2012</b>	<p>These annual improvements amend standards from the 2010 – 2012 reporting cycle. It includes changes to:</p> <p>IFRS 2, "Share based payments" clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.</p> <p>IFRS 3, "Business combinations" clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in the income statement.</p> <p>IFRS 8, "Operating segments" is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.</p> <p>IFRS 13, "Fair value" amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.</p> <p>IAS 16, "Property, plant and equipment" and IAS 28, "Intangible assets" are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.</p> <p>IAS 24, "Related party disclosures" is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.</p>	<p>Periods beginning on or after 1 July 2014.</p> <p>Endorsed on 11 December 2014.</p> <p>(Endorsed for 1 February 2015)</p>	<p>The implementation of these amendments is expected to have no impact on the financial statements of the Company.</p>

## ACCOUNTING POLICIES - continued

## New and revised IFRS's in issue but not yet effective - continued

<u>Topic</u>	<u>Description of change</u>	<u>Effective date</u>	<u>Impact</u>
<b>Annual improvements 2013</b>	<p>These annual improvements amend standards from the 2011 – 2013 reporting cycle. It includes changes to:</p> <p>IFRS 3, "Business combinations" is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11.</p> <p>IFRS 13, "Fair value measurement" is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including on-financial contracts) within the scope of IAS 39 or IFRS 9.</p> <p>IAS 40, "Investment property" is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.</p>	<p>Periods beginning on or after 1 July 2014.</p> <p>Endorsed on 18 December 2014.</p> <p>(Endorsed for 1 January 2015)</p>	<p>The implementation of these amendments is expected to have no impact on the financial statements of the Company.</p>
<b>IFRS 9, "Financial instruments"</b>	<p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through P&amp;L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value, through profit or loss.</p> <p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instruments and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p>	<p>Periods beginning on or after 1 January 2018. Early application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the standard in phases.</p>	<p>Application of IFRS 9 is expected to have significant impact on Companies financial position and performance. However, the Company has to quantify the full potential impact of this standard. The standard was published on 24 July 2014 and has yet to be endorsed by the EU.</p>

## ACCOUNTING POLICIES - continued

## New and revised IFRS's in issue but not yet effective - continued

<u>Topic</u>	<u>Description of change</u>	<u>Effective date</u>	<u>Impact</u>
<b>Amendment to IFRS 11, "Joint arrangements" regarding acquisition of an interest in a joint operation.</b>	This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.	Periods beginning on or after 1 January 2016. Yet to be EU endorsed.	The implementation of these amendments is expected to have no impact on the financial statements of the Company.
<b>Amendment to IAS 16, "Property, plant and equipment" and to IAS 28, "Intangible asset" regarding depreciation and amortisation.</b>	<p>This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.</p>	Periods beginning on or after 1 January 2016. Yet to be EU endorsed.	The implementation of these amendments is expected to have no impact on the financial statements of the Company.
<b>Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture.</b>	<p>These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.</p>	Periods beginning on or after 1 January 2016. Yet to be EU endorsed.	The implementation of these amendments is expected to have no impact on the financial statements of the Company.
<b>Amendment to IAS 27, 'Separate financial statements' regarding the equity method</b>	The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	Periods beginning on or after 1 January 2016. Yet to be EU endorsed.	The implementation of these amendments is expected to have no impact on the financial statements of the Company.

**ACCOUNTING POLICIES - continued****New and revised IFRS's in issue but not yet effective - continued**

<b><u>Topic</u></b>	<b><u>Description of change</u></b>	<b><u>Effective date</u></b>	<b><u>Impact</u></b>
<b>Annual improvements 2014</b>	<p>IFRS 7, "Financial instruments: Disclosures" – There are two amendments:</p> <ul style="list-style-type: none"><li>- Servicing contracts – if an entity transfers a financial asset to third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.</li><li>- Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.</li></ul>	Periods beginning on or after 1 January 2016. Yet to be EU endorsed.	The implementation of these amendments is expected to have no impact on the financial statements of the Company.

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2014**

	Notes	£
<b>Assets</b>		
Cash at bank		<u>12,501</u>
<b>Total assets</b>		<u>12,501</u>
<b>Liabilities</b>		
Accrued expenses		<u>4,424</u>
<b>Total liabilities</b>		<u>4,424</u>
<b>Equity</b>		
Share capital	1	12,501
Retained loss	2	<u>(4,424)</u>
<b>Total equity attributable to equity holders of the Company</b>	2	<u>8,077</u>
<b>Total liabilities and equity</b>		<u>12,501</u>

The financial statements on pages 9 to 20 were approved by the board of directors on 24 June 2015 and were signed on its behalf by:



Mignon Clarke for and behalf of Wilmington Trust SP Services (London) Limited  
 Director

**STATEMENT OF COMPREHENSIVE INCOME**

Period from date of incorporation on 4 December 2013 to 31 December 2014

	Notes	£
Administration expenses		<u>(4,424)</u>
<b>Loss before income tax</b>	3	(4,424)
Income tax charge	4	<u>-</u>
<b>Total comprehensive loss for the period</b>	2	<u>(4,424)</u>
<b>Loss attributable to the owners of the Company</b>		<u>(4,424)</u>

