

## TOWD POINT MORTGAGE FUNDING 2017 - AUBURN 11 PLC

### IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES EXCEPT TO QIBS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT.**

**IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING.** THE FOLLOWING APPLIES TO THE PROSPECTUS ATTACHED TO THIS ELECTRONIC TRANSMISSION (THE "**PROSPECTUS**"), AND YOU ARE THEREFORE ADVISED TO READ THIS CAREFULLY BEFORE READING, ACCESSING OR MAKING ANY OTHER USE OF THE PROSPECTUS. IN ACCESSING THE PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS, INCLUDING ANY MODIFICATIONS TO THEM ANY TIME YOU RECEIVE ANY INFORMATION FROM US AS A RESULT OF SUCH ACCESS. YOU ACKNOWLEDGE THAT YOU WILL NOT FORWARD THIS ELECTRONIC FORM OF THE PROSPECTUS TO ANY OTHER PERSON.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. CERTAIN OF THE SECURITIES WILL BE OFFERED AND SOLD TO U.S. PERSONS WHO ARE QIBS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT.

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. Defined terms used in this electronic disclaimer shall have the meaning given to them in the Prospectus.

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.

**Confirmation of Your Representation:** 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 either (i) 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 or (ii) a QIB acting for your own account or for the account of one or more QIBs, or (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 or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

The 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, Morgan Stanley & Co. International plc and Merrill Lynch International.

The Prospectus is highly confidential and has been prepared by the Issuer solely for use in connection with the sale of the Notes and Certificates offered pursuant to the Prospectus. The Prospectus is personal to each offeree to whom it has been delivered by the Issuer and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of the Prospectus to any persons other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective investor in the United States, by accepting delivery of the Prospectus, agrees to the foregoing and to make no photocopies of the Prospectus or any documents related hereto and, if the offeree does not purchase any note or the offering is terminated, to destroy any electronic copies or return the Prospectus and all documents attached hereto to the Co-Arrangers, Joint Lead Managers and Co-Manager.

The Notes are offered subject to prior sale or withdrawal, cancellation or modification of this offering without notice. The Issuer and the Co-Arrangers, Joint Lead Managers, Co-Manager and Co-Sponsors also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allot to any prospective purchaser less than the full amount of Notes sought by such investor. You acknowledge that you have been afforded an opportunity to request from the Issuer, and have received and reviewed, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in the Prospectus. You also acknowledge that you have not relied on the Co-Arrangers, Joint Lead Managers, Co-Manager and Co-Sponsors or any person affiliated with the Co-Arrangers, Joint Lead Managers and Co-Manager in connection with the investigation of the accuracy of such information or your investment decision. The contents of the Prospectus are not to be construed as legal, business or tax advice. Each prospective purchaser should consult its own attorney, business adviser and tax adviser for legal, business and tax advice relating to an investment in the Notes.

The Prospectus summarises documents and other information in a manner that does not purport to be complete, and these summaries are subject to, and qualified in their entirety by reference to, all of the provisions of such documents. In making an investment decision, you must rely on your own examination of these documents (copies of which are available from the Issuer, Co-Arrangers, Joint Lead Managers and Co-Manager upon request), the Issuer and the terms of the offering and the Notes, including the merits and risks involved.

No representation or warranty is made by the Co-Arrangers, Joint Lead Managers, Co-Manager and Co-Sponsors the Issuer or any other person as to the legality of an investment in the Notes under any investment or similar laws or as to the classification or treatment of the Notes under any risk-weighting, securities valuation, regulatory accounting or other financial institution regulatory regimes of the National Association of Insurance Commissioners, any state insurance commissioner, any federal or state banking authority, or any other regulatory body. You should obtain your own legal, accounting, tax and financial advice as to the desirability of an investment in the Notes, and the consequences of such an investment.

We have not registered the Notes under the Securities Act or any state securities laws. We may not offer or sell the Notes within the United States to or for the account or benefit of any U.S. Person unless the offer or sale would qualify for a registration exemption under the Securities Act and state securities laws. The Notes are being offered and sold only to QIBs in accordance with Rule 144A under the Securities Act and outside the United States to non-U.S. Persons in accordance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that the seller of the Notes will be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes will be subject to restrictions on resale and transfer. See "Subscription and Sale - Investor Representations and Restrictions on Resale" and "Description of the Notes in Global Form – Transfers and Transfer Restrictions".

## TOWD POINT MORTGAGE FUNDING 2017 - AUBURN 11 PLC

(incorporated with limited liability in England and Wales, registered under number 10539679)

Class <sup>(1)</sup>	Initial Class Principal Amount or Notional Balance	Issue Price	Reference Rate <sup>(2)(3)</sup>	Margin (per annum)	Step-Up Margin (per annum)	Step-Up Date/ FORD <sup>(4)</sup>	Expected Ratings <sup>(5)</sup> (S&P / Moody's / Fitch / DBRS)	Final Maturity Date
A1	£732,500,000	99.7456%	3 month GBP LIBOR <sup>(2)</sup>	0.85%	1.50%	February 2020	AAA(sf)/Aaa(sf)/AAAsf/AAA(sf)	May 2045
A2	£50,000,000	98.9787%	3 month GBP LIBOR <sup>(2)</sup>	0.95%	1.75%	February 2020	AA(sf)/Aaa(sf)/AAAsf/AAA(sf)	May 2045
B	£52,500,000	97.3989%	3 month GBP LIBOR <sup>(2)(3)</sup>	1.00%	2.50%	February 2020	AA-(sf)/Aa2(sf)/NR/AA(sf)	May 2045
C	£37,500,000	95.9924%	3 month GBP LIBOR <sup>(2)(3)</sup>	1.10%	3.25%	February 2020	A(sf)/A1(sf)/NR/A(sf)	May 2045
D	£37,500,000	91.7822%	3 month GBP LIBOR <sup>(2)(3)</sup>	1.30%	4.50%	February 2020	BBB+(sf)/Baa2(sf)/NR/NR	May 2045
E	£22,500,000	85.7205%	3 month GBP LIBOR <sup>(2)(3)</sup>	0.50%	4.00%	February 2020	BB(sf)/Ba2(sf)/NR/NR	May 2045
Z	£67,500,000	70.5189%	N/A	N/A	N/A	February 2020	NR/NR/NR/NR	May 2045
SDC	N/A <sup>(6)</sup>	N/A	SDC Payment <sup>(7)</sup>	N/A	N/A	N/A	NR/NR/NR/NR	N/A
DC1	N/A <sup>(6)</sup>	N/A	DC1 Payment <sup>(8)</sup>	N/A	N/A	N/A	NR/NR/NR/NR	N/A
DC2	N/A <sup>(6)</sup>	N/A	N/A	N/A	N/A	N/A	NR/NR/NR/NR	N/A

- (1) The Class A1 Notes and the Class A2 Notes (collectively the Class A Notes), the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class Z Notes are collectively the Notes. The Class Z Notes will have a zero per cent. fixed rate of interest. The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are collectively the Rated Notes. The Class SDC Certificates, the Class DC1 Certificates and the Class DC2 Certificates are collectively the Certificates. The Certificates and the Class Z Notes will not be rated. The Notes and the Certificates are offered pursuant to Rule 144A or Regulation S.
- (2) The Rate of Interest for each respective Class of Rated Notes (other than the Class A Notes) and each accrual period will be based on a per annum rate equal to the least of (i) the Reference Rate plus (prior to the FORD) the applicable Margin (or, on and following the FORD, the applicable Step-Up Margin), as described above and (ii) the Net WAC Cap. The Rate of Interest payable on the Class A Notes and each accrual period will be based on a per annum rate equal to the Reference Rate plus (prior to the FORD) the applicable Margin or (on and following the FORD) the applicable Step-Up Margin, as described above.
- (3) To the extent that the amount of interest payable on a Class of Rated Notes (other than the Class A Notes) as calculated under paragraph (b) of the definition of "Rate of Interest" exceeds the amount calculated by reference to the Net WAC Cap, such Net WAC Additional Amounts may be deferred. Such Net WAC Additional Amounts are not rated and are fully subordinated to (amongst other things) the payment of current interest on the Rated Notes as described herein.
- (4) The FORD (the first optional repayment date) is the Interest Payment Date falling in February 2020. The first Interest Payment Date will occur on 20 May 2017 and thereafter will occur on the 20th day or, if such day is not a Business Day, the immediately following Business Day in August, November, February and May.
- (5) A designation of "NR" means that the applicable Rating Agency will not rate that Class of Notes or Certificates as of the Closing Date. The Class Z Notes and the Certificates will not be rated by any Rating Agency.
- (6) Each respective Class of Certificates will be based on a notional balance as described herein.
- (7) No Rate of Interest is earned on the Class SDC Certificates. If the Notes are redeemed in full on or prior to the FORD, payment on the Class SDC Certificates on the applicable redemption date will be an amount capped at the SDC Payment amount as described herein. If the Notes are not redeemed in full on or prior to the FORD, then no amounts will be payable on the Class SDC Certificates.
- (8) No Rate of Interest is earned on the Class DC1 Certificates. Payments on the Class DC1 Certificates will be payable in arrear on each Interest Payment Date.

CO-ARRANGERS

<b>MORGAN STANLEY</b>	<b>BANK OF AMERICA</b>	<b>MERRILL LYNCH</b>
JOINT LEAD MANAGERS		
<b>BANK OF AMERICA</b>	<b>MORGAN STANLEY</b>	<b>WELLS FARGO SECURITIES*</b>
<b>MERRILL LYNCH</b>		

CO-MANAGER  
**SMBC NIKKO**

The date of this Prospectus is 16 February 2017

- \* Bank of America Merrill Lynch means in relation to the Regulation S Global Note, Merrill Lynch International and in relation to the Rule 144A Global Notes, Merrill Lynch, Pierce, Fenner & Smith Incorporated.
- \* Wells Fargo Securities means, in relation to the Regulation S Global Note, Wells Fargo Securities International Limited and in relation to the Rule 144A Global Notes, Wells Fargo Securities, LLC.
- \* Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are registered in the USA with the Securities and Exchange Commission (SEC) and regulated by the Financial Industry Regulatory Authority (FINRA).

<b>Issue Date</b>	21 February 2017.  The Issuer will issue the Notes in the Classes set out above on the Closing Date.
<b>Stand alone/programme issuance</b>	Stand alone issuance.
<b>Underlying Assets</b>	The Issuer will make payments on the Notes and Certificates from, <i>inter alia</i> , payments of principal and revenue on a portfolio comprising mortgage loans originated by the relevant Originator and secured over residential and commercial properties located in England, Wales, Scotland and Northern Ireland which will be purchased by the Issuer on the Closing Date.
<b>Credit Enhancement</b>	<ul style="list-style-type: none"> <li>• Subordination of junior ranking Notes;</li> <li>• Excess Available Revenue Receipts;</li> <li>• Following service of an Enforcement Notice, all amounts credited to the Liquidity Reserve Fund (if any), subject to application in accordance with the Post-Enforcement Priority of Payments; and</li> <li>• Following service of an Enforcement Notice, all amounts credited to the Excess Cashflow Reserve Fund (if any), subject to application in accordance with the Post-Enforcement Priority of Payments.</li> </ul>
<b>Liquidity Support</b>	<ul style="list-style-type: none"> <li>• Subordination of junior ranking Notes;</li> <li>• In respect of the Rated Notes, the Principal Addition Amounts will be available to pay interest due on the Most Senior Class of Notes then outstanding, <b>provided that</b>, for these purposes only, for as long as any Class A Notes remain outstanding, the entire Class A Notes will be treated as the Most Senior Class in circumstances where the Class A2 Trigger has not been breached;</li> <li>• In respect of the Class A Notes only, (i) prior to the LF Cancellation Date amounts available under the Liquidity Facility and (ii) on and from the FORD, amounts which comprise the Liquidity Reserve Fund Actual Amount;</li> <li>• In respect of the Class A Notes only, amounts standing to the credit of the SDC Ledger; and</li> <li>• In respect of the Mezzanine Floating Rate Notes, the amounts standing to the credit of the Excess Cashflow Reserve Fund.</li> </ul>
<b>Rating Agencies</b>	<p>Each of DBRS, Fitch, Moody's and S&amp;P is established in the European Union and registered under the CRA Regulation.</p> <p>Each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority 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 Regulation. 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</p>

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.

## Credit Ratings

Ratings are expected to be assigned to the Rated Notes on or before the Closing Date.

The Class Z Notes, the Class SDC Certificates, the Class DC1 Certificates and the Class DC2 Certificates will not be rated by the Rating Agencies.

The ratings reflect the views of the Rating Agencies and are based on the Mortgage Loans, the Related Security, the Properties and the structural features of the transaction.

The ratings assigned to the Rated Notes (including in respect of the Step-Up Margins) shall, *inter alia*:

- to the holders of the Class A Notes, address the likelihood of full and timely payments of interest on each Interest Payment Date in accordance with the Conditions;
- to the holders of the Mezzanine Floating Rate Notes, address the likelihood of full and ultimate payment of all payments of interest (disregarding any Net WAC Additional Amounts) in relation to the Mezzanine Floating Rate Notes on the Final Maturity Date;
- to the holders of the Rated Notes, address the likelihood of full and ultimate payment of principal in relation to the Rated Notes on or prior to the Final Maturity Date; and
- to the holders of the Mezzanine Floating Rate Notes, for the avoidance of any doubt, not address the likelihood of receipt of any amounts in respect of the Net WAC Additional Amounts as payments of Net WAC Additional Amounts in respect of the Mezzanine Floating Rate Notes are not rated.

**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.**

## Listing

This document comprises a prospectus for the purpose of the Prospectus Directive. This Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive.

Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange 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 of the Irish Stock Exchange and to trading on its regulated market. The Class SDC Certificates, the Class DC1 Certificates and the Class DC2 Certificates will not be listed or admitted to trading. This Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision of, or rule under, the Securities Act.

### **The Notes and Certificates**

The Notes and the Certificates have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and the Notes and the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States or other applicable jurisdiction. Accordingly, the Notes and the Certificates are being offered and sold only (A) to QIBs acting for their own account, or for the account or benefit of one or more QIBs, in reliance on Rule 144A and (B) outside the United States to persons other than U.S. Persons in reliance on Regulation S. The Notes and the Certificates may be resold or otherwise transferred, subject to other restrictions on transfer described herein, only (A) to QIBs acting for their own account, or for the account of one or more QIBs, in reliance on Rule 144A or another exemption from registration under the Securities Act or (B) outside the United States to persons other than U.S. Persons in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Notes and the Certificates may be relying on an exemption from the provisions of Section 5 of the Securities Act. For a description of certain further restrictions on offers, sales and transfers of Notes or Certificates in this Prospectus, see "*Subscription and Sale*" and "*Transfers and Transfer Restrictions*".

### **European Union Retention Undertaking**

On the Closing Date, the Retention Holder, in its capacity as an originator for the purposes of the CRR, the AIFMR and the Solvency II Delegated Act will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will retain (either directly or through a majority-owned affiliate), on an ongoing basis, a material net economic interest of at least 5 per cent. in the securitisation in accordance with each of Article 405 of the CRR and Article 51 of the AIFMR and Article 254(2) of the Solvency II Delegated Act (which, in each case, does not take into account any corresponding national measures) (the "**EU 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). Such interest will be comprised of an interest in the first loss tranche as required by Article 405(1)(d) of the CRR, Article 51(1)(d) of the AIFMR and Article 254(2)(d) of the Solvency II Delegated Act. Such retention requirement will be satisfied by the Retention Holder holding the economic exposure to the Retention Notes. The Seller will undertake to retain an economic interest in the Retention Notes for the life of the transaction. Any change to the manner in which such interest is held will be notified to investors.

For further information regarding the EU Retention Requirement and the Retention Holder's compliance with respect thereto, see "*Certain Regulatory Disclosures – EU Risk Retention Requirements*".

**U.S. Risk Retention**

The Retention Holder and FirstKey Mortgage, LLC ("**FirstKey**") (acting as Co-Sponsors) are required under Section 15G of the Exchange Act (the "**U.S. Credit Risk Retention Requirements**") to ensure that one of such Co-Sponsors (either directly or through a majority-owned affiliate of such Co-Sponsor) acquires and retains the Required Risk Retention Interest. The Co-Sponsors intend to satisfy the U.S. Credit Risk Retention Requirements on the Closing Date by designating the Retention Holder as the sponsor that will acquire and retain, either directly or through a majority-owned affiliate, the Required Risk Retention Interest in the form of an EHRI. The Required Risk Retention Interest is described in "*Certain Regulatory Disclosures – U.S. Risk Retention Requirements*".

For further information regarding the U.S. Credit Risk Retention Requirements and the Retention Holder's compliance with respect thereto, see "*Certain Regulatory Disclosures - U.S. Credit Risk Retention Requirements*".

**The Volcker Rule**

The Issuer has been structured not to be a "covered fund" for the purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (such statutory provisions, together with such implementing regulations, being the Volcker Rule). In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act and under the Volcker Rule may be available, the Issuer has relied on an exemption from registration as an "investment company" under the Investment Company Act under Section (3)(c)(5)(C) thereof. Under the Volcker Rule, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) thereof. Any prospective investor in the Notes or the Certificates, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

**Certificates**

In addition to the Notes, the Issuer will issue the Class SDC Certificates, the Class DC1 Certificates and the Class DC2 Certificates to the Seller on the Closing Date. The Class SDC Certificates represent the right to receive the SDC Payments and the Class DC1 Certificates represent the right to receive the DC1 Payments. The Class DC2 Certificates represent the right of the Mortgage Portfolio Option Holder to exercise the Mortgage Portfolio Purchase Option. No payments will be made in respect of the Class DC2 Certificates. The Certificates will not be listed or rated.

**Significant Investor**

The Seller will, either directly or through a majority-owned affiliate, on the Closing Date, hold the economic exposure to the Retention Notes and the Required Risk Retention Interest and be issued the Certificates.

## IMPORTANT NOTICES

### *Responsibility Statements*

The Notes will be obligations of the Issuer only. 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 (the "**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.

Cerberus European Residential Holdings B.V. accepts responsibility for the information set out in the sections headed "*CERH – The Seller and Retention Holder and the Co-Sponsors*", "*The Mortgage Portfolio*", "*Annex A - Statistical Information on the Provisional Mortgage Portfolio*" and "*Certain Regulatory Disclosures*". To the best of the knowledge and belief of Cerberus European Residential Holdings B.V. (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 Cerberus European Residential Holdings B.V. 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.

Capital Home Loans Limited accepts responsibility for the information set out in the sections headed "*CHL – The Servicer*", "*The Mortgage Portfolio*", "*Annex A - Statistical Information on the Provisional Mortgage Portfolio*" and "*Certain Regulatory Disclosures*". To the best of the knowledge and belief of Capital Home Loans Limited (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 Capital Home Loans Limited 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.

HML accepts responsibility for the information set out in the section headed "*HML – 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 accepts responsibility for the information set out in the section headed "*Barclays Bank - The Collection Account Bank*". To the best of the knowledge and belief of Barclays Bank PLC (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 Bank PLC 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.

Each of U.S. Bank Trustees Limited and Elavon Financial Services D.A.C., UK Branch accepts responsibility for the information set out in the sections headed "*U.S. Bank - The Trustee, the Issuer Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar and the Back-Up Cash Manager*", respectively. To the best of the knowledge and belief of each of U.S. Bank Trustees Limited and Elavon Financial Services D.A.C., UK Branch (having taken all reasonable care to ensure that such is the case), the information contained in such section is (insofar as it relates to it) 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 either U.S. Bank Trustees Limited or Elavon Financial Services D.A.C, UK Branch 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.

Wells Fargo Bank, National Association, London Branch accepts responsibility for the information set out in the section headed "*Wells Fargo - The Liquidity Facility Provider*". To the best of the knowledge and belief of the liquidity facility provider (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 the Liquidity Facility Provider as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

#### ***No Responsibility or Liability***

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 Co-Arrangers, the Joint Lead Managers, the Co-Sponsors, the Co-Manager, the Agents, the Issuer Account Bank, the Trustee (other than in the sections headed "*U.S. Bank – The Trustee, the Issuer Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar and the Back-Up Cash Manager*", in each case insofar as it relates to them) or the Liquidity Facility Provider (other than in the section headed "*Wells Fargo - The Liquidity Facility Provider*") 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 Co-Arrangers, the Joint Lead Managers, the Co-Sponsors, the Co-Manager, the Agents, the Issuer Account Bank, the Trustee or the Liquidity Facility Provider 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 Co-Arrangers, the Joint Lead Managers, the Co-Sponsors, the Co-Manager, 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 Co-Arrangers, the Joint Lead Managers, the Co-Sponsors, the Co-Manager, the Agents or the Trustee.

#### ***Transfer Restrictions***

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 and the Certificates 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 Co-Arrangers, the Joint Lead Managers and the Co-Manager to inform themselves about and to observe any such restriction.

The Notes and the Certificates are being offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S under the Securities Act and to U.S. Persons in reliance on Rule 144A under the Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this Prospectus, see "*Subscription and Sale*" and "*Transfers and Transfer Restrictions*".

### *United States Distribution Restrictions*

NEITHER THE NOTES NOR THE CERTIFICATES HAVE BEEN NOR WILL BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND NEITHER THE NOTES NOR THE CERTIFICATES MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTIONS. ACCORDINGLY, THE NOTES AND THE CERTIFICATES ARE BEING OFFERED AND SOLD ONLY (A) TO QIBS ACTING FOR THEIR OWN ACCOUNT, OR FOR THE ACCOUNT OR BENEFIT OF ONE OR MORE QIBS, IN RELIANCE ON RULE 144A AND (B) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN RELIANCE ON REGULATION S. THE NOTES AND THE CERTIFICATES MAY BE RESOLD OR OTHERWISE TRANSFERRED, SUBJECT TO OTHER RESTRICTIONS ON TRANSFER DESCRIBED HEREIN, ONLY (A) TO QIBS ACTING FOR THEIR OWN ACCOUNT, OR FOR THE ACCOUNT OR BENEFIT OF ONE OR MORE QIBS, IN RELIANCE ON RULE 144A OR ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (B) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES AND THE CERTIFICATES MAY BE RELYING ON AN EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE NOTES AND THE CERTIFICATES IN THIS PROSPECTUS, SEE "SUBSCRIPTION AND SALE" AND "TRANSFERS AND TRANSFER RESTRICTIONS".

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR ANY OTHER U.S. REGULATORY AUTHORITY AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

IT IS EXPECTED THAT THE CLASS A NOTES, CLASS B NOTES, CLASS C NOTES AND THE CLASS D NOTES WILL BE ERISA-ELIGIBLE SECURITIES (AS DEFINED HEREIN). EACH PURCHASER OF ERISA-ELIGIBLE SECURITIES WILL BE DEEMED BY SUCH PURCHASE TO HAVE REPRESENTED, WARRANTED AND AGREED FOR SO LONG AS IT HOLDS SUCH A SECURITY THAT (I) IT IS NOT AND WILL NOT BE AN "EMPLOYEE BENEFIT PLAN" WHICH IS SUBJECT TO SECTION 406 OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR ANY PERSON ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (II) ITS ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF SUCH NOTE WILL NOT RESULT IN ANY NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW. EACH PURCHASER OF ANY NOTE OR CERTIFICATE THAT IS NOT AN ERISA-ELIGIBLE SECURITY WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED FOR SO LONG AS IT HOLDS SUCH A NOTE OR CERTIFICATE THAT (I) IT IS NOT, AND WILL NOT BE AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN OR PERSON THAT IS, OR ITS ASSETS ARE TREATED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE AS BEING, SUBJECT TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, AND (II) IF THE PURCHASER IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO SIMILAR LAW, ITS ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF ANY SUCH SECURITY WILL NOT RESULT IN A VIOLATION OF ANY SIMILAR LAW. SEE "*ERISA CONSIDERATIONS FOR INVESTORS*".

THERE IS NO UNDERTAKING TO REGISTER THE NOTES OR THE CERTIFICATES UNDER U.S. STATE OR FEDERAL SECURITIES LAWS. AN OFFER OR SALE OF THE REGULATION S

GLOBAL NOTE WITHIN THE UNITED STATES MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN TO QIBS IN COMPLIANCE WITH RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

***Covered Fund Statement***

The Issuer has been structured so as not to constitute a "covered fund" for purposes of the Volcker Rule.

***Available Information***

The Issuer has agreed that, for so long as any of the Notes or the Certificates offered pursuant to Rule 144A remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon request of a holder or of any beneficial owner of such a Note or Certificate sold pursuant to Rule 144A or of any prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act, or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

***Certain Other Important Information***

None of the Issuer, the Co-Sponsors, the Co-Arrangers, the Joint Lead Managers, the Co-Manager or 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 Co-Arrangers, Co-Sponsors, the Joint Lead Managers or the Co-Manager.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. 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 Co-Arrangers, the Joint Lead Managers or the Co-Manager other than as set out in the paragraph headed "*Listings*" on page (vi) 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, Ireland and the United States), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

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

The Notes will each be represented on issue by Global Notes, which are expected to be deposited with the Common Safekeeper for Euroclear and Clearstream, Luxembourg on or around the Closing Date. The Notes may be issued in definitive certificate form only in limited circumstances.

The Class SDC Certificates, the Class DC1 Certificates and the Class DC2 Certificates will each be represented on issue by Global Certificates in registered form. The Certificates may be issued in definitive certificate form only in limited circumstances.

EACH PURCHASER OF THE NOTES AND THE CERTIFICATES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH NOTES OR CERTIFICATES, AS APPLICABLE UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO

WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUER, THE JOINT LEAD MANAGERS, THE CO-MANAGER (OR ANY OF THEIR AFFILIATES), THE CO-SPONSORS OR THE TRUSTEE (OR ANY OF THEIR RESPECTIVE AFFILIATES) SHALL HAVE ANY RESPONSIBILITY THEREFOR.

On 6 September 2012, the European Central Bank 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 Depositories 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 European Central Bank 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.

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

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

Certain matters contained 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. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. Additional factors that could cause future results to differ materially include, but are not limited to, those discussed under "*Risk Factors*". 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 Issuer, the Co-Arrangers, the Joint Lead Managers, the Co-Manager, CHL or the Co-Sponsors have 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 Co-Arrangers, the Joint Lead Managers, the Co-Manager, CHL or the Co-Sponsors assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.

#### ***PRIIPs Regulation***

The Notes and the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic

Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes and the Certificates or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Notes and the Certificates or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

***Financial Services Compensation Scheme not applicable***

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

***Transaction Documents***

This Prospectus contains an overview of the material terms of the Transaction Documents. This Prospectus does not purport to be complete and is subject to the provisions of the Transaction Documents.

Terms are defined only once in this Prospectus. The definitions can be located from the "*Index of Defined Terms*" and are principally set out in the Section entitled "*Glossary*".

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## **RISK FACTORS**

*The following is a description of the principal risks associated with an investment in the Notes and the Certificates. These risk factors are material to an investment in the Notes and the Certificates and in the Issuer. Prospective Noteholders and Certificateholders 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 and the Certificates involves substantial risks and 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 and Certificateholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes and the Certificates may occur for other reasons and the Issuer does not represent that the statements below regarding the risks relating to the Notes and the Certificates 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 and the Certificates.*

*Prospective Noteholders and Certificateholders should (i) 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 (ii) ensure that they understand the nature of the Notes and the Certificates and the extent of their exposure to risk, (iii) consider carefully, in the light of their own financial circumstances and investment objectives (and those of any accounts for which they are acting) and in consultation with such legal, financial, regulatory and tax advisers as it deems appropriate, all the information set out in this Prospectus so as to arrive at their own independent evaluation of the investment and (iv) confirm that an investment in the Notes and the Certificates is fully consistent with their respective financial needs, objectives and any applicable investment restrictions and is suitable for them. The Notes and the Certificates are not a conventional investment and carry various unique investment risks, which prospective investors should understand clearly before investing in them. In particular, an investment in the Notes and the Certificates involves the risk of a partial or total loss of investment.*

### **Credit Structure**

***Noteholders cannot rely on any person other than the Issuer to make payments on the Notes and the Certificates***

The Notes and the Certificates 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 and the Certificates will not be obligations of, and will not be guaranteed by, the Seller, the Legal Title Holder, the Co-Sponsors, the Co-Arrangers, the Joint Lead Managers, the Co-Manager 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 or the Certificates.

***The Issuer has a limited source of funds which may be insufficient to allow for repayment in full of the Notes and the Certificates***

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes, amounts due in respect of the Certificates 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 certain amounts standing to the credit of the Deposit Account and income from any Authorised Investments and (i) in respect of the Rated Notes, Principal Addition Amounts available to pay interest due on the Most Senior Class of Notes; (ii) (in respect of the Class A Notes only) amounts available in respect of the Liquidity Reserve Fund (on and from the FORD) plus, in respect of the Class A Notes prior to the LF Cancellation Date only, amounts available under the Liquidity Facility and (iii) in respect of the Mezzanine Floating Rate Notes, amounts standing to the credit of the Excess Cashflow 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, the Certificates and/or any other payment obligation under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders, the Certificateholders and the other Secured Creditors, subject to the applicable Priority of



Payments. There is no guarantee that the Issuer will have sufficient funds to redeem the Notes or the Certificates in full. The recourse of the Noteholders and the Certificateholders to the Charged Property following service of an Enforcement Notice is described below. 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*"). In addition, the Issuer's obligation to pay amounts in respect of interest on the Mezzanine Floating Rate Notes on an on-going basis will be capped at the applicable Net WAC Cap for such Interest Payment Date, as to which see further "*Application of the Net WAC Cap and timing of interest rate adjustments may reduce interest payments*".

***The Notes and the Certificates are limited recourse non-petition obligations of the Issuer***

The Notes and the 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) the realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes and all claims ranking in priority to payments 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 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 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.

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 Certificates or the other Transaction Documents.

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.

No Noteholder or Certificateholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents to enforce the performance of any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

***If the Issuer has insufficient funds on an Interest Payment Date, there will be a deferral of interest payments in respect of certain Notes (including any Net WAC Additional Amounts)***

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) due on the Mezzanine Floating Rate Notes that would otherwise be payable absent the deferral provisions, after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer will be entitled under Condition 8.13 (*Subordination by Deferral*) 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 Mezzanine Floating Rate Notes becomes due and repayable in full in accordance with the Conditions. Any such deferral in accordance with the Conditions will not constitute an Event of Default. In accordance with Condition 8.13 (*Subordination by Deferral*), the Issuer may also defer payment of any Net WAC Additional Amount related to the Mezzanine Floating Rate Notes (calculated as set out in Condition 8.13 (*Subordination by Deferral*)).

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 (other than the Class A Notes), then the relevant Noteholders may not receive all interest amounts.

In the event that amounts constituting Deferred Interest (including Additional Interest and deferred Net WAC Additional Amounts) are not paid in full on the Mezzanine Floating Rate Notes such failure will not constitute an Event of Default until the Final Maturity Date (subject to the grace periods thereunder) or such earlier date on which the Notes are redeemed in accordance with Condition 9.3 (*Optional Redemption in whole*), Condition 9.4 (*Optional Redemption in whole for taxation reasons*), Condition 9.5 (*Mandatory Redemption of the Notes following the exercise of a Risk Retention Regulatory Change Option*) or Condition 9.6 (*Mandatory Redemption of the Notes following the exercise of Mortgage Portfolio Purchase Option or Market Mortgage Portfolio Purchase*). As such, the Trustee will not be able to accelerate the Mezzanine Floating Rate Notes until after the Final Maturity Date (subject to the grace periods thereunder) or such earlier date on which the Notes are redeemed in accordance with the Conditions set out above (and in relation to unpaid Net WAC Additional Amounts, the Trustee will not be able to accelerate the Mezzanine Floating Rate Notes at all), and prior to such date will not be able to take any action to enforce the Security or effect a sale or disposal of the Portfolio in respect of a failure by the Issuer to pay such amounts until the Final Maturity Date (subject to the grace periods thereunder) or such earlier date.

For the avoidance of doubt, failure to pay interest in respect of the Class A Notes shall constitute an Event of Default which may result in the Trustee enforcing the Security.

***The Issuer is subject to the risk of default in payment by Borrowers, and therefore payments in respect of the Notes and the Certificates are subject to a credit risk***

As of the Portfolio Reference Date, approximately 1.37 per cent. of the Provisional Mortgage Portfolio (calculated by reference to the Current Balance of the Loans) are in arrears (meaning the relevant Borrower is in an amount equal to at least one monthly payment past due on the relevant Loan). 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. No assurance can be made as to the effectiveness of credit enhancement features or that credit enhancement features will protect the Noteholders or Certificateholders from all risk of loss. Should there be credit losses arising in respect of the Mortgage Loans, this could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal on the Notes and payments due in respect of the Certificates.

***Lack of liquidity of the Issuer could result in an insufficiency of funds on any Interest Payment Date***

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. Only the Class A Notes will have the benefit of (prior to the LF Cancellation Date) the Liquidity Facility and (on and from the FORD) the Liquidity Reserve Fund. This risk may adversely affect the Issuer's ability to make payments on the Notes and the Certificates. No assurance can be made as to the effectiveness of alternative sources of liquidity, or that alternative sources of liquidity will protect the Noteholders or Certificateholders from all risk of loss.

***Liquidity Facility and Liquidity Reserve Fund are primarily limited to the Class A Notes***

Prior to the LF Cancellation Date, the Class A Notes will have the benefit of the Liquidity Facility and, on and from the FORD, a combination of the Liquidity Facility and the Liquidity Reserve Fund, the primary purpose of which will be to maintain timely current quarterly interest payments to the holders of the Class

A Notes which cannot otherwise be covered through Available Revenue Receipts and Available Principal Receipts as described herein. Please see " – *The Liquidity Facility and the Liquidity Reserve Fund may not be available to cover all losses and at all times*" below and "*Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows – Liquidity Facility Agreement and Liquidity Reserve Fund*" for more detail.

Prior to the FORD, such liquidity support will be provided in the form of drawings under the Liquidity Facility.

On the FORD, unless the Issuer exercises its right to redeem all of the Notes and cancel the Certificates and such redemption is successfully completed, the Liquidity Reserve Fund will be established and will be funded in accordance with (i) *first*, item (3) of the Pre-Enforcement Ledgers Priority of Payments; (ii) *second*, from amounts standing to the credit of the Excess Cashflow Reserve Fund; and (iii) *third*, Available Principal Receipts in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments, up to the Liquidity Reserve Target.

On each Interest Payment Date on and following the FORD, as the amount credited to the Liquidity Reserve Fund is increased by application of Available Revenue Receipts or (in certain circumstances, and subject to certain limitations, as set out below) Available Principal Receipts up to the Liquidity Reserve Target, the size of the Commitment under the Liquidity Facility will decrease by the amount paid in to the Liquidity Reserve Fund towards the Liquidity Reserve Target (disregarding for these purposes any debit entries made to the Liquidity Reserve Fund Ledger on or prior to such Interest Payment Date) until the Commitment is reduced to zero.

On and from the FORD, the sum of (i) the aggregate of all amounts credited to the Liquidity Reserve Fund Ledger on each Interest Payment Date and all prior Interest Payment Dates (disregarding any debit entries made to the Liquidity Reserve Fund Ledger on or prior to such Interest Payment Date) and (ii) the amount available to the Issuer under the Liquidity Facility (unless previously drawn) will be equal to the Liquidity Reserve Target. The Commitment under the Liquidity Facility will be reduced to zero and cancelled on the LF Cancellation Date. The Liquidity Facility Provider is not obliged to extend or renew the Liquidity Facility at its expiry, but if it does not renew or extend the Liquidity Facility on request, then the Issuer will, subject to certain terms, be allowed to make a Liquidity Standby Drawing and place the proceeds of that drawing on deposit in the Liquidity Standby Ledger in the Deposit Account. See further "*Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows*" below.

On each Interest Payment Date following the FORD:

- (a) (i) up to and including the LF Cancellation Date, in respect of the Liquidity Reserve Fund, Available Revenue Receipts will be applied in accordance with item (19) of the Pre-Enforcement Revenue Priority of Payments prior to any application of any Available Principal Receipts (any such use of Available Principal Receipts shall disregard, for these purposes, any debit entries made to the Liquidity Reserve Fund Ledger on or prior to the such Interest Payment Date) in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments to fund the Liquidity Reserve Fund up to the Liquidity Reserve Target and (ii) thereafter Available Revenue Receipts will continue to be applied in accordance with item (19) of the Pre-Enforcement Revenue Priority of Payments to fund the Liquidity Reserve Fund up to the Liquidity Reserve Target; and
- (b) in respect of the Excess Cashflow Reserve Fund, amounts standing to the credit of the Excess Cashflow Reserve Fund will be utilised to meet any shortfall in Available Revenue Receipts to pay interest due and payable on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (up to (and including) the earlier of the Class E Redemption Date and the Final Maturity Date).

No assurance can be made as to the effectiveness of such liquidity support features, or that such features will protect the Noteholders from all risk of delayed payment and/or loss and the use thereof may lead to a reduction in the amounts available to the Issuer and ultimately affect its ability to make payments under the Notes and the Certificates.

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

The Liquidity Facility Provider will provide the Liquidity Facility to cover shortfalls in amounts available for payment of interest in respect of the Class A Notes and senior expenses ranking in priority thereto in the Pre-Enforcement Revenue Priority of Payments.

The size of the Liquidity Reserve Target, whether in the form of liquidity drawings (prior to the FORD) or in the form of a combination of liquidity drawings and/or the Liquidity Reserve Fund Actual Amounts (on and from the FORD), will be the greater of (i) 1.65 per cent. of the Principal Amount Outstanding of the Class A Notes on any Interest Payment Date of determination; and (ii) 1.00 per cent. of the Principal Amount Outstanding of the Class A Notes on the Closing Date, and accordingly the absolute size of such liquidity support will decrease as the Class A Notes are redeemed, subject to the floor and then will reduce to zero once the Class A Notes are redeemed. No liquidity support will be available under the Liquidity Facility and/or the Liquidity Reserve Fund in excess of that amount or, once the Class A Notes have been redeemed in full, at all.

The drawings under the Liquidity Facility will be available to the Issuer if (on and from the FORD but prior to the LF Cancellation Date, and after application of any Liquidity Reserve Fund Actual Amount) the Issuer does not otherwise have sufficient Available Revenue Receipts (after applying any Principal Addition Amounts to cure any PAA Deficit in relation to the Most Senior Class of Notes only) to pay any shortfall in interest payments on the Class A Notes and senior expenses ranking in priority thereto in the Pre-Enforcement Revenue Priority of Payments. Neither the drawings under the Liquidity Facility nor the Liquidity Reserve Fund Actual Amounts will be available to make up any shortfall in amounts due to pay interest on any Class of Notes other than the Class A Notes, or to make payments under the Certificates.

The initial Liquidity Facility will expire 364 days after the Closing Date, although it is extendable for successive periods of up to 364 days each. The Liquidity Facility Provider is not obliged to extend or renew the Liquidity Facility at its expiry, but if it does not renew or extend the Liquidity Facility on request, then the Issuer will, subject to certain terms, be allowed to make a Liquidity Standby Drawing and place the proceeds of that drawing on deposit in the Liquidity Standby Ledger on the Deposit Account.

See "*Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows – Liquidity Facility Agreement and Liquidity Reserve Fund*" for more detail.

***Application of the Net WAC Cap and timing of interest rate adjustments may reduce interest payments***

The rate of interest payable on the Class A Notes in respect of each accrual period will be based on a per annum rate equal to the Reference Rate plus the Relevant Margin and will not be subject to the Net WAC Cap. The rate of interest payable on each respective Class of Mezzanine Floating Rate Notes in respect of each accrual period will also be based on a per annum rate equal to the Reference Rate plus the Relevant Margin, but where the Net WAC Cap applies (as described below), and a Net WAC Additional Amount has been determined in respect of a Class of Mezzanine Floating Rate Notes, such amount will be subject to deferral in accordance with Condition 8.13 (*Subordination by Deferral*), and will not be subject to an Event of Default if unpaid when the relevant Class of Notes falls due for payment under Conditions 9.1 (*Final Redemption*) or 9.2 (*Mandatory Redemption in part*).

The Net WAC Cap limitation used in the determination of the Net WAC Additional Amounts will be directly based on the Net WAC, being the weighted-average current interest rate of the Mortgage Loans for the related Quarterly Collection Period, net of certain allocable fees and expenses of the Issuer based on a fixed Aggregate Expense Fee Rate. The Net WAC Cap for each Interest Payment Date will be determined by dividing the Net WAC by the Floating Rate Note Percentage. On any Interest Payment Date where the Floating Rate Note Percentage is zero, the Net WAC Cap will be equal to the Net WAC.

The majority of the Mortgage Loans will have Mortgage Rates that adjust based on the Bank of England Base Rate (which is currently 0.250 per cent. per annum as at the Cut-off Date), however the Rated Notes are all indexed to three-month Sterling LIBOR as at the Cut-off Date (which is currently approximately 0.357 per cent). In addition, the Bank of England index adjusts at different interval versus the Reference Rate of the Rated Notes, and as a result there is also a current basis "mismatch" of approximately 0.107 per cent. as at the Cut-off Date. Given the Mortgage Loans are the only assets of the Issuer, to the extent

this basis mismatch increases the liabilities of the Issuer will increase but Available Revenue Receipts will not necessarily increase, which in relation to the Mezzanine Floating Rate Notes is a risk as such Classes are subject to the Net WAC Cap (for the purposes of determining the Required Interest to be paid on each Interest Payment Date).

In addition, on and after the FORD as the relevant Margin for each Class of Rated Notes steps-up, the higher corresponding Note Rate for each such Class will increase the liabilities of the Issuer without a corresponding increase in Available Revenue Receipts, which will both (i) increase the possibility of creating a Net WAC Additional Amount for each of the Mezzanine Floating Rate Notes and (ii) reduce the ability of the Issuer to pay back Net WAC Additional Amount shortfalls (to each such Class of Mezzanine Floating Rate Notes) as the priority of paying Available Revenue Receipts is sequential in order.

As a result of the application of the Net WAC Cap, each Class of Mezzanine Floating Rate Notes may be paid less interest than they would be paid if their respective Rate of Interest were based solely on the Reference Rate, plus the Relevant Margin, and were not subject to the Net WAC Cap. The Net WAC Additional Amounts for the Mezzanine Floating Rate Notes are not rated by any Rating Agency. However, Rated Carryforward Interest is rated (and can be deferred to maturity).

To the extent that the application of the Net WAC Cap results in a Net WAC Additional Amount in respect of a Class of the Mezzanine Floating Rate Notes, such Net WAC Additional Amount will be deferred and will be due and payable on the following Interest Payment Date(s), unless such amounts have been paid in accordance with item (21)(C) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date, but such deferred payments will be subordinated to payments of current interest due on each Class of Rated Notes on each following Interest Payment Date.

The foregoing could result in Noteholders receiving less by way of a payment of interest in any Interest Period than they would otherwise have expected to receive.

***Payments to the holders of the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes, the Class SDC Certificates and the Class DC1 Certificates are subordinated and may be delayed or reduced in certain circumstances***

The priority of payments in respect of the Notes is set out in the section titled "*Full Capital Structure of the Notes*" below.

Payments of interest in respect of all Classes of Notes will be subordinated to all more senior Classes of Notes and other than for the Class A Notes and the Class SDC Certificates (in the case of funding the Interim SDC Sub-Ledger). Payments of principal in respect of all Classes of Notes, will be subordinated to payments of any Principal Addition Amounts and, on and following the FORD, payments of any amounts to be credited to the Liquidity Reserve Fund.

In addition to the above, payments on the Notes and the 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 and the Back-Up Servicer (subject to the Servicer Compensation Cap), the Back-Up Servicer Facilitator, the Corporate Services Provider, the Cash Manager, the Back-Up Cash Manager, the Liquidity Facility Provider, 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 "*Fees*" below.

The priority of the Notes and the Certificates are further set out in "*Key Structural Features – Credit Enhancement, Liquidity Support, and Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer*", "*Key Structural Features – Credit Enhancement, Liquidity Support, and Priority of Payments*".

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

***There may be insufficient funds available to repay in full the Notes and the Certificates as a result of income or principal deficiencies***

If, on any Interest Payment Date prior to the redemption in full of the Rated Notes, as a result of shortfalls in Available Revenue Receipts (but disregarding for these purposes the availability of (A) (prior to the LF Cancellation Date) the Liquidity Facility, (B) following the FORD, the Liquidity Reserve Fund Actual Amount and (C) the Excess Cashflow Reserve Fund) there would be a PAA Deficit, the Issuer shall apply Available Principal Receipts (if any) in accordance with item (1) of the Pre-Enforcement Principal Priority of Payments to cure such PAA Deficit (such reapplied amounts being Principal Addition Amounts).

Available Principal Receipts may only be redirected as Principal Addition Amounts and applied as Available Revenue Receipts to cover such PAA Deficit.

Application of any Available Principal Receipts as Principal Addition Amounts will be recorded to the relevant Class of Notes' Principal Deficiency Sub-Ledger in reverse order of priority until such time as the amount recorded to the relevant Class of Notes' Principal Deficiency Sub-Ledger is the aggregate Principal Amount Outstanding of the relevant Class of Notes as more fully described in the section titled "*Summary of Credit Structure and Cashflows*", below.

It is expected that during the course of the life of the Notes, any principal deficiencies (should they arise) will be recouped from Available Revenue Receipts. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit the relevant Principal Deficiency Sub-Ledger in accordance with the order of the Pre-Enforcement Revenue Priority of Payments.

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 Available Revenue Receipts and Available Principal Receipts may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due each or any Class of the Notes; and
- there may be insufficient Available Revenue Receipts and Available Principal Receipts to repay each or any Class of the Notes and all amounts due in respect of the Certificates on or prior to the Final Maturity Date of the Notes.

***Payments to the Liquidity Facility Provider rank in priority to amounts due to the Noteholders and the Certificateholders***

The Liquidity Facility Provider will be entitled to receive all amounts due under the Liquidity Documents (including the commitment fee, interest and repayments of principal on drawings made under the Liquidity Facility Agreement and all fees, costs and expenses, including certain increased costs) in priority to payments to be made to Noteholders, which may ultimately reduce the amount available for distribution to Noteholders.

If a Liquidity Standby Drawing is made under the Liquidity Facility Agreement, it shall be deposited into the Deposit Account with a corresponding entry made to the Liquidity Standby Ledger, Interest payable on amounts standing to the credit of the Deposit Account (including any amounts standing to the credit of the Liquidity Standby Ledger) may be at a rate that is less than the interest payable on such Liquidity Standby Drawing, which would reduce the amount available for distribution to Noteholders.

***Interest Rate 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 the Servicer on behalf of the Legal Title Holder from time to time. However, the Issuer's liabilities under the Rated Notes are based on three-month LIBOR for the relevant period, although the actual rates of interest payable on an Interest Payment Date in relation to each of the Mezzanine Floating Rate Notes are subject to the Net WAC Cap (with any

such resulting Net WAC Additional Amounts occurring as a result of the application of the relevant Net WAC Cap to the relevant Class of Rated Notes on an Interest Payment Date being paid as subordinated items in the Pre-Enforcement Revenue Priority of Payments (to the extent of Available Revenue Receipts)).

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 Mortgage 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, the Certificateholders and the Secured Creditors.

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

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 any delinquencies, prepayments, sale proceeds arising on enforcement of a Mortgage Loan and repurchases of (or payments of an indemnity amount in lieu of the Seller repurchasing, including any accrued interest) such 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 Loan 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 Legal Title Holder, 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 "*Product Switches, Further Advances and Flexible Drawings*". In addition, the application of the Net WAC Cap in relation to the Mezzanine Floating Rate Notes may reduce the amount of interest payable in relation to such Classes of Rated Notes and adversely affect the yield to maturity in relation to such Classes of Rated Notes. See further the Risk Factor entitled "*Application of the Net WAC Cap and timing of interest rate adjustments may reduce interest payments*".

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. However, the rate of prepayment cannot be predicted. Subject to the terms and conditions of the Mortgage Loans (which may require in some cases notification to the Legal Title Holder and in other cases the consent of the Legal Title Holder), 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 Legal Title Holder and the Servicer, to change the terms of their Mortgage Loans from an Interest Only Mortgage Loan to a Repayment Mortgage Loan, the Issuer would receive principal payments in respect of the relevant Mortgage Loan earlier than would otherwise be anticipated. Accelerated prepayments will lead to a reduction in the weighted average life of the Notes. See also the section entitled "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*".

Generally, when market interest rates increase, borrowers are less likely to prepay their Loans, while conversely, when market interest rates decrease, borrowers (in particular those paying by reference to a fixed interest rate, where there are no or minimal associated early repayment charges) are generally more likely to prepay their Loans. Borrowers may prepay Mortgage Loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). If the Seller is required to make an indemnity payment to the Issuer in relation to a Mortgage Loan and its Related Security because, for example, one of the Mortgage Loans does not comply with the Mortgage Loan warranties and the indemnified Liability has crystallised, then the payment received by the Issuer will have the same effect as a prepayment of the relevant Mortgage Loans.

Payments and prepayments of principal on the Loans will be applied, *inter alia*, to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Enforcement Principal Priority of Payments (see "*Summary of Credit Structure and Cashflows*" below). All payments of principal in respect of the Notes will be made subordinate to amounts applied as Principal Addition Amounts and, on and following the FORD, any amounts credited to the Liquidity Reserve Fund Ledger.

In addition on and from the FORD the Issuer may, subject to certain conditions and receipt of funds pursuant to the Mortgage Portfolio Call Option, redeem all of the Notes and cancel the Certificates. Pursuant to the Mortgage Portfolio Call Option the Mortgage Portfolio Option Holder has the option pursuant to the Deed Poll, to elect to purchase the Loans from the Issuer and the Market Sale Option Holder has the option pursuant to the Deed Poll, **provided that** the Mortgage Portfolio Option Holder has not exercised the Mortgage Portfolio Purchase Option, to effect a portfolio sale of the Loans, where applicable, by the appointment of a portfolio manager to conduct such a sale. Additionally, no make-whole amount or other early repayment fee will be paid to the Noteholders if any such option is exercised by the Mortgage Portfolio Option Holder or the Market Sale Option Holder. However neither the Mortgage Portfolio Option Holder nor the Market Sale Option Holder has an obligation to exercise its rights in respect of the Mortgage Portfolio Call Option on the FORD or at any time thereafter and as such, no assurance can be given that the Notes and Certificates will be redeemed in full on or following the FORD.

The Seller has the right pursuant to the Deed Poll to offer to purchase the Mortgage Loans from the Issuer and thereby effect a redemption of the Notes on the occurrence of a Risk Retention Regulatory Change Event.

The Notes are subject to mandatory redemption following the occurrence of a Risk Retention Regulatory Change Event and the Seller exercises its Risk Retention Regulatory Change Option in accordance with Condition 9.5 (*Mandatory Redemption of the Notes following the exercise of a Risk Retention Regulatory Change Option*). 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 the Notes (as of the immediately preceding Calculation Date), is less than or equal to 10 per cent. of the aggregate of the original aggregate Principal Amount Outstanding of the Notes on the Closing Date. To the extent the Issuer chooses to exercise this option, there is no obligation on any party to the transaction (including the Seller) to repurchase the Mortgage Loans and the Issuer is not required to accept any such offer to repurchase therefore. As such, no assurance can be given that the Notes will be redeemed in full on or following such Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (as of the immediately preceding Calculation Date) is less than or equal to 10 per cent. of the aggregate of the Principal Amount Outstanding of the Notes on the Closing Date as a result of a repurchase of the Mortgage Loans by the Seller or otherwise. 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 United Kingdom 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.

Any redemption of the Notes and cancellation of the Certificates in the circumstances described above, in particular where such event occurs within a short time of the Closing Date, may adversely affect the yield to maturity of the Notes and/or the Certificates. In particular there is no assurance that the Certificateholders would receive any amounts on such an early redemption, which may adversely affect the expected yield on the Certificates.

***Ratings of the Rated Notes may be qualified, downgraded or withdrawn after your purchase of the Rated Notes, which may lower their market value***

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any assigning Rating Agency if, in its judgement, circumstances in the future so warrant. The ratings assigned by the Rating Agencies to the Rated Notes address (i) the likelihood of the full and ultimate payment to the relevant Noteholders of all principal payments to which such Noteholders are entitled on or before the Final Maturity Date; (ii) in the case of the Class A Notes, the likelihood of timely payment to the holders of the Class A Notes of all amounts of interest to which they are entitled on each Interest Payment Date; and (iii) in the case of the Mezzanine Floating Rate



Notes, the likelihood of the full and ultimate payment of interest except for any Net WAC Additional Amounts on the Final Maturity Date. Payment of the Net WAC Additional Amounts is not rated by any of the Rating Agencies.

Fitch was engaged by the Co-Sponsors to provide ratings in respect of certain Classes of Notes with a payment priority lower than the Class A2 Notes. The Co-Sponsors obtained indicative ratings feedback from Fitch that would have resulted in either lower ratings or higher credit enhancement levels if Fitch had been hired by the Co-Sponsors to assign ratings to those Classes of Notes. As a result, the Co-Sponsors did not obtain ratings from Fitch in respect of such Classes of Notes with a lower payment priority than the Class A2 Notes. If Fitch were to elect to assign ratings to such Classes of Notes with a lower payment priority than the Class A2 Notes, such ratings may be lower than the ratings for such Classes expected to be assigned by S&P and/or Moody's and/or DBRS.

DBRS was engaged by the Co-Sponsors to provide ratings in respect of certain Classes of Notes with a payment priority lower than the Class C Notes. The Co-Sponsors obtained indicative ratings feedback from DBRS that would have resulted in either lower ratings or higher credit enhancement levels if DBRS had been hired by the Co-Sponsors to assign ratings to those Classes of Notes. As a result, the Co-Sponsors did not obtain ratings from DBRS in respect of such Classes of Notes with a lower payment priority than the Class C Notes. If DBRS were to elect to assign ratings to such Classes of Notes with a lower payment priority than the Class C Notes, such ratings may be lower than the ratings for such Classes expected to be assigned by S&P and/or Moody's.

The rating process addresses structural and legal aspects associated with the securities, including the nature of the Mortgage Loans. The ratings assigned to mortgage-backed securities do not represent any assessment of the likelihood that principal prepayments will be made by the borrowers or the degree to which such prepayments will differ from those originally anticipated. The ratings of the Rated Notes do not address the possibility that the holders of those Notes might suffer a lower than anticipated yield due to non-credit events.

At any time, any Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Rated Notes may be withdrawn, lowered or qualified. A qualification, downgrade or withdrawal of any of the ratings mentioned above may adversely impact upon the value of the Notes. The Issuer has not requested that the Class Z Notes and the Certificates are rated by the Rating Agencies.

Except as described above, the Issuer has not requested a rating of any Class of Notes by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate any Class of Notes or, if it does, what rating would be assigned by such rating agency. Any rating assigned by such other rating agency to a Class of Notes could be lower than the rating assigned by the Rating Agencies to such Class of Notes, and could have an adverse effect on the value of the Rated Notes. Rating agencies other than the Rating Agencies could seek to rate the Rated Notes or otherwise comment on them and if such unsolicited ratings are lower than the comparable ratings assigned to the Rated Notes by the Ratings Agencies or such commentary is negative, 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 Rating Agencies only.

The ratings assigned to the Rated Notes by each Rating Agency are based on, among other things, the issuer default rating and the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider, the Issuer Account Bank, and the Collection Account Bank. In the event one or more of these transaction parties are downgraded below the requisite ratings trigger, there can be no assurance that a replacement to that counterparty will be found which has the ratings required to maintain the then current ratings of the Rated Notes. If a replacement counterparty with the requisite ratings cannot be found, this is likely to have an adverse impact on the rating of the Rated Notes and, as a consequence, the resale price of the Rated Notes for use in liquidity schemes established by, *inter alios*, the Bank of England.

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 European Union 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

European Union credit rating agencies, unless the relevant credit ratings are endorsed by an European Union-registered credit rating agency or the relevant non-European Union 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 in relation to the Rated Notes in respect of certain actions***

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

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

Any such RAC may or may not be given at the sole discretion of each Rating Agency. Certain rating agencies have indicated that they will no longer provide RAC as a matter of policy. To the extent that a RAC cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions. It should be noted that, depending on the nature of the request, the timing of delivery of the request and of any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a RAC in the time available, or at all, and the Rating Agency will not be responsible for the consequences thereof (including, where a RAC is not provided, any subsequent rating action). A RAC, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A RAC represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

The Conditions provide that if a RAC 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 RAC or response is delivered to each Rating Agency by or on behalf of the Issuer and (i) (A) a Non-Responsive Rating Agency indicates that it does not consider such RAC or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such RAC or response or (B) within 30 days of delivery of such request, no RAC or response is received and/or such request elicits no statement by each such Rating Agency that such RAC or response could not be given; and (ii) one Rating Agency gives such RAC or response based on the same facts, then such condition to receive a RAC or response from each Rating Agency shall be deemed modified so that there shall be no requirement for the RAC 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 RAC 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 having indicated that it will not give a response or having not 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 RAC 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 RAC 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 continue to exist or that it will provide Noteholders with liquidity of investment for the life of the Notes. There are a number of factors which may have an adverse effect on the existence of or the liquidity in the secondary market for the Notes.

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

The secondary market for asset-backed securities similar to the Notes has in the past experienced severe disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of asset-backed securities similar to the Notes and resulted in the secondary market for asset-backed securities experiencing very limited liquidity during such severe disruptions.

If limited liquidity were to occur in the secondary market it could have an adverse effect on the market value of mortgage backed securities and instruments similar to the Notes, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, an investor in the Notes may not be able to sell or acquire credit protection on its Notes readily and market values of the Notes are likely to fluctuate. Any fluctuations may be significant and could result in significant losses to an investor.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, the European Central Bank's liquidity scheme and the European Central Bank's asset-backed securities purchase programme may provide or have provided an important source of liquidity in respect of eligible securities, restrictions in respect of the relevant eligibility criteria for eligible collateral which apply and may apply in the future under such facilities may 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. Moreover, there is no certainty that the Notes will be accepted as eligible securities for any such facilities either upon issue or subsequently.

The European capital markets are experiencing a period of volatility and concerns relating to credit risk, as well as continuing economic, monetary and political conditions (including in the United Kingdom in relation to the "Brexit Vote". See "*Political Uncertainty in the United Kingdom*" below). Whilst such conditions have improved in some Member States recently, any slowdown or reversal of the positive economic or political trends (including as a result of 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) may cause further severe stress in the financial system generally.

Any of the above may have an adverse effect on the market value of the Notes, the ability of the Noteholders to trade in or sell the Notes or fully recover the value of their investment in the Notes. 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.

***Political uncertainty in the United Kingdom***

On 23 June 2016, the United Kingdom voted to leave the European Union in a referendum known as the "Brexit Vote". At this stage both the terms and the timing of the United Kingdom's exit from the European Union are unclear. Moreover, the nature of the relationship of the United Kingdom with the remaining members of the European Union has yet to be discussed and negotiations with the European Union on the terms of the exit have yet to commence. In addition it is uncertain as to whether there may be a further referendum in relation to a proposal for the independence of Scotland from the rest of the United Kingdom. This may further exacerbate economic uncertainty and if Scotland did gain independence from the rest of the United Kingdom, there can be no assurance that Scotland would be permitted or would continue to use Sterling as its lawful currency (if this was the case the Mortgage Portfolio would be subject to currency risk in relation to Scottish Mortgage Loans). As a consequence, at this stage it is likely that the Brexit Vote will result in political, legal, regulatory, economic and market uncertainty – the effects of each of which could adversely affect the transaction and the interests of Noteholders. Such uncertainty and consequential market disruption may also cause investment decisions to be delayed, adversely affect the value of Sterling, reduce job security and damage consumer confidence. The resulting adverse economic conditions could affect Borrowers' willingness or ability to meet their obligations, resulting in increased defaults in the Mortgage Portfolio and ultimately the ability of the Issuer to pay interest and repay principal to Noteholders.

The Brexit Vote may also have an adverse effect on counterparties on the transaction. Depending on the terms of the exit from the European Union they may become unable to perform their obligations resulting from changes in regulation, including the loss of existing regulatory rights to do cross-border business. Additionally, counterparties may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the Brexit Vote. As a result, there is an increased risk of such counterparties becoming unable to fulfil their obligations which could have an adverse impact on Noteholders. See "*Servicing and Third Party Risk – Issuer reliance on other third parties*" below.

Finally, the Brexit Vote has resulted in downgrades of the United Kingdom sovereign and the Bank of England by S&P and by Fitch. DBRS, S&P, Fitch and Moody's have all placed a negative outlook on the United Kingdom sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action. The rating of the sovereign affects the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades may cause downgrades to counterparties on the transaction meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the transaction with others who have the required ratings on similar terms or at all. Moreover, a more pessimistic economic outlook for the United Kingdom in general could lead to increased concerns around the future performance of the Mortgage Portfolio and accordingly the ability of the Issuer to pay interest and repay principal to Noteholders, and the ratings assigned to the Notes on the Closing Date could be adversely affected.

***Definitive Notes and denominations in integral multiples***

The Notes have Minimum Denominations. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination but below two or more multiples of such minimum authorised denomination. In such a case, if Definitive Notes are required to be issued, a Noteholder who holds a principal amount less than the Minimum Denomination at the relevant time may not receive a Registered Definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the Minimum Denomination (or another relevant denomination amount).

If Definitive Notes are issued, Noteholders should be aware that Registered Definitive Notes which have a denomination that is not an amount which is at least the Minimum Denomination may be particularly illiquid and difficult to trade.

***Changes or uncertainty in respect of LIBOR may affect value of Notes and the payment of interest thereunder***

The London Interbank Offered Rate (LIBOR) has been subject to review and is currently subject to various investigations regarding whether the banks that contributed to the British Bankers' Association in

connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR for their own benefit. As a result of the review work already undertaken and of the investigations described above, LIBOR is currently the subject of proposals for reform at both a United Kingdom and an European Union level and certain reforms have already been adopted, including the replacement of the British Bankers' Association with the ICE Benchmark Administration Limited as the new administrator of LIBOR.

Investors should be aware that: (a) actions by ICE Benchmark Administration Limited as the new administrator of LIBOR, regulators or law enforcement agencies may affect LIBOR (and/or the determinations thereof) in unknown ways, which could adversely affect the value of the Rated Notes, (b) any uncertainty with respect to LIBOR (including in relation to the determination of the rate of interest payable on the Loans) may adversely affect liquidity of such Class of Rated Notes and their market value and (c) it is not possible to ascertain at this time whether any reforms to LIBOR would have the effect of a sudden or prolonged increase or decrease in LIBOR or whether such reforms could have an adverse impact on the value of the Notes and the payment of interest thereunder.

### **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 Certificates and (ii) whilst there are no Notes outstanding, the Most Senior Class of Certificates 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 applicable Priority of Payments. As a result, holders of Notes other than the holders of the Most Senior Class of Notes and, following redemption in full of the Notes, the holders of the Certificates other than the holders of the Most Senior Class of Certificates may not have their interests taken into account by the Trustee when the Trustee exercises discretion.

CHL (which is an indirect subsidiary of the Seller) 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 or the Certificateholders.

Investors should be aware that the Seller, in its capacity as the Retention Holder, will hold, either directly or through a majority-owned affiliate, for the life of the transaction, a material net economic interest of not less than 5 per cent. in the securitisation in order to comply with the EU Retention Requirement and, either directly or through a majority-owned affiliate, the Required Risk Retention Interest in order to comply with U.S. Credit Risk Retention Requirements. The foregoing required risk retention holding represents a material holding. The Seller or its affiliates are under no obligation to consider the interests of other Noteholders and Certificateholders when exercising their rights under the Notes and the Certificates (with respect to not only the securities held to satisfy the required risk retention, but also any other Notes or the Certificates which they may own) and may, subject to certain restrictions, exercise voting rights in respect of the Notes and the Certificates held by it in a manner which may be prejudicial to other Noteholders or Certificateholders. As such, the Seller will be a Relevant Person.

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

The Conditions and the 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 requisite majority for such vote.

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 Certificate Conditions, the Notes, the 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 holders of the Most Senior Class of Certificates);
- (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 holders of the Most Senior Class of Certificates) will not be materially prejudiced thereby; and
- (c) determine that a specified Event of Default or Certificates 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 holders of the Most Senior Class) 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 Most Senior Class of 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 Most Senior Class of 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/or the outstanding 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, the Certificate 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 or the Certificateholders but an insufficient number of Noteholders or Certificateholders notifying the Issuer or the Principal Paying Agent that they do not consent to such amendments (see "*Rights of Noteholders, Certificateholders and Secured Creditors - Risks relating to negative consent of Noteholders and Certificateholders 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, the Certificate 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

for the purpose of certain specified matters (including in relation to maintaining ratings and/or replacing certain counterparties, risk retention requirements, FATCA purposes, stock exchange requirements or for the purpose of the CRA Regulation, as more fully set out in Condition 17.2 (*Additional Right of Modification*)).

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 holders 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*).

In addition, in relation to LFP Related Provisions, prior to the LF Cancellation Date only, the consent of the Liquidity Facility Provider shall be required.

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.

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

### **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 CHL as at the Portfolio Reference Date. The Provisional Mortgage Portfolio consists of Mortgage Loans originated by the relevant Originator which were subsequently legally and beneficially owned by CHL and subsequently (and prior to their sale by the Seller to the Issuer), beneficially owned by Auburn Warehouse Borrower 2 Limited and repurchased by the Seller from Auburn Warehouse Borrower 2 Limited on or about the Closing Date as described in "*The Mortgage Portfolio*". CHL, in its capacity as Legal Title Holder, holds legal title to all Mortgage Loans 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 the exclusion of: (i) Mortgage Loans which are scheduled to redeem prior to the Cut-off Date; (ii) Mortgage Loans which at any time prior to the Closing 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.

### ***CHL as Legal Title Holder initially to retain legal title to the Mortgage Loans and risks relating to set-off***

The sale of the English Mortgage Loans and the Northern Irish Mortgage Loans by the Seller to the Issuer on the Closing Date takes effect in equity only. The sale by the Seller to the Issuer of the Scottish Mortgage Loans and their Related Security is given effect to by the Seller (as beneficiary under a trust created under and pursuant to the Scottish Declaration of Trust) assigning its interest as beneficiary under the Scottish Declaration of Trust in respect of the Scottish Mortgage Loans and their Related Security in favour of the Issuer (pursuant to the Scottish Trust Transfer). The holding of a beneficial interest under a

Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales and Northern Ireland.

In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Legal Title Holder and will not be transferred to the Issuer 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 applied and will not apply (until the occurrence of certain perfection events) to the Land Registry or at the Registries of Northern Ireland to register or record its equitable interest in the English Mortgages or Northern Irish Mortgages (as applicable) and cannot in any event apply to the Registers of Scotland to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust (and the Scottish Trust Transfer).

The consequences of the Issuer not obtaining legal title to the Mortgage Loans and their Related Security or the Properties secured thereby are set out below.

- (a) A *bona fide* purchaser from the Legal Title Holder 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 Legal Title Holder of its contractual obligations or fraud, negligence or mistake on the part of the Legal Title Holder or its personnel or agents;
- (b) Although as between the Legal Title Holder and the Issuer, under the Servicing Agreement, the Legal Title Holder 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 Legal Title Holder 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 Legal Title Holder for breach of contract or breach of trust;
- (c) Prior to the insolvency of the Legal Title Holder, unless notice of the assignment is given to a Borrower who is a creditor of the Legal Title Holder 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 Legal Title Holder 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 Legal Title Holder 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 (for the purposes of this Prospectus, references herein to "set-off" shall be construed to include analogous rights in Northern Ireland and Scotland) (see "*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 Legal Title Holder 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 Legal Title Holder. However, the Legal Title Holder 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 Legal Title Holder 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 Legal Title Holder 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 Legal Title Holder 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 Legal Title Holder (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 successful claim for damages against the Legal Title Holder (and, as equitable assignee or holder of the beneficial interest in the Mortgage Loans and their Related Security in the Mortgage Portfolio, the Issuer's) 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 (including analogous rights in Scotland or Northern Ireland), as described in the immediately preceding risk factor.

The amount of any such claim against the Legal Title Holder 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 Legal Title Holder'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 Legal Title Holder's breach of contract where there are special circumstances communicated by the Borrower to the Legal Title Holder 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 or (in Scotland) a decree or (in Northern Ireland) an order 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.

***Lending Criteria in respect of the Irish Permanent Mortgage Loans***

There are 20 Irish Permanent Mortgage Loans in the Provisional Mortgage Portfolio with a Current Balance of £601,031 as of the Portfolio Reference Date. These Mortgage Loans were originated directly by Irish Permanent plc and under different origination and lending policies, practices and guidelines to the Lending Criteria and origination practices used for the Mortgage Loans originated by CHL. Whilst CHL has been responsible for the ongoing servicing of the Irish Permanent Loans, as a result of not being involved in the origination process, not all matters relating to the origination of the Mortgage Loan are known to the parties (including CHL) and it may therefore not be possible to ascertain whether an Irish Permanent Mortgage Loan was originated in accordance with their applicable origination and lending

policies, practices and guidelines, which may have a material effect on the performance and/or value of an Irish Permanent Mortgage Loan. For further information, see "The Mortgage Portfolio".

***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 Legal Title Holder 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.

**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 Liquidity Facility Provider has agreed to make available the Liquidity Facility in accordance with the terms of the Liquidity Facility Agreement, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, the Issuer Account Bank has agreed to provide the Deposit 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 addition, the Trustee has agreed to act as the trustee on behalf of the Noteholders and the Certificateholders. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, collections on the Mortgage Portfolio and/or payments to Noteholders and Certificateholders may be disrupted and Noteholders and/or Certificateholders may be adversely affected.

***The Servicer***

The Servicer (who is an indirect subsidiary of the Seller) 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.

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 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 Co-Arrangers, the Joint Lead Managers, the Co-Manager 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 and the Seller. In particular, the Co-Arrangers, certain Joint Lead Managers and the Co-Manager (and their respective affiliates) may provide financing secured by Mortgage Loans held by the Seller which may be refinanced with the proceeds of the issue of the Notes.

Prospective investors should also note that the Co-Arrangers, the Joint Lead Managers (other than Wells Fargo Securities International Limited), the Co-Manager and/or their affiliates (the "**Warehouse Lenders**") provided financing to Auburn Warehouse Borrower 2 Limited (the "**Warehouse Borrower**") secured by the Provisional Mortgage Portfolio (the "**Existing Financing**"). Prospective investors should also note that the Seller intends to use the proceeds from the issue of the Notes to buy the Mortgage Loans to be included in the Mortgage Portfolio from the Warehouse Borrower and that the Warehouse Borrower, in turn, intends to use such proceeds to repay the Existing Financing in part, in each case, on or about the Closing Date. With respect to the repayment of the Existing Financing, each of the Warehouse Lenders will act in its own commercial interest. Prospective investors should also note that an affiliate of Wells Fargo Securities International Limited will act as Liquidity Facility Provider and in respect of any Proposed Amendment that is in relation to an LFP Related Provision, the Liquidity Facility Provider's consent is required to make such modification or amendment at any time prior to the LF Cancellation Date (as to which please see the section titled "*Risks relating to negative consent of Noteholders and Certificateholders in respect of amendments to the Transaction Documents under certain circumstances*"). Each of the Co-Arrangers, the Joint Lead Managers, the Co-Manager and/or their affiliates may also act in its own commercial interest in its various capacities without regard to whether its interests conflict with those of the holders of the Notes, the Certificates or any other party.

The Co-Arrangers, the Joint Lead Managers, the Co-Manager 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 Legal Title Holder, 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 Certificates or the Trust Documents (including the Conditions and the 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 13 (*Events of Default*) or Certificate Condition 11 (*Certificates Events of Default*) unless it shall have been directed to do so by an Extraordinary Resolution of the holders of the Most Senior Class of Notes 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 the Most Senior Class of Certificates then in issue) and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

***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 of its retirement (pursuant to the provisions 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.

***Change of counterparties may reduce amounts available to the Issuer to make payments to Noteholders and Certificateholders***

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 that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the Financial Conduct Authority and 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 set out in the relevant Transaction Documents and as described in this Prospectus, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable ratings criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Document who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest (including in respect of any Net WAC Additional Amounts), principal and other amounts (as applicable) on the Notes and the Certificates.

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

***Potential for conflicts among the Seller, Co-Arrangers, Co-Manager and Joint Lead Managers***

On or after the Closing Date, the Seller acting as originator (and/or its affiliate) may obtain funding to help finance the economic interest to some or all of the Retention Notes and the Required Risk Retention Interest to be acquired by the Seller acting as the originator (and/or its affiliate) pursuant to the risk retention undertaking. It is expected that such funding may be secured by some or all of the Retention Notes and Required Risk Retention Interest and provided to the Seller and/or majority-owned affiliate on a full recourse basis. Such funding may be provided by one or more Joint Lead Managers or the Co-Managers.

The Co-Arrangers, Co-Manager and the Joint Lead Managers are part of global investment banking and securities and investment management firms that provide a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. As such, they actively make markets in and trade financial instruments for their own account and for the accounts of customers in the ordinary course of their business. The financial services that the Co-Arrangers, Co-Manager and the Joint Lead Managers may provide also include financing and, as such, the Co-Arrangers, Co-Manager and the Joint Lead Managers may have and/or may provide financing directly or indirectly to the Seller and/or any of its affiliates and related entities and such financing may directly or indirectly involve financing the Retention Notes and/or Required Risk Retention Interest. In the case of any such financing, the Co-Arrangers, Co-Manager and the Joint Lead Managers may have received security over assets of the Seller and/or its affiliates, including security over the Retention Notes and/or Required Risk Retention Interest, resulting in the Co-Arrangers, Co-Manager and the Joint Lead Managers having enforcement rights and remedies which may include the right to appropriate or sell the Retention Notes and/or Required Risk Retention Interest. In carrying out such sale, the Co-Arrangers, Co-Manager and the Joint Lead Managers would not be required to have regard to any retention requirements, including the CRR, and any such sale may therefore from such time cause the transaction described in this Prospectus to cease to be compliant with such requirements, which with respect to the CRR, may result in adverse regulatory capital treatment for certain investors in relation to their holding of the Notes. See "*Raising of financing by the Seller against Notes held by it for risk retention purposes*" below.

**The Mortgage Portfolio*****Delinquencies or default by Borrowers in paying amounts due on their Mortgage Loans***

Borrowers may default on their obligations under the Mortgage Loans and 1.37 per cent. of the Mortgage Loans in the Provisional Mortgage Portfolio are in arrears of one month or more. 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 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 (and analogous arrangements) 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 (the "LTV"). See "*Declining property values*", below.

In order to enforce a power of sale in respect of a Property, the relevant mortgagee (which may be the Legal Title Holder or the Issuer) must first obtain possession of the relevant Property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will

involve the mortgagee assuming certain risks. The court has a wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. Any possession order given in favour of the lender may be suspended to allow the Borrower more time to pay. In addition, if possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations to take reasonable care to obtain a proper price. If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Notes may be reduced. The Issuer's ability to make such payment may be reduced further if the mortgagee's method for obtaining possession of properties permitted by law is restricted in the future.

***Increases in prevailing market interest rates may adversely affect the performance of the Mortgage Portfolio***

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, especially borrowers with higher current LTVs. 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 rates 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 and the Certificates.

***Basis mismatch***

The majority of the Mortgage Loans (approximately 99.49 per cent. of the Provisional Mortgage Portfolio) are Mortgage Loans which are Tracker Mortgage Loans which pay interest by reference to the Bank of England Bank Rate from time to time. In addition approximately 0.51 per cent. of the Provisional Mortgage Portfolio are Mortgage Loans which are Standard Variable Rate Mortgage Loans which pay a variable rate of interest set by the Servicer on behalf of the Legal Title Holder from time to time. The Class A Notes and the Mezzanine Floating Rate Notes pay interest by reference to the Reference Rate which is 3 months GBP LIBOR and is re-set on a quarterly basis, whilst the interest rate on the Tracker Mortgage Loans included in the Provisional Mortgage Portfolio will be reset on a monthly, as opposed to quarterly, basis and Standard Variable Rate Mortgage Loans included in the Provisional Mortgage Portfolio will be reset on a periodic basis. This basis "mismatch" in periods of rising or lowering of the interest rates can create a negative impact on the transaction, especially if the corresponding increase (or decrease) between the (i) rate on the Tracker Mortgage Loans and/or, as applicable, the Standard Variable Rate Mortgage Loans (plus the applicable margin) and (ii) the Reference Rate (plus the applicable Margin) is not in the same proportion to each other.

***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 and the Certificates.

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. A fall in property prices resulting from a deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding 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 and may affect the ability of the Issuer to make payments on the Certificates. 33.03 per cent. of the Mortgage Loans in the Provisional Mortgage Portfolio have a current LTV of over 80 per cent calculated by Current Balance. 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 and may (as a result of the circumstances described in "*Delinquencies or default by Borrowers in paying amounts due on their Mortgage Loans*" or otherwise) have insufficient resources to pay amounts in respect of their Mortgage Loans as and when they fall due. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on the Notes and the Certificates.

***Risk of losses associated with self-certified Mortgage Loans***

The Provisional Mortgage Portfolio includes 6.67 per cent. Mortgage Loans in relation to which income and employment details of the Borrower are substantiated by self-certification by the Borrower with associated confirmation from their accountant, where such Borrower is self-employed (and are owner-occupied residential loans). The rate of delinquencies, write-offs, enforcements and losses on such Mortgage Loans may be higher as compared to Mortgage Loans in which support documentation has been provided (in respect of the income or employment details of the Borrower). Such delinquencies, enforcements and losses may lead to a reduction in the amounts available to the Issuer and ultimately affect its ability to make payments under the Notes and the Certificates.

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

Approximately 92.85 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 the Legal Title Holder, 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 United Kingdom 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. The introduction of these restrictions may adversely affect the private rental market in England and Wales in general, or the ability of individual Borrowers of buy-to-let mortgage loans to meet their obligations under those mortgage loan.

The United Kingdom government has introduced a higher rate of stamp duty land tax ("**SDLT**") on the purchase of additional residential properties, which has applied since 1 April 2016. The additional rate is three per cent. above the previous SDLT rates (subject to certain exemptions). At the same time the Scottish Government introduced equivalent measures in respect of land and buildings transaction tax in Scotland. The introduction of these measures may adversely affect prices of houses in England, Wales, Scotland and Northern Ireland in general.

#### ***Risk of losses associated with Interest Only Mortgage Loans***

Approximately 97.57 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, the Legal Title Holder 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 decrease in 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 the United Kingdom. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the United Kingdom, a concentration of the Mortgage Loans in such a region may be expected to exacerbate the risks relating to the Mortgage Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels, the strength of the rental markets and consequently the repayment ability of the Borrowers in that region or in 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 and the Certificates. For an overview of the geographical distribution of the Mortgage Loans as at the Portfolio Reference Date, see "*Annex A - Statistical Information on the Provisional Mortgage Portfolio — Geographical Distribution of Properties*".

#### ***Terms of Interest Only Mortgage Loans may be amended resulting in the Issuer and Noteholders receiving earlier redemption payments on the relevant Loan and the relevant Notes***

Each Mortgage Loan in the Mortgage Portfolio may be repayable either on a capital repayment basis or an interest-only basis (being an Interest Only Mortgage Loan), or on a part interest-only and part repayment basis. The Provisional Mortgage Portfolio contains 97.57 per cent. Interest Only Mortgage Loans, calculated on the basis of the Current Balance of the Provisional Mortgage Portfolio as at the



Portfolio Reference Date. Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, it is generally recommended that Borrowers ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. The Seller does not necessarily have and the Issuer will not necessarily have knowledge of any investment policies taken out by Borrowers, and neither have or will have the benefit of any such policies.

The ability of a Borrower to repay an Interest Only Mortgage Loan at maturity will often depend on such Borrower's ability to refinance or sell the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies.

Borrowers of an Interest Only Mortgage Loan may not make payment of the premiums due on any relevant investment or life policy taken out in relation to repayment of the relevant interest-only mortgages in full or on time, which policies may therefore lapse, and/or no further benefits may accrue thereunder. In certain cases, the policy may be surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not be applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest Only Mortgage Loan at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, Personal Equity Plans (PEPs), Individual Savings Accounts (ISAs) or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. Not all Borrowers provided information at origination showing that a suitable source of funds for repayment was in place and not all original origination documentation was available to the Seller. If a Borrower cannot repay an Interest Only Mortgage Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured from Available Revenue Receipts being applied for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments. The Mortgage Portfolio is made up of a large proportion of seasoned Loans. As such a large proportion of Borrowers in the Mortgage Portfolio have passed the point at which most Borrowers either refinance their borrowing or switch to a repayment loan. A large number of Borrowers who currently have an Interest Only Mortgage Loan may not switch to a repayment loan prior to the final maturity date of the relevant Mortgage. If a large number of Borrowers are unable to repay their Interest-only Loan at maturity and there is a high concentration of such Borrowers within a short period of time it may lead to a reduction in the amounts available to the Issuer and ultimately affect its ability to make payments under the Notes and Certificates.

As a result of recent United Kingdom government attention, borrowers with interest-only loans which are mortgages have been encouraged to switch to a repayment loan, whereby the principal of the loan is repaid over its term. Should a Borrower elect, subject to the consent of the Legal Title Holder and the Servicer, to amend the terms of its Loan from an Interest Only Mortgage Loan to a Repayment Loan, the relevant Loan would remain with the Issuer as part of the Mortgage Portfolio, resulting in the Issuer and Noteholders receiving principal payments on the relevant Loan and effectively redeeming the relevant Notes respectively, earlier than would otherwise be the case. In addition, the aggregate of Revenue Receipts collected in respect of the then Current Balance of the Mortgage Balance may be reduced as a result of such repayment of principal. See further the risk factor entitled "*Considerations relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above.

***No assurance that the Issuer will receive benefit of any claims under Insurance Contracts***

The Mortgage Conditions require Borrowers to have buildings insurance for the relevant Property. However, it will be difficult in practice for the Servicer and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. The Issuer does not have the benefit of any contingent insurance to cover the risks of a Borrower failing to have buildings insurance but will have an interest in a policy ("**Properties in Possession Cover**"), which would, if it was in place, give the Issuer certain protection in respect of the risks associated with repossessed properties. However, 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 or otherwise cover the losses of the Issuer. This could adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes and payments due in respect of the Certificates.

### ***Warranties***

The Issuer, the Trustee, the Co-Arrangers, the Joint Lead Managers and the Co-Manager 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 either (i) repurchase or procure the repurchase of any Mortgage Loan which is the subject of any such breach, or (ii) instead indemnify and keep indemnified the Issuer in respect of Liabilities in respect of breach of Warranties in relation to the relevant Mortgage Loan and its Related Security. 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.

If the Seller chooses to indemnify and keep indemnified the Issuer against all Liabilities relating to the breach of a Warranty, the amount payable by the Seller pursuant to such indemnity shall not exceed the amount that would have been payable by the Seller if it had repurchased that Mortgage Loan and its Related Security as of the applicable repurchase date. There can be no assurance that the Seller (taking into account, amongst other things, the performance of its other business at the time) will honour, or have the financial resources to honour its obligation to repurchase or indemnify in respect of 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.

In addition, as the amount of any Liabilities is based upon the amount of, *inter alia*, actual costs, damages or loss suffered by the Issuer and which results directly from the particulars of the resulting breach of the relevant Warranty on the relevant Mortgage Loan, the amount of such Liabilities may not be known at the time at which the breach of the Warranty is discovered and further additional time (which could be months or years) may be required before any such actual loss (if any) can be determined. Depending upon the scenario at the time which leads the Issuer to suffer a loss on the applicable Mortgage Loan it may in addition be difficult to accurately assess and determine the level and amount of Liabilities which the resulting breach of the relevant Warranty actually contributed to the loss that the Issuer has suffered on such Mortgage Loan at such time (and to the extent such quantum cannot be agreed between the Issuer and the Seller, an independent auditor will be required to determine the quantum). Accordingly, any indemnity payment required to be made by the Seller in respect of any breach of Warranty may be uncertain as to appropriate quantum and also significantly delayed, both of which may impact the ability of the Issuer to meet its payment obligations under 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 originated by CHL (of which the Provisional Mortgage Portfolio is mostly comprised) (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 Mortgage Loans 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. In relation to the Northern Irish Mortgage Loans and the Scottish Mortgage Loans, the Standard Documentation may vary as to the

treatment and application of Further Advances, porting, payment holidays, Flexible Drawings and Product Switches.

***Flexible Terms in relation to certain Mortgage Loans may have an adverse effect on amount of funds available to pay Noteholders and Certificateholders***

Certain of the Mortgage Loans permit Borrowers to take a payment holiday, entitling the Borrower to not pay amounts that would otherwise be due under the Mortgage Loan, but to add any such payments that would otherwise have been made to the Current Balance of the Mortgage Loan. In addition, certain of the Mortgage Loans permit a Borrower (to the extent of previous overpayments – including any overpayments made prior to the Closing Date or in respect of any retentions) either not to make any further payments under the loan to the extent the relevant account is in credit or to request a Flexible Drawing (subject in certain cases to satisfaction of certain conditions set out in the terms and conditions of the Loan). Any Flexible Drawing will be funded by the Issuer from Principal Receipts, prior to application in accordance with the Pre-Enforcement Principal Priority of Payments.

The exercise of such rights by Borrowers (in particular where a number of Borrowers have exercised such rights) would have an adverse effect on the amount of funds available to pay interest, principal and other amounts due on the Notes and amounts due in respect of the Certificates. In addition the funding of any Flexible Drawing would affect the yield to maturity on the Notes resulting in Noteholders receiving payments of principal on the Notes later than would have been anticipated. For further information see further "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above.

***Collectability of Mortgages***

The collectability of further amounts due under the Mortgage Loans is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, market interest rates, general economic conditions, real estate values, the financial standing of Borrowers and other similar factors. 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 (which may not affect real estate values, such as Borrowers' personal or financial circumstances) may have an impact on the ability of Borrowers to repay Mortgage Loans. Unemployment, loss of earnings, redundancy, illness, divorce, older Borrowers with long mortgages, and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans.

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. See "*Declining Property Values*" above for further information.

**Certain Regulatory Considerations in relation to Mortgage Loans and Other Matters**

***Potential effects of current regulations or any additional regulatory changes***

No assurance can be given that changes will not be made to the regulatory regime and developments in respect of the mortgage market in the United Kingdom generally, in respect of CHL's and the Seller's sector in that market or specifically in relation to CHL or 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, CHL, 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. Certain of the Mortgage Loans in the Provisional Portfolio may be subject to fairness consideration under the UTCCR or MCOB which may have an impact on the enforceability of the terms or legal risks associated with them. See "*Mortgage Regulation in the United Kingdom*" more generally for certain regulatory considerations and risks.

**Certain Insolvency 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 and the Certificateholders 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 or the Certificateholders 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 which could have a material adverse effect on the Issuer's ability to make payments under the Notes in full. 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 payable out of floating charge assets in priority to the claims of the floating charge-holder***

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UK HL9, 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.

### **Certain Tax Considerations**

#### ***Securitisation Company Tax Regime***

The TSC Regulations, as amended, 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.

Investors should note, however, that the TSC Regulations are in short-form and advisors rely significantly upon guidance from the United Kingdom 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 effect on its ability to make payments to the Noteholders and the Certificateholders.

#### ***Withholding tax***

In the event that any withholding or deduction for or on account of United Kingdom 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.

#### ***European Union Financial Transaction Tax***

On 14 February 2013, the European Commission published a proposal for a Directive for a common Financial Transaction Tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, each a participating member state. However, Estonia has since stated that it will not participate.

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

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

However, the Financial Transaction Tax proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to implementation, the timing of which remains unclear. Additional European Union Member States may decide to participate.

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

***The Issuer is expected to be treated as a passive foreign investment company and may be treated as a controlled foreign corporation for U.S. federal income tax purposes***

The Issuer is expected to be a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes, which means that a U.S. Holder (as defined in "*Taxation – U.S. Federal Income Taxation*") of Class Z Notes (and any other Class of Notes treated as equity for U.S. federal income tax purposes) (together, the "**Equity Notes**") may be subject to adverse tax consequences unless such holder elects to treat the Issuer as a QEF (as defined in "*Taxation – U.S. Federal Income Taxation – Taxation of U.S. Holders of the Equity Notes*") and to recognise currently its proportionate share of the Issuer's ordinary income and long-term capital gain whether or not distributed to such holder. In addition, and depending on the overall ownership of interests in the Issuer, a U.S. Holder of 10 per cent. or more of the Equity Notes may be treated as a United States shareholder in a controlled foreign corporation ("**CFC**") for U.S. federal income tax purposes, and required to recognise currently its proportionate share of the subpart F income of the Issuer, whether or not distributed to such holder. The Issuer will cause its independent accountants to provide U.S. Holders, upon request by and at the expense of such U.S. holder, with the information reasonably available to the Issuer that such holder reasonably requests with respect to a U.S. Holder of the Class Z Notes, to make an election to treat the Issuer as a QEF and to satisfy filing requirements that such holder is required to satisfy in the event the Issuer is treated as a CFC. A U.S. Holder that makes a QEF election or that is required to recognise currently its proportionate share of the subpart F income of the Issuer will be required to include in the current income its *pro rata* share of such earnings, income or amounts whether or not the Issuer actually makes any payments to such holder.

Potential investors should consult their own tax advisors regarding the potential application of the PFIC rules or the CFC rules to their investment in the Notes.

**Other Legal Risks**

***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.

***Considerations relating to 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 Paying Agents, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Notes to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests. A nominee for the Common Safekeeper will be considered the registered holder of the Notes and the Certificates as shown in the records of Euroclear or Clearstream, Luxembourg while the Notes and the Certificates are represented by the Global Notes and the Global Certificates respectively. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Except as noted in the previous paragraphs, payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the Principal Paying Agent to a nominee of the Common Safekeeper. Upon receipt of any payment from the relevant Paying Agent, Euroclear and Clearstream, Luxembourg 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, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or

payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Noteholders and Certificateholders, 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 or Certificateholders. 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 or the Certificates, 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*". There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among participants of 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, the Registrar or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

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

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

***Change of law may adversely affect the compliance of the transaction with applicable law and regulation***

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. In addition, other regulatory requirements (including any applicable due diligence and disclosure obligations) may be recast or amended, and no assurance can be given that such changes will not adversely affect the compliance of the transaction with applicable law and regulations.

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

In Europe, the United States and elsewhere there is increased political and regulatory scrutiny of both the asset-backed securities and mortgage-backed securities markets. 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 asset-backed and mortgage-backed securitisation exposures and/or the incentives for certain investors to hold such securities, and may thereby have a negative impact on such investors' liquidity in such instruments. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Seller, the Legal Title Holder, the Co-Sponsors, the Trustee, any Agent, the Cash Manager or the Servicer makes any representation to any prospective investor or

purchaser of the Notes and/or the Certificates 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 Retention Requirement and associated due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of European Union regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and undertakings for the collective investment of transferable securities ("UCITS") funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless: (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including the position of its notes in the relevant priorities of payment, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator; and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures (in the case of the EU Retention Requirement). 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.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes and the Certificates. 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 and/or the Certificates. 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 with the relevant EU Retention Requirements and associated due diligence requirements should seek guidance from their regulator and/or independent advice on the issue. In this regard investors should be aware that although the Notes and the Certificates to be held by the Seller are transferable instruments, the Seller has covenanted to maintain, on an on-going basis, an interest in the securities that will satisfy the EU Retention Requirement. See the section entitled "*Certain Regulatory Disclosures*" for further detail.

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 Co-Sponsors, the Seller (in its capacity as the Seller), CHL (in its capacities as the Legal Title Holder, Servicer or the Cash Manager), the Co-Arrangers, the Co-Manager 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. In particular, in the context of the requirements which apply in respect of European Union-regulated credit institution investors, investment firms and authorised alternative investment fund managers, coming legislative developments being discussed by the European Parliament and other institutions within the European Union may result in changes to the corresponding interpretation materials which apply in respect of such requirements and/or the requirements themselves. 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. 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 Retention Requirement and associated 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.

The U.S. Credit Risk Retention Requirements generally require "securitizers" to retain not less than 5 per cent. of the credit risk of a securitisation and generally prohibit a securitizer from directly or indirectly



eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Credit Risk Retention Requirements became effective for residential mortgage-backed securities on 24 December 2015. The Retention Holder will hold, either directly or through a majority-owned affiliate, the required credit risk by holding the Required Risk Retention Interest as described in "*Certain Regulatory Disclosures – U.S. Credit Risk Retention Requirements*". If the Retention Holder or a majority-owned affiliate fails to retain credit risk in accordance with the U.S. Credit Risk Retention Requirements, the value and liquidity of the Notes may be adversely impacted.

In addition, on 27 August 2014, the SEC issued final rules, which became effective in June 2015, that require (i) issuers or underwriters of rated asset-backed securities to furnish a Form ABS-15G that contains the findings and conclusions of reports of third-party due diligence providers, (ii) third-party due diligence providers to provide a form with certain information to nationally recognised statistical rating organisations regarding their due diligence services, findings and conclusions, and a certification as to their review and (iii) nationally recognised statistical rating organisations to make publicly available the forms provided by any third-party due diligence providers. As a rated transaction, the Issuer, the Joint Lead Managers and the Co-Manager are subject to the SEC final rule. See "*Certain Regulatory Disclosures – Rule 15Ga-2*" below.

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

***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 European Union regulated credit institutions from 1 October 2015 and for the Net Stable Funding Ratio to become a binding standard from 1 January 2018.

On 11 July 2016, the Basel Committee issued an updated final standard on revisions to the Basel III securitisation framework amending its previous capital standards for certain securitisations, including reducing the risk weight floor for senior exposures from 15 per cent. to 10 per cent.

The Basel III reforms have been implemented in the EEA through the Capital Requirements Regulation and the Capital Requirements Directive (together "**CRD IV**"). CRD IV became effective in the United Kingdom and other European Union member states on 1 January 2014. CRD IV permits a transitional period for certain of the enhanced capital requirements and certain other measures which are not expected to be fully implemented until 2019.

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 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 European Securities and Markets Authority'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 European Securities and Markets Authority list. The credit ratings included or referred to in this Prospectus are issued by DBRS, Fitch, Moody's and S&P in respect of the Class A Notes, by DBRS, Moody's and S&P in respect of the Mezzanine Floating Rate 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 European Securities and Markets Authority.

Prospective investors should note the provisions of Regulation 462/2013 (European Union) 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 per cent. 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 was 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. The delegated regulation is stated to apply from 1 January 2017, to structured finance investments issued after the date of the entry into force of the delegated regulation on 16 January 2015. On 27 April 2016, European Securities and Markets Authority published a press release in which it acknowledged that it would not be in a position to set up the structured finance investments website or receive the information related to the structured finance investments. European Securities and Markets Authority expects that the proposed Securitisation Regulation, which is currently being considered by the European Parliament and the Council of the European Union, will provide clarity on the future obligation regarding reporting on structured finance investments.

### ***Raising of financing by the Seller against Notes held by it for risk retention purposes***

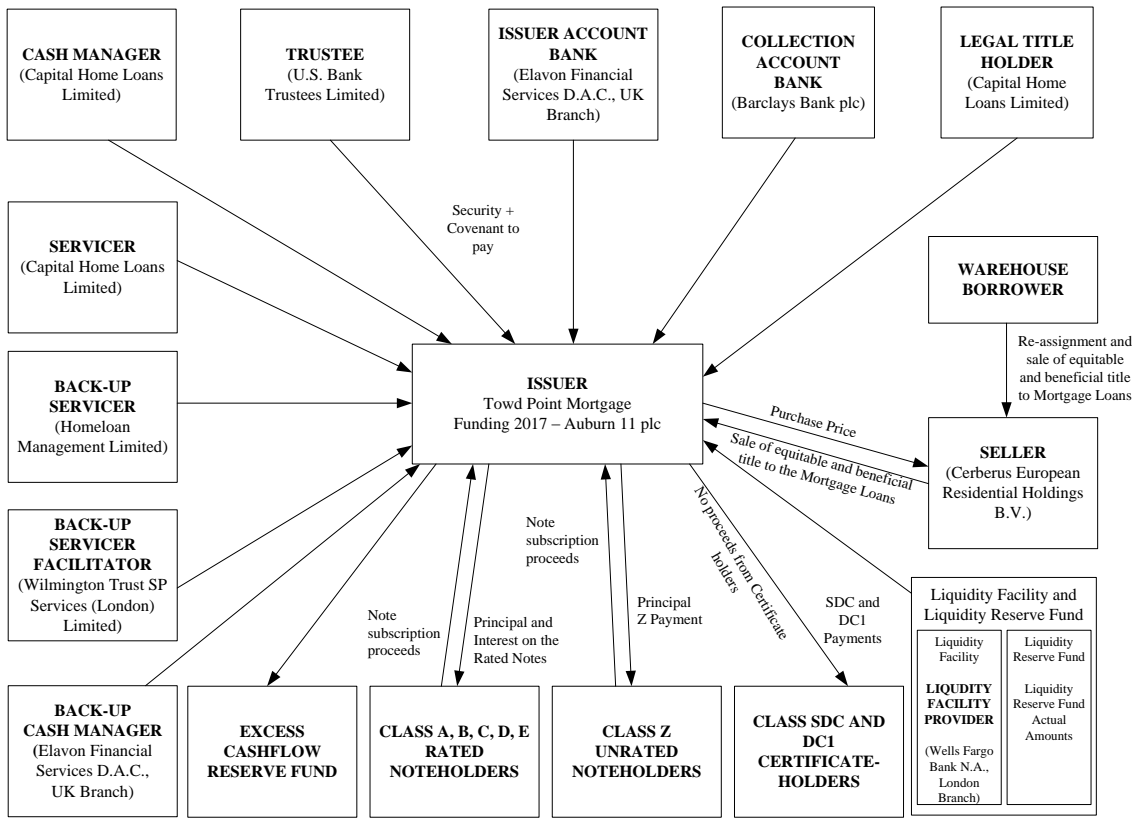
On or after the Closing Date, the Seller may directly or indirectly obtain funding to finance its economic exposure to some or all of the Retention Notes required to be retained by it as originator in compliance with the CRR, AIFMR, the Solvency II Delegated Act and the Required Risk Retention Interest required to be retained in compliance with the U.S. Credit Risk Retention Requirements. Such financing may be provided by one or more of the Co-Manager, the Joint Lead Managers or certain of their affiliates and may require the grant of a security interest over such financed Retention Notes and Required Risk Retention Interest and result in the financing counterparty having enforcement rights and remedies in case

of an event of default which may include the right to appropriate or sell the Retention Notes and the Required Risk Retention Interest. In carrying out any such sale, the financing counterparty would not be required to have regard for the CRR, AIFMR, the Solvency II Delegated Act and the U.S. Credit Risk Retention Requirements and any such sale may therefore cause the Seller to be out of compliance with the CRR, AIFMR, the Solvency II Delegated Act, and the U.S. Credit Risk Retention Requirements. In such an event, with respect to the CRR, AIFMR and the Solvency II Delegated Act, Notes held by other investors could be subject to an increased regulatory capital charge levied by a relevant regulator with jurisdiction over any such investor, and, also, with respect to the U.S. Credit Risk Retention Requirements, the price and liquidity of the Notes held by an investor in the secondary market could be negatively impacted. Additionally, under the U.S. Credit Risk Retention Requirements, the Retention Holder or its majority-owned affiliate may not engage in any hedging transactions that reduce or limit the credit exposure of the Retention Holder or its majority-owned affiliate to the Required Risk Retention Interest. The price and liquidity of the Notes held by an investor in the secondary market could be negatively impacted by any such hedging transaction.

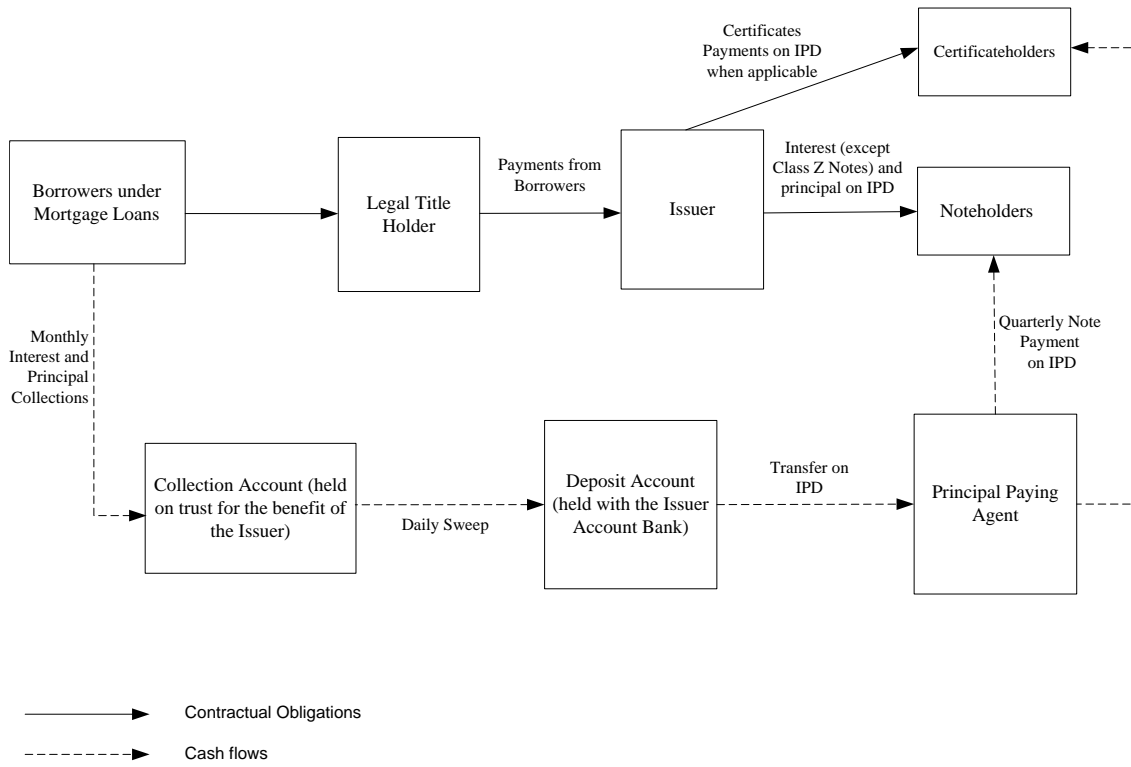
***Effects of the Volcker Rule on the Issuer***

Although other statutory or regulatory exemptions under the Investment Company Act and under the Volcker Rule may be available, the Issuer has relied on an exemption from registration as an "investment company" under the Investment Company Act under Section 3(c)(5)(C) thereof. Under the Volcker Rule, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) thereof. The Issuer has been structured so as not to constitute a "covered fund" for purposes of the Volcker Rule. The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include United States banks and bank holding companies and non-U.S. banks with U.S. branches or agencies, 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 "covered funds," subject to certain exceptions. Any prospective investor in the Notes or the Certificates, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

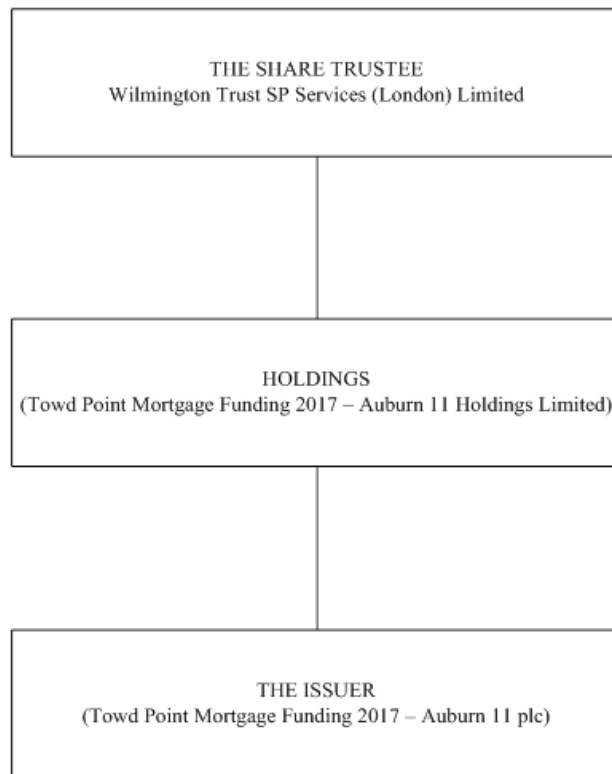
**DIAGRAMMATIC OVERVIEW OF TRANSACTION**



## 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 the Share Trustee under a declaration of trust, the benefit of which is expressed to be for discretionary purposes.

None of the Issuer, Holdings or the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

## TRANSACTION OVERVIEW

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

### TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed / Further Information
<b>Issuer:</b>	Towd Point Mortgage Funding 2017 - Auburn 11 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>	Towd Point Mortgage Funding 2017 - Auburn 11 Holdings Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	N/A  See the section entitled " <i>Holdings</i> " for further information
<b>Cash Manager, Servicer and Legal Title Holder:</b>	Capital Home Loans Limited	Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA	Servicing Agreement and Cash Management Agreement  See sections entitled " <i>CHL – The Servicer</i> ", " <i>Servicing and Cash Management</i> ", " <i>The Mortgage Portfolio</i> " or " <i>Key Structural Features - Credit Enhancement, Liquidity Support, and Priority of Payments</i> " for further information
<b>Seller, Initial Class SDC Certificate Holder, Initial Class DC1 Certificate Holder, Initial Class DC2 Certificate Holder, Retention Holder and a Co-Sponsor:</b>	Cerberus European Residential Holdings B.V.	Oude Utrechtseweg 32, 3743 KN Baarn, The Netherlands	Mortgage Sale Agreement  See the section entitled " <i>CERH – The Seller and Retention Holder and CERH and FirstKey and the Co-Sponsors</i> " and " <i>EU Retention Undertaking</i> "
<b>Co-Sponsor:</b>	FirstKey Mortgage, LLC	900 Third Avenue, Suite 500 New York NY 10022	See the section entitled " <i>CERH – The Seller and Retention Holder and CERH and FirstKey and the Co-Sponsors</i> " for further information.

FULL CAPITAL STRUCTURE OF THE NOTES

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / Further Information</b>
<b>Liquidity Facility Provider:</b>	Wells Fargo Bank, National Association, London Branch	One Plantation Place, 30 Fenchurch Street, London, EC3M 3BD	Liquidity Facility Agreement  See sections entitled " <i>Liquidity Facility Agreement and Liquidity Reserve Fund</i> " and " <i>Wells Fargo - The Liquidity Facility Provider</i> " for more 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>Servicing and Cash Management</i> " and " <i>HML - The Back-Up Servicer</i> " for further information
<b>Back-Up Cash Manager, Principal Paying Agent, Agent Bank, Registrar, Issuer Account Bank:</b>	Elavon Financial Services D.A.C., UK Branch	125 Old Broad Street, London EC2N 1AR, United Kingdom	Back-Up Cash Management Agreement  Agency Agreement  Account Bank Agreement  See the section entitled " <i>Key Structural Features - Credit Enhancement, Liquidity Support, and Priority of Payments</i> " for further information
<b>Trustee:</b>	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR, United Kingdom	Trust Deed and Deed of Charge  See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information
<b>Collection Account Bank:</b>	Barclays Bank PLC	1 Churchill Place, London, E14 5HP	Collection Account Agreement
<b>Corporate Services Provider, Share Trustee and Back-Up Servicer Facilitator:</b>	Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Corporate Services Agreement  Servicing Agreement  See the section entitled " <i>The Issuer</i> " or " <i>Servicing and Cash Management</i> " for further information



FULL CAPITAL STRUCTURE OF THE NOTES

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / Further Information</b>
<b>Originators:</b>	Capital Home Loans Limited	Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA	See section entitled " <i>The Mortgage Portfolio</i> "
	Irish Permanent plc	N/A	See section entitled " <i>The Mortgage Portfolio</i> "
<b>Co-Arrangers:</b>	Merrill Lynch International	5 Canada Square, London E14 5AQ	Subscription Agreement
	Morgan Stanley & Co. International plc	25 Cabot Square, Canary Wharf, London E14 4QA	Subscription Agreement
<b>Joint Lead Managers:</b>	Merrill Lynch International	5 Canada Square, London E14 5AQ	Subscription Agreement
	Merrill Lynch, Pierce, Fenner & Smith Incorporated	One Bryant Park New York NY 10036 United States	See the section entitled " <i>Subscription and Sale</i> " for further information
	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
	Wells Fargo Securities International Limited	One Plantation Place 30 Fenchurch Street London EC3M 3BD	Subscription Agreement  See the section entitled " <i>Subscription and Sale</i> " for further information
	Wells Fargo Securities, LLC	375 Park Avenue New York New York 10152 United States	Subscription Agreement  See the section entitled " <i>Subscription and Sale</i> " for further information
<b>Co-Manager:</b>	SMBC Nikko Capital Markets Limited	One New Change, London, EC4M 9AF	Subscription Agreement  See the section entitled " <i>Subscription and Sale</i> " for further information

FULL CAPITAL STRUCTURE OF THE NOTES

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / Further Information</b>
			information
<b>Auditors of the Issuer:</b>	KPMG LLP	15 Canada Square, London, E14 5GL	N/A
<b>Irish Listing Agent:</b>	Arthur Cox Listing Services Limited	Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland	N/A
<b>Irish Stock Exchange:</b>	Irish Stock Exchange plc	28 Anglesea Street Dublin 2 Ireland	N/A
<b>Rating Agencies:</b>	DBRS Ratings Limited	20 Fenchurch Street, 31st Floor, London, England, EC3M 3BY	Class A Notes, Class B Notes and Class C Notes only
	Moody's Investors Service Limited	1 Canada Square Canary Wharf London E14 5FA	
	Standard & Poor's Credit Market Services Europe Limited	20 Canada Square Canary Wharf London E14 5LH	
	Fitch Ratings Limited	30 North Colonnade London E14 5GN	Class A Notes only
<b>Clearstream:</b>	Clearstream Banking <i>société anonyme</i>	42 Avenue J.F. Kennedy 1855 Luxembourg	
<b>Euroclear:</b>	Euroclear Bank S.A./N.V.	1 Boulevard du Roi Albert II B 1210 Brussels Belgium	

FULL CAPITAL STRUCTURE OF THE NOTES

	<u>Class A1 Notes</u>	<u>Class A2 Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class Z Notes</u>	<u>Class SDC Certificates</u>	<u>Class DC1 Certificates</u>	<u>Class DC2 Certificates</u>
<i>Initial Principal Amount:</i>	£732,500,000	£50,000,000	£52,500,000	£37,500,000	£37,500,000	£22,500,000	£67,500,000	N/A	N/A	N/A
<i>Note Credit Enhancement:</i>	Subordination of the Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class Z Notes and excess Available Revenue Receipts	Subordination of the Class B Notes, Class C Notes, Class D Notes, Class E Notes and excess Available Revenue Receipts	Subordination of the Class C Notes, Class D Notes, Class E Notes and Class Z Notes and excess Available Revenue Receipts	Subordination of the Class D Notes, Class E Notes and excess Available Revenue Receipts	Subordination of the Class E Notes and Class Z Notes and excess Available Revenue Receipts	Subordination of the Class Z Notes and excess Available Revenue Receipts	Excess Available Revenue Receipts	N/A	N/A	N/A
<i>Benefit of Liquidity Facility</i>	Yes	Yes	No	No	No	No	No	N/A	N/A	N/A
<i>Liquidity Support:</i>	At all times Principal Addition Amounts and subordination in payment of the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes, the Class SDC Certificates and the Class DC1 Certificates.  Prior to LF Cancellation Date, Liquidity Facility and on and from FORD, Liquidity Reserve Fund Actual Amounts  Amounts standing to the credit of the SDC Ledger.  (subject to conditions as set out in "Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows")	At all times Principal Addition Amounts and subordination in payment of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes, the Class SDC Certificates and the Class DC1 Certificates.  Prior to LF Cancellation Date, Liquidity Facility and on and from FORD, Liquidity Reserve Fund Actual Amounts  Amounts standing to the credit of the SDC Ledger.  (subject to conditions as set out in "Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows")	Principal Addition Amounts, Excess Cashflow Reserve Fund and subordination in payment of the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes and the Class DC1 Certificates.  (subject to conditions as set out in "Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows")	Principal Addition Amounts, Excess Cashflow Reserve Fund and subordination in payment of the Class D Notes, the Class E Notes, the Class Z Notes and the Class DC1 Certificates.  (subject to conditions as set out in "Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows")	Principal Addition Amounts, Excess Cashflow Reserve Fund and subordination in payment of the Class E Notes, the Class Z Notes and the Class DC1 Certificates.  (subject to conditions as set out in "Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows")	Principal Addition Amounts, Excess Cashflow Reserve Fund and subordination in payment of the Class Z Notes and the Class DC1 Certificates.  (subject to conditions as set out in "Key Structural Features – Credit Enhancement, Liquidity Support and Cashflows")	N/A	N/A	N/A	N/A
<i>Issue Price</i>	99.7456%	98.9787%	97.3989%	95.9924%	91.7822%	85.7205%	70.5189%	N/A	N/A	N/A

FULL CAPITAL STRUCTURE OF THE NOTES

	<u>Class A1 Notes</u>	<u>Class A2 Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class Z Notes</u>	<u>Class SDC Certificates</u>	<u>Class DC1 Certificates</u>	<u>Class DC2 Certificates</u>
<i>Rate of Interest (per annum) pre-FORD:</i>	Reference Rate plus Margin	Reference Rate plus Margin	Lesser of (i) Reference Rate plus Margin and (ii) Net WAC Cap	Lesser of (i) Reference Rate plus Margin and (ii) Net WAC Cap	Lesser of (i) Reference Rate plus Margin and (ii) Net WAC Cap	Lesser of (i) Reference Rate plus Margin and (ii) Net WAC Cap	N/A	N/A	N/A	N/A
<i>Rate of Interest (per annum) on and after the FORD:</i>	Reference Rate plus Step-Up Margin	Reference Rate plus Step-Up Margin	Lesser of (i) Reference Rate plus Step-Up Margin and (ii) Net WAC Cap	Lesser of (i) Reference Rate plus Step-Up Margin and (ii) Net WAC Cap	Lesser of (i) Reference Rate plus Step-Up Margin and (ii) Net WAC Cap	Lesser of (i) Reference Rate plus Step-Up Margin and (ii) Net WAC Cap	N/A	N/A	N/A	N/A
<i>Subject to Net WAC cap:</i>	No	No	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A
<i>Margin:</i>	0.85%	0.95%	1.00%	1.10%	1.30%	0.50%	N/A	N/A	N/A	N/A
<i>Step-Up Margin:</i>	1.50%	1.75%	2.50%	3.25%	4.50%	4.00%	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)	Actual/365 (Fixed)	Actual/365 (Fixed)	N/A	N/A	N/A	N/A
<i>Calculation Date:</i>	The third Business Day prior to each Interest Payment Date						N/A	N/A	N/A	N/A
<i>Interest Payment Dates:</i>	Interest and principal will be payable quarterly in arrear on the 20th day of each February, May, August and November						N/A	N/A	N/A	N/A
<i>Business Day Convention:</i>	Modified Following						N/A	N/A	N/A	N/A
<i>First Interest Payment Date:</i>	The Interest Payment Date falling in May 2017						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 May 2017						N/A	N/A	N/A	N/A
<i>FORD:</i>	The Interest Payment Date falling in February 2020						N/A	N/A	N/A	N/A
<i>Pre-FORD 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-FORD 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/regulatory/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 May 2045									
<i>Form of the Notes:</i>	Registered									

FULL CAPITAL STRUCTURE OF THE NOTES

	<u>Class A1 Notes</u>	<u>Class A2 Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class Z Notes</u>	<u>Class SDC Certificates</u>	<u>Class DC1 Certificates</u>	<u>Class DC2 Certificates</u>
<i>Application for Listing:</i>				Ireland				N/A	N/A	N/A
<i>Regulation S ISIN:</i>	XS1564404934	XS1564405402	XS1564405824	XS1564406046	XS1564406129	XS1564406475	XS1564406715	XS1567162190	XS1567162356	XS1567164642
<i>Regulation S Common Code:</i>	156440493	156440540	156440582	156440604	156440612	156440647	156440671	156716219	156716235	156716464
<i>Rule 144A ISIN:</i>	XS1564445374	XS1564445531	XS1564445887	XS1564446000	XS1564446182	XS1564446349	XS1564446422	XS1567182115	XS1567182388	XS1567182545
<i>Rule 144A Common Code:</i>	156444537	156444553	156444588	156444600	156444618	156444634	156444642	156718211	156718238	156718254
<i>Regulation S Minimum Denomination:</i>				£100,000 and integral multiples of £1,000 in excess thereof.						
<i>Rule 144A Minimum Denomination:</i>				£250,000 and integral multiples of £1,000 in excess thereof.						
<i>Expected Ratings:</i>	AAA(sf)/Aaa(sf)/AA Asf/AAA(sf)	AA(sf)/Aaa(sf)/AAA sf/AAA(sf)	AA-(sf)/Aa2(sf)/AA(sf)	A(sf)/A1(sf)/A(sf)	BBB+(sf)/Baa2(sf)	BB(sf)/Ba2(sf)	Not rated	Not rated	Not rated	Not rated
<i>(Rating Agency)</i>	(S&P/Moody's/ Fitch/DBRS)	(S&P/Moody's/ Fitch/DBRS)	(S&P/Moody's/DBRS)	(S&P/Moody's/DBRS)	(S&P/Moody's)	(S&P/Moody's)	N/A	N/A	N/A	N/A

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

### Form, Registration and Transfer of the Notes:

The Notes of each Class sold outside the United States to non-U.S. Persons in reliance on Regulation S will be represented on issue by beneficial interests in one or more Global Notes in fully registered form without interest coupons or principal receipts, which will be deposited on or about the Issue Date with, and registered in the name of, a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Global Note may at any time be held only through and transfers thereof will only be effected through records maintained by Euroclear and Clearstream, Luxembourg. See "*Description of the Notes in Global Form*".

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States or other applicable jurisdiction. Accordingly, the Notes are being offered and sold only (A) to QIBs acting for their own account, or for the account or benefit of one or more QIBs, in reliance on Rule 144A and (B) outside the United States to persons other than U.S. Persons in reliance on Regulation S. The Notes may be resold or otherwise transferred, subject to other restrictions on transfer described herein, only (A) to QIBs acting for their own account, or for the account of one or more QIBs, in reliance on Rule 144A or another exemption from registration under the Securities Act or (B) outside the United States to persons other than U.S. Persons in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act.

Transfers of interests in the Notes are subject to certain restrictions and must be made in accordance with the procedures set forth in the Trust Deed. See "*Description of the Notes in Global Form*" and "*Transfers and Transfer Restrictions*". Each purchaser of Notes in making its purchase will be required to make, or will be deemed to have made, certain acknowledgements, representations and agreements. See "*Transfers and Transfer Restrictions*". The transfer of Notes in breach of certain of such representations and agreements will result in affected Notes becoming subject to certain forced transfer provisions. See "*Terms and Conditions of the Notes – 4. Title and Transfer*".

Except in the limited circumstances described herein, Definitive Certificates will not be issued in exchange for beneficial interests in the Global Notes. See "*Description of the Notes in Global Form – Issuance of Definitive Notes*".

The Notes are intended to be held under the new safekeeping structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations.

### Certificates:

On the Closing Date, the Issuer will also issue the Class SDC Certificates, Class DC1 Certificates and Class DC2 Certificates as certificates constituted under the Trust Deed representing the right to receive the SDC Payments and DC1 Payments (in the case of the Class SDC Certificates and Class DC1 Certificates) and the right of the Mortgage Portfolio Option Holder to exercise the Mortgage Portfolio Purchase Option (in the case of the Class DC2 Certificates), as applicable.

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

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States or other applicable jurisdiction. Accordingly, the Certificates are being offered and sold only (A) to QIBs acting for their own account, or for the account or benefit of one or more QIBs, in reliance on Rule 144A and (B) outside the United States to persons other than U.S. Persons in reliance on Regulation S. The Certificates may be resold or otherwise transferred, subject to other restrictions on transfer described herein, only (A) to QIBs acting for their own account, or for the account of one or more QIBs, in reliance on Rule 144A or another exemption from registration under the Securities Act or (B) outside the United States to persons other than U.S. Persons in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Certificates may be relying on an exemption from the provisions of Section 5 of the Securities Act.

The Certificates will be issued in registered form. Each Class of the Certificates will be issued pursuant to Regulation S and Rule 144A and will be cleared through Euroclear and/or Clearstream, Luxembourg, as set out in "*Description of the Certificates*" below.

### **Sequential Order:**

The Notes will rank in sequential order in relation to payments of interest and principal, being first the Class A1 Notes, then the Class A2 Notes, then the Class B Notes, then the Class C Notes, then the Class D Notes, then the Class E Notes and then the Class Z Notes. Within each Class of Notes, those Notes will rank *pari passu* without preference or priority among themselves in relation to payments of interest and principal at all times as provided in the Conditions and the Transaction Documents.

The Class SDC Certificates rank *pari passu* without preference or priority among themselves in relation to the payment of SDC Payments at all times.

The Class DC1 Certificates rank *pari passu* without preference among themselves in relation to payment of the DC1 Payment amount at all times, but shall be subordinate to all Classes of Notes, including Net WAC Additional Amounts (with respect to the Mezzanine Floating Rate Notes) and the Class SDC Certificates, as provided in the Conditions and the Transaction Documents. DC1 Payments will be payable in arrears on each Interest Payment Date from (and including) the Closing Date.

Payments of principal in relation to all Classes of Notes will be subordinate to payments of Principal Addition Amounts and, on and following the FORD, any amounts to be credited to the Liquidity Reserve Fund Ledger.

The Rate of Interest payable on each of the Mezzanine Floating Rate Notes are subject to the Net WAC Cap, (any Net WAC Additional Amounts (occurring as a result of the application of the Net WAC Cap to the relevant Class of Mezzanine Floating Rate Notes) being subordinated to payments of current interest due on the relevant Classes of Mezzanine Floating Rate Notes), as more fully set out in Condition 8 (*Interest*) (as to which, see further the Risk Factor entitled "*Application of the Net WAC Cap and timing of interest rate*")

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

*adjustments may reduce interest payments").*

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

**Security:**

The Issuer's obligations in respect of the Notes and the 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 broadly includes:

- (a) a first fixed charge over the Issuer's interest in the Mortgage Loans and the Related Security;
- (b) an assignment in security of the Issuer's beneficial interest in the Scottish Mortgage Loans and their Related Security (comprising the beneficial interest under the trust declared by the Legal Title Holder over such Scottish Mortgage Loans and their Related Security for the benefit of the Seller under and pursuant to the Scottish Declaration of Trust and assigned to the Issuer pursuant to the Scottish Trust Transfer);
- (c) a first fixed charge over each Authorised Investment;
- (d) first fixed charges over all monies then standing to the credit of (and all interest accruing thereon from time to time) the Deposit Account and any other bank accounts of the Issuer;
- (e) an assignment by way of security of the Issuer's interests in the Life Policies, Charges relating to the Mortgage Loans and the Insurance Policies;
- (f) an assignment by way of security of the Issuer's interest in each relevant Transaction Document;
- (g) a first floating charge over the whole of the Issuer's undertaking and all its property, assets and rights;
- (h) 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 or secured by each mortgage or charge of which it is registered as the registered owner at the Land Registry of Northern Ireland or the Registry of Deeds for Northern Ireland (as applicable); and
- (i) (only upon legal title to the Scottish Mortgage Loans and their Related Security transferring to the Issuer) a Scottish Sub-Security.

Certain other Secured Amounts rank senior to the Issuer's obligations under the Notes and the 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 Rate of Interest applicable to each Class of Notes are described in the sections "*Full Capital Structure of the Notes*" and "*Overview of the Terms and Conditions of the Notes and the Certificates*".

**Interest Deferral:**

Interest due and payable on the Class A Notes may not be deferred but, in relation to all other Classes of Notes, it may be deferred in



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accordance with Condition 8.13 (*Subordination by Deferral*). In accordance with Condition 8.13 (*Subordination by Deferral*), the Issuer may also defer payment of any Net WAC Additional Amount or Required Interest amounts (calculated as set out in Condition 8 (*Interest*)) related to each Class of Mezzanine Floating Rate Notes, as applicable.

**Payments in respect of the Certificates:**

Payments in respect of the Certificates will only be made to the extent the Issuer has sufficient amounts available for that purpose in accordance with the applicable Priority of Payments and will not be subject to deferral.

**Net WAC Additional Amounts:**

On each Interest Payment Date, to the extent the Net WAC Cap has been applied to the relevant Floating Rate of Interest otherwise due and payable on the relevant Class of Mezzanine Floating Rate Notes, the Noteholders of the Mezzanine Floating Rate Notes will be entitled to receive payments of Net WAC Additional Amounts in respect of the relevant Mezzanine Floating Rate Notes subject to and in accordance with the applicable Priority of Payments. Any Net WAC Additional Amounts not paid on an Interest Payment Date will be deferred until the immediately following Interest Payment Date, but will accrue interest in accordance with Condition 8.13 (*Subordination by Deferral*). Any failure by the Issuer to pay any Net WAC Additional Amounts on an Interest Payment Date will not constitute an Event of Default.

The Ratings on the Mezzanine Floating Rate Notes do not address the likelihood of receipt of any Net WAC Additional Amounts.

**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:**

As fully described in Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) the Notes are subject to the following optional or mandatory redemption events:

- (a) mandatory redemption in whole on the Final Maturity Date;
- (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;
- (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;
- (d) optional redemption exercisable by the Issuer in whole on any Interest Payment Date from and including the FORD;
- (e) mandatory redemption in full following the exercise by the Mortgage Portfolio Option Holder of the Mortgage Portfolio Purchase Option or the Market Sale Option Holder of the Market Sale Option;
- (f) optional redemption exercisable by the Issuer in whole for tax reasons; and

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- (g) mandatory redemption in full following the exercise by the Seller of the Risk Retention Regulatory Change Option.

**Events of Default:**

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

- (a) non-payment by the Issuer of principal in respect of the Class A Notes within 7 Business Days following the due date or non-payment by the Issuer in respect of the Class A Notes of interest within 14 Business Days following the due date;
- (b) 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;
- (c) Insolvency Event in respect of the Issuer; or
- (d) it being unlawful for the Issuer to perform or comply with its obligations.

Non-payment of interest in respect of any Notes (other than the Class A Notes) will not constitute an Event of Default.

**Certificates Events of Default:**

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

- (a) non-payment by the Issuer of any amount due in respect of the Certificates within 7 Business Days following the due date for such payment (if any);
- (b) breach of contractual obligations by the Issuer under the Certificates or the Transaction Documents which is incapable of remedy or which is, if capable of remedy, not remedied within 30 days;
- (c) Insolvency Event in respect of the Issuer; or
- (d) 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 a Certificate Event of Default when no Notes remain outstanding.

**Limited Recourse:**

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, following the distribution of all available funds, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 10 (*Limited Recourse and Non-Petition*).

**Non petition:**

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

- (a) to enforce the Security other than when expressly permitted to do so under Condition 10 (*Limited Recourse and Non-Petition*); or
- (b) to take or join in any steps against the Issuer to obtain payment of any amount due from the Issuer to it; or
- (c) to initiate or join in initiating any Insolvency Proceedings in relation to the Issuer; or

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- (d) to take any steps which would result in any of the Priorities of Payments not being observed.

**Governing Law:**

English law.

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*Please refer to the sections entitled "Overview of the Terms and Conditions of the Notes and the 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 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 Certificates) no Certificates 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 together with accrued (but unpaid) interest (including any Net WAC Additional Amount).

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 a Certificates Event of Default which is continuing, the Certificateholders may, if they hold not less than 25 per cent. in number of the Most Senior Class of Certificates then in issue or if an Extraordinary Resolution of the holders of the Most Senior Class of Certificates is passed, direct the Trustee in writing to give an Enforcement Notice to the Issuer that any Certificate Payments pursuant to the Certificates are immediately due and payable.

	<u>Initial Meeting</u>	<u>Adjourned Meeting</u>
<b>Noteholders and Certificateholders Meeting provisions:</b>	<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 the Principal Amount Outstanding of the relevant Class or Classes	One or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes

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<p>of Notes then outstanding or holding or representing not less than 25 per cent. of the number of 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 the 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 relevant Class or Classes of Notes then outstanding or holding or representing not less than 75 per cent. of the number of the Certificates then outstanding, as applicable.</p>	<p>of Notes then outstanding or holding or representing not less than 10 per cent. of the number of the 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 the 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 relevant Class or Classes of Notes then outstanding or holding or representing more than 50 per cent. of the number of the Certificates then outstanding, as applicable.</p>
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**Required majority for Ordinary Resolution:**

A clear majority of not less than 50.1 per cent. 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.

**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.

**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 the Certificates then in issue. A Written Resolution has the same effect as an Extraordinary

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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 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 the Notes or the 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 Certificates and would override any resolutions to the contrary of the Classes of Notes ranking behind such Class or of the Certificates. A Reserved Matter relating to the Notes requires an Extraordinary Resolution of each Class of Notes then outstanding.

Consent of the Liquidity Facility Provider will be required for any material amendments to the LFP Related Provisions.

**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 Relevant Class of Notes are held by the Seller, any holding company of the Seller and/or any other subsidiary of such holding companies (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 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

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case as beneficial owner, shall (unless and until ceasing to be held) be deemed not to remain outstanding, **provided that** if all the Certificates are held by the Seller, any holding company of the Seller and/or any other subsidiary of such holding companies, all of the 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 of the 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) to enable the Issuer to enter into any new and/or amended bank account agreement, collection account agreement, or liquidity facility agreement in order to maintain the ratings of the Rated Notes at their then current levels;
- (c) 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;
- (d) for the purpose of enabling the Notes to be (or to remain) listed on the Irish Stock Exchange;
- (e) 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
- (f) 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 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

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

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, Article 51 of the AIFMR and Article 254(3) of the Solvency II Delegated Act. The monthly 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.euroabs.com](http://www.euroabs.com) and uploaded to the EuroABS website. 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 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 Certificates are represented by Definitive 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 listed on the official list of the Irish Stock Exchange and admitted to trading on its regulated market 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, 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.



## SUMMARY OF CREDIT STRUCTURE AND CASHFLOWS

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

**Use of Available Revenue Receipts and Available Principal Receipts by 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.

**Overview of Priorities of Payments:**

Below is a summary of the Priorities of Payments. Please refer to the section entitled "*Key Structural Features - Credit Enhancement, Liquidity Support, and Priority of Payments*" for further information. In addition, please refer to "*Limited Recourse*" in the section entitled "*Overview of the Terms and Conditions of the Notes and the Certificates*".

**SUMMARY OF CREDIT STRUCTURE AND CASHFLOWS**

AVAILABLE REVENUE FUNDS	AVAILABLE PRINCIPAL FUNDS	ALL FUNDS
<b>Pre-Enforcement Revenue Priority of Payments</b>	<b>Pre-Enforcement Principal Priority of Payments</b>	<b>Post-Enforcement Priority of Payments</b>
Trustee, Agents, Cash Manager, Back-Up Cash Manager, the Collection Account Bank, the Issuer Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator, Back-Up Servicer and Servicer costs, expenses and fees subject to the relevant cap	Principal Addition Amounts applied to PAA Deficit	Trustee and receiver fees and expenses
Any permitted third party costs, expenses and fees	On and from the FORD up to the LF Cancellation Date, to the Liquidity Reserve Fund up to the Liquidity Reserve Target (ignoring any previous debits)	Agents, Cash Manager, Back-Up Cash Manager, the Collection Account Bank, the Issuer Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator, Back-Up Servicer and Servicer costs, expenses and fees
Issuer Profit Amount	Class A1 Notes Principal Amount	Liquidity Facility Provider amounts
Liquidity Facility Provider amounts up to the Compensation Fee Cap	Class A2 Notes Principal Amount	<i>Pro rata and pari passu</i> Class A1 Notes interest and principal
SDC Interim Transferred Amounts and any Surplus SDC Amounts	Class B Notes Principal Amount	<i>Pro rata and pari passu</i> Class A2 Notes interest and principal
Liquidity Facility Provider Excess Amount	Class C Notes Principal Amount	SDC Payments
Interest on Class A1 Notes	Class D Notes Principal Amount	<i>Pro rata and pari passu</i> Class B Notes interest and principal
Class A1 Principal Deficiency Sub-Ledger	Class E Notes Principal Amount	<i>Pro rata and pari passu</i> Class C Notes interest and principal
Interest on Class A2 Notes	Net WAC Additional Amount due on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes	<i>Pro rata and pari passu</i> Class D Notes interest and principal
Class A2 Principal Deficiency Sub-Ledger	Class Z Notes Principal Amount	Subordinated Servicing Fees
Interest on Class B Notes (other than Class B Net WAC Additional Amounts)	DC1 Payments	<i>Pro rata and pari passu</i> Class E Notes interest and principal
Class B Principal Deficiency Sub-Ledger		Net WAC Additional Amount due on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes
Interest on Class C Notes (other than Class C Net WAC Additional Amounts)		Issuer Profit Amount
Class C Principal Deficiency Sub-Ledger		<i>Pro rata and pari passu</i> Class Z Notes principal
Interest on Class D Notes (other than Class D Net WAC Additional Amounts)		DC1 Payments
Class D Principal Deficiency Sub-Ledger		
Interest on Class E Notes (other than Class E Net WAC Additional Amounts)		
Class E Principal Deficiency Sub-Ledger		
From the FORD, to the Liquidity Reserve Fund up to the Liquidity Reserve Target		
Class Z Principal Deficiency Sub-Ledger		
Service providers' amounts in excess of the relevant cap		
Net WAC Additional Amounts on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the sequentially		
Where the Mezzanine Floating Rate Notes are outstanding, amounts to be credited to the Excess Cashflow Reserve Fund		
DC1 Payments		

## SUMMARY OF CREDIT STRUCTURE AND CASHFLOWS

**Key Structural Features:** The general credit and liquidity structure of the transaction includes, broadly, the following elements:

**Liquidity Facility and Liquidity Reserve Fund:** The availability of (prior to the LF Cancellation Date) amounts under the Liquidity Facility and from the FORD, amounts representing any Liquidity Reserve Fund Actual Amount, which will be available to make up any shortfall in Available Revenue Receipts to pay items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments (after applying any Principal Addition Amounts in relation to the Most Senior Class of Notes (**provided that**, for these purposes only, for so long as the Class A Notes remain outstanding, the entire Class A Notes shall be treated as the Most Senior Class of Notes where the Class A2 Trigger has not been breached) to cure any PAA Deficit on such Interest Payment Date and **provided that** (from the FORD) any Principal Additional Amounts and any Liquidity Reserve Fund Actual Amounts will be applied first before making any drawing under the Liquidity Facility, and **provided further that** (i) any Excess Liquidity Amounts (which will only be available from the FORD) and (ii) on and from the Class A Redemption Date all amounts standing to the credit of the Liquidity Reserve Fund Ledger will be credited to the Excess Cashflow Reserve Fund.

On the FORD, unless the Issuer exercises its right to redeem all of the Notes and cancel the Certificates and such redemption is successfully completed, the Liquidity Reserve Fund will be established and will be funded in accordance with (i) *first*, item (3) of the Pre-Enforcement Ledgers Priority of Payments; (ii) *second*, from amounts standing to the credit of the Excess Cashflow Reserve Fund; and (iii) *third*, Available Principal Receipts in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments, up to the Liquidity Reserve Target.

On each Interest Payment Date after the FORD up to and including the Class A Redemption Date, the Liquidity Reserve Fund will be funded up to the Liquidity Reserve Target from (i) up to and including the LF Cancellation Date, (A) *first*, Available Revenue Receipts in accordance with item (19) of the Pre-Enforcement Revenue Priority of Payments; and (B) *second*, Available Principal Receipts (disregarding, for such purposes, any debit entries made to the Liquidity Reserve Fund Ledger on or prior to such Interest Payment Date) in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments; and (ii) thereafter Available Revenue Receipts will continue to be applied in accordance with item (19) of the Pre-Enforcement Revenue Priority of Payments. See the section "*Key Structural Features Credit Enhancement, Liquidity Support and Cashflows - Liquidity Facility Agreement and Liquidity Reserve Fund*".

To the extent that there are amounts available under both the Liquidity Facility and the Liquidity Reserve Fund, the Cash Manager shall apply the Liquidity Reserve Fund Actual Amount to meet any shortfall in amounts due in respect of items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments before making any drawing under the Liquidity Facility.

**Principal Deficiency Ledger:** A Principal Deficiency Ledger will be established to record as a debit (i) any Losses on the Mortgage Portfolio, (ii) any Principal Addition Amounts and (iii) any Available Principal Receipts applied

## SUMMARY OF CREDIT STRUCTURE AND CASHFLOWS

in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments, and record as a credit Available Revenue Receipts applied as Available Principal Receipts.

The Principal Deficiency Ledger will comprise seven sub-ledgers (one for each Class of Notes).

Any Losses on the Mortgage Portfolio and/or any Principal Addition Amounts and/or any Available Principal Receipts applied in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager or such amounts are credited to the Liquidity Reserve Fund Ledger (as applicable) on the relevant Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the relevant Class of Notes in reverse order of priority, starting with the Class Z Principal Deficiency Sub-Ledger.

Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Mortgage Loan first to outstanding fees and interest amounts due and payable on the relevant Mortgage Loan. The Principal Deficiency Ledger will be credited by the amount of any Available Revenue Receipts applied as Available Principal Receipts in accordance with items (8), (10), (12), (14), (16), (18) and (20) of the Pre-Enforcement Revenue Priority of Payments. See the section "*Summary of Credit Structure and Cashflows – Principal Deficiency Ledger*".

Pursuant to item (1) of the Pre-Enforcement Principal Priority of Payments, to the extent that after application of the Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts, any availability under the Liquidity Facility or any Liquidity Reserve Fund Actual Amount or any availability under the Excess Cashflow Reserve Fund) in accordance with the Pre-Enforcement Revenue Priority of Payments there would be a PAA Deficit, the Issuer shall apply an amount of Available Principal Receipts equal to the PAA Deficit as Principal Addition Amounts forming Available Revenue Receipts. Any Available Principal Receipts applied as Principal Addition Amounts will be recorded as a debit to the relevant Principal Deficiency Ledger.

**Excess Cashflow Reserve Fund:** From the Closing Date, amounts will be available under the Excess Cashflow Reserve Fund to pay items (11), (13), (15) and (17) of the Pre-Enforcement Revenue Priority of Payments (after applying any Principal Addition Amounts toward any PAA Deficit on such Interest Payment Date), **provided that** on the earlier of the Final Rated Notes Redemption Date and the Final Maturity Date, all amounts standing to the credit of the Excess Cashflow Reserve Fund will be applied to (i) *first*, cover shortfalls in amounts available to pay Net WAC Additional Amounts; and (2) *second*, will form DC1 Payment amounts.

**SDC Ledger Payments:** The application of any amounts standing to the credit of the SDC Ledger to pay items (6) to (10) of the Pre-Enforcement Revenue Priority of Payments shall only be made to the extent of any shortfalls of Available Revenue Receipts which, for the avoidance of doubt, shall include amounts applied under items (c) and (d) of the definition of Available Revenue Receipts.

## SUMMARY OF CREDIT STRUCTURE AND CASHFLOWS

<b>Principal payments post FORD:</b>	<p>On each Interest Payment Date occurring on or after the FORD up to the LF Cancellation Date, Available Principal Receipts will be applied to item (1) of the Pre-Enforcement Principal Priority of Payments after the determination of amount to be paid under item (19) of the Pre-Enforcement Revenue Priority of Payments.</p> <p>On each Interest Payment Date occurring on or after the FORD, the amounts to be applied under item (23) of the Pre-Enforcement Revenue Priority of Payments shall be determined after application of the Pre-Enforcement Principal Priority of Payments.</p>
<b>Rate of interest on the Deposit Account:</b>	<p>Availability of a rate of interest provided by the Issuer Account Bank on certain cleared credit balances standing to the credit of the Deposit Account. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the Deposit Account in Authorised Investments.</p>
<b>Expected sufficiency of Available Revenue Receipts:</b>	<p>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 the amounts payable under items (1) to (21) of the Pre-Enforcement Revenue Priority of Payments.</p>
<b>Deposit Account and Cash Management:</b>	<p>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 as the Daily Mortgage Loan Amount.</p> <p>The Issuer will open the Deposit Account pursuant to the Bank Account Agreement with the Issuer Account Bank on or prior to the Closing Date. The Issuer may from time to time open additional or replacement accounts pursuant to the Account Bank Agreement and the Transaction Documents.</p> <p>The Servicer will transfer an amount equal to the Daily Mortgage Loan Amount from the Collection Account into the Deposit 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 Deposit Account as at the end of the relevant immediately preceding Collection Period (together with any amounts comprising the Liquidity Reserve Fund or the Excess Cashflow 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.</p> <p>On each Interest Payment Date, the Cash Manager will transfer monies from the Deposit Account (other than amounts representing Liquidity Standby Drawings, save to the extent withdrawn to make payments that would otherwise have been made from drawings under the Liquidity Facility Agreement) to be applied in accordance with the applicable Priority of Payments.</p>

## OVERVIEW OF THE MORTGAGE PORTFOLIO AND SERVICING

Please refer to the section entitled "*The Mortgage Portfolio*", "*Annex A – Statistical Information on the Provisional Mortgage Portfolio*" and "*Servicing and Cash Management*" 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 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 English Mortgage Loans are governed by English law. The Scottish Mortgage Loans are governed by Scots law and the Northern Irish Mortgage Loans are governed by the laws of Northern Ireland.

The majority of the Mortgage Loans forming the Provisional Mortgage Portfolio were originated by the relevant Originator and previously legally and beneficially owned by the relevant Originator or Auburn Securities 6 plc or Auburn Securities 7 plc, and subsequently, immediately prior to their sale by the Seller to the Issuer on the Closing Date, beneficially owned by Auburn Warehouse Borrower 2 Limited. 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.

On or about the Closing Date, beneficial title to the Mortgage Loans forming part of the Mortgage Portfolio will be repurchased by the Seller from Auburn Warehouse Borrower 2 Limited. Please see the section entitled "*The Mortgage Portfolio*" for more detail.

CHL, in its capacity as Legal Title Holder, holds legal title to all Mortgage Loans in the Mortgage Portfolio.

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

**Portfolio Reference Date:** 31 December 2016

**Cut-off Date:** 31 January 2017

**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 "*Annex A – 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
<b>Type of mortgage</b> .....	Repayment and interest only
<b>Number of Mortgage Loan Accounts*</b> .....	13,534

\* Mortgage loans and further advances treated as separate loans, even where relate to the same property.

## OVERVIEW OF THE MORTGAGE PORTFOLIO AND SERVICING

	<u>Weighted average</u>	<u>Minimum</u>	<u>Maximum</u>
<b>Current Balance (£)*</b> .....	121,655	348	1,415,317
<b>Current LTV Ratio (%)</b> .....	70.00	0.37	152.22
<b>Months since origination</b> .....	119	35	327
<b>Remaining Term to maturity (months)</b> .....	153	1	317

\* 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 and the benefit of all collections received in respect of the Mortgage Portfolio for the period for the Cut-off Date to the Closing Date shall comprise of an amount equal to £968,563,137.50 due and payable on the Closing Date (being the Purchase Price), together with the issuance to the Seller on the Closing Date of the Class SDC Certificates and Class DC1 Certificates representing excess spread in respect of the Mortgage Portfolio (together with the Purchase Price, being the Consideration). The Class DC2 Certificates will be issued to the Seller on the Closing Date for no consideration and will represent the right of the Mortgage Portfolio Option Holder to exercise the Mortgage Portfolio Purchase Option.

The consideration payable by the Issuer to the Seller from time to time 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 "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*" for further information.

### **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.

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 2 per cent. of the aggregate Current Balance of the Provisional Mortgage Portfolio as at the Portfolio Reference Date.

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

### **Repurchase of Mortgage Loans or Indemnity:**

The Seller shall repurchase the Mortgage Loans and their Related Security or, in certain circumstances, may instead indemnify and keep indemnified the Issuer, in the following circumstances:

- upon material breach of any of the representations or warranties

## OVERVIEW OF THE MORTGAGE PORTFOLIO AND SERVICING

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 (**provided that** the Seller may instead opt to indemnify the Issuer up to the Repurchase Price of such Mortgage Loan);

- 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 Legal Title Holder 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 as at the date of such repurchase plus relevant expenses in accordance with the Mortgage Sale Agreement (see below).

### **Consideration for Repurchase/Indemnity:**

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 (being the Repurchase Price). Such consideration shall be satisfied by a cash payment by the Seller. Where the Seller chooses to indemnify the Issuer, it shall indemnify the Issuer for any Liabilities, incurred as a result of the material breach of any of the representations and warranties given by the Seller, up to the Repurchase Price of the relevant Mortgage Loans.

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 the Notes:**

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

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



## OVERVIEW OF THE MORTGAGE PORTFOLIO AND SERVICING

- the Seller exercises the Risk Retention Regulatory Change Option; and

the Seller may (but shall not be obliged) to repurchase the Mortgage Loans and their Related Security if 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 TSC Regulations in each case in accordance with Condition 9.4 (*Optional Redemption in whole for taxation reasons*).

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

**Perfection Trigger Events:** See "*Perfection Trigger Events*" in the section entitled "*Triggers Tables – 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 "*Risks Related to the Mortgage Loans – CHL as Legal Title Holder 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 "*Triggers Tables - 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 "*Servicing and Cash Management*" 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.

**Purchase of Portfolio by Mortgage Portfolio Option Holder:** The Mortgage Portfolio Option Holder may, by giving of a written notice to the Issuer (copied to the Trustee), purchase all (but not part) of the Issuer's interest in the Mortgage Loans and their Related Security on any Interest Payment Date on and following the FORD. See the section entitled "*Ability for the Mortgage Portfolio to be purchased*" below for further details.

## ABILITY FOR THE MORTGAGE PORTFOLIO TO BE PURCHASED

The Mortgage Portfolio may be sold by the Issuer pursuant to the Mortgage Portfolio Call Option which will consist of the Mortgage Portfolio Purchase Option or the Market Mortgage Portfolio Purchase. The Issuer will undertake not to dispose of the Mortgage Portfolio in any other circumstances other than in relation to an enforcement of the Security or in the event of the exercise of the Risk Retention Regulatory Change Option or of the options to redeem the notes in whole pursuant to Conditions 9.3 (*Optional Redemption in Whole*) or 9.4 (*Optional Redemption in Whole for Taxation Reasons*).

**Mortgage Portfolio Purchase Option:** Pursuant to and in accordance with the terms of the Deed Poll, the Mortgage Portfolio Option Holder has the benefit of Mortgage Portfolio Purchase Option so as to require the Issuer to sell and transfer to, or to the order of, the Mortgage Portfolio Option Holder, the beneficial and/or legal title to all Mortgage Portfolio Purchase Option Mortgage Loans and their Related Security.

It will be a condition of the exercise of the Mortgage Portfolio Purchase Option that (A) either (i) each of the purchasers of the legal and beneficial title in and to the Mortgage Portfolio Purchase Option Mortgage Loans is resident for tax purposes in the United Kingdom, or (ii) where the purchaser is not the Seller, each of the Issuer and the Trustee as applicable having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HMRC), is satisfied that sale of legal (if applicable) and beneficial title in and to the relevant Mortgage Loans will not expose the Issuer or the Legal Title Holder, to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Mortgage Loans and that (B) where the purchaser is not the Seller, each of the Issuer and the Trustee having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HMRC) that any such sale should not cause the Issuer to cease to be taxed in accordance with the TSC Regulations for times prior to the completion of the sale. The costs relating to such tax advice shall be borne by the Mortgage Portfolio Option Holder.

The Mortgage Portfolio Purchase Option may be exercised by notice to the Issuer with a copy to the Trustee, the Seller or the Legal Title Holder at any time for effect on any Interest Payment Date on and following the FORD until the Final Maturity Date.

**Mortgage Portfolio Purchase Option Purchase Price:** The purchase price for the Mortgage Portfolio under the Mortgage Portfolio Purchase Option shall be the Mortgage Portfolio Purchase Option Purchase Price.

The Mortgage Portfolio Option Holder or its nominee will be required to provide irrevocable payment instructions for an amount to be transferred equal to the Mortgage Portfolio Purchase Option Purchase Price in the Deposit Account for value on the date of sale of the beneficial/legal interest in the Mortgage Loans **provided that** such deposit shall be made or irrevocable payment instructions shall be given no later than the day falling two Business Days immediately preceding the Interest Payment Date on which the Notes are to be redeemed or such later date as agreed with the Trustee or take such other action agreed with the Trustee. The Mortgage Portfolio Purchase Option Purchase Price will be held in escrow pending completion of transfer of the beneficial title to the Mortgage Portfolio Purchase

## ABILITY FOR THE MORTGAGE PORTFOLIO TO BE PURCHASED

Option Mortgage Loans. The full amount of the Mortgage Portfolio Purchase Option Purchase Price will be applied in accordance with the applicable Priority of Payments on the Mortgage Portfolio Purchase Option Completion Date.

Where the sale to the Mortgage Portfolio Option Holder does not contemplate a transfer of the legal title to the Loans being sold, the exercise of the Mortgage Portfolio Purchase Option shall be conditional on the consent of the Legal Title Holder, to hold legal title on behalf of the Mortgage Portfolio Option Holder or its nominee.

### **Market Sale of Mortgage Portfolio:**

In the event that the Mortgage Portfolio Option Holder does not elect to exercise the Mortgage Portfolio Purchase Option in respect of any Interest Payment Date on or following the FORD, any Market Sale Option Holder may at its option, direct a sale of the Mortgage Portfolio by directing the Issuer to appoint the Retention Holder or its nominee as a third party portfolio manager to conduct any such sale on behalf of the Issuer **provided that** the Issuer and the Trustee have been provided with an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the TSC Regulations prior to the time of completion of a sale (on the assumption that a sale to the successful bidder occurred following the bidding process). The Issuer must confirm that such opinion is satisfactory to it before any third party seeks to obtain initial indications of the sale price for the Mortgage Portfolio from market participants.

The Retention Holder (or its nominee) shall be appointed on an arm's length basis and on the basis that it is incentivised to achieve the best price for the sale of the Mortgage Loans which shall be at least the Minimum Mortgage Portfolio Sale Price, as a portfolio manager by the Issuer to advise the Issuer and conduct any such sale on behalf of the Issuer. The terms of the agreement giving effect to the appointment of the portfolio manager shall be approved by the requesting Market Sale Option Holder (such approvals not to be unreasonably withheld). Any fees, costs and expenses due to the portfolio manager shall be payable by the requesting Market Sale Option Holder only and shall not be due from the Issuer or the Trustee.

The requesting Market Sale Option Holder may agree the terms of any sale of the Mortgage Portfolio by the Issuer (acting at the direction of the requesting Market Sale Option Holder) **provided that** the sale of the Mortgage Portfolio is for an amount not less than the Minimum Mortgage Portfolio Sale Price.

A purchaser of the Mortgage Loans pursuant to the Market Mortgage Portfolio Purchase will be required to deposit the full amount of the purchase price for the Mortgage Loans into the Deposit Account on the date of transfer