**STATEMENT OF CHANGES IN EQUITY**

Period from date of incorporation on 4 December 2013 to 31 December 2014

	Share capital £	Retained loss £	Total equity £
Balance at beginning of the period	-	-	-
Issued share capital	12,501	-	12,501
Total comprehensive loss for the period	-	(4,424)	(4,424)
Balance at end of period	<u>12,501</u>	<u>(4,424)</u>	<u>8,077</u>

**STATEMENT OF CASH FLOWS**

Period from date of incorporation on 4 December 2013 to 31 December 2014

	£
<b>Cash flows from operating activities</b>	
Loss before taxation for period	(4,424)
<b>Adjustments for:</b>	
<i>Increase in liabilities</i>	
Accrued expenses	<u>4,424</u>
<b>Net cash flows arising from operating activities</b>	<u>-</u>
<b>Cash flows from financing activities</b>	
Issued share capital	<u>12,501</u>
<b>Net movement in cash and cash equivalents</b>	12,501
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at 31 December 2014</b>	<u>12,501</u>



## NOTES TO THE FINANCIAL STATEMENTS

1	Called up share capital	As at 31 December 2014 £		
	<b>Authorised</b>			
	50,000 Ordinary shares of £1 each			<u>50,000</u>
	<b>Allotted, called up and fully paid</b>			
	2 ordinary shares of £1 each			2
	<b>Allotted, called up and partly paid</b>			
	49,998 ordinary shares of £1 each of which £0.25 has been paid up			<u>12,499</u>
				<u>12,501</u>
2	Reconciliation of movement in shareholders' equity	Share capital £	Retained loss £	Total equity £
	At beginning of period	-	-	-
	<i>Changes in equity for the period:</i>			
	Issued share capital	12,501	-	12,501
	Loss on ordinary activities after taxation	<u>-</u>	<u>(4,424)</u>	<u>(4,424)</u>
	<b>Total shareholders' equity at end of period</b>	<u>12,501</u>	<u>(4,424)</u>	<u>8,077</u>
3	Loss before tax	Period ended 31 December 2014 £		
	Included within loss before tax are the following:			
	Auditors' remuneration:			
	- audit fee	1,869		
	- other non-audit work	935		

The directors received no remuneration from the Company, for their services as directors in the current financial period. The Company has no employees and services required are contracted from related parties (see note 6).

## NOTES TO THE FINANCIAL STATEMENTS - continued

**4 Income tax charge**

Period ended  
31 December  
2014  
£

Corporation tax at 21.5%	-
Total income tax charge	-

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom of 21.5%. The differences are explained below:

Period ended  
31 December  
2014  
£

Loss before taxation	(4,424)
Loss by standard rate of corporation tax in UK of 21.5%	(951)
Unutilised losses	951
Effective tax charge in period	-

**5 Ultimate parent undertaking**

The Company was established by a contract as part of a planned mortgage securitisation. This contract governs the relationship between Capital Home Loans Limited and Auburn Securities 9 plc, whose activities are precisely defined in the relevant legal documents. Auburn 4 Limited is the Company's immediate parent company. Capital Home Loans Limited is the primary beneficiary of the operating policies of the Company. Accordingly, this entity has been consolidated within the Capital Home Loans Limited consolidated financial statements, which are in turn consolidated within the financial statements of Permanent TSB Group Holdings plc, a company incorporated in the Republic of Ireland. A copy of the consolidated group financial statements and annual report may be obtained from the following address: 56-59 St Stephen's Green, Dublin 2, Republic of Ireland.

**6 Related party transactions**

The Company has related party relationships with its parent company, Capital Home Loans Limited, with Wilmington Trust SP Services (London) Limited and with its other directors. The directors undertook no transactions directly with the Company during the period. The Company undertook no transactions with Capital Home Loans Limited in the period.

**7 Significant judgements/estimates made by management**

Significant judgements and estimates made by the Company which have a significant impact on the financial statements include:

Significant estimate	Key details
Going concern	Details set out in basis of preparation note.

**ISSUER**

**Auburn Securities 9 plc**

Third Floor  
1 King's Arms Yard  
London EC2R 7AF

**SERVICER, ORIGINATOR AND SELLER**

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Fleet, Hampshire  
GU51 4YA

**ARRANGER**

**Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ

**JOINT LEAD MANAGERS**

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Limited**

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London E14 4QJ

**J.P. Morgan Securities  
plc**

25 Bank Street  
London E14 5JP

**Lloyds Bank plc**

10 Gresham Street  
London EC2V 7AE

**Morgan Stanley & Co.  
International plc**

25 Cabot Square  
London E14 4QA

**TRUSTEE**

**Citicorp Trustee Company Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**AGENT BANK AND PRINCIPAL PAYING AGENT**

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

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**ISSUER ACCOUNT BANK**

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

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**COLLECTION ACCOUNT BANK**

**Barclays Bank PLC**

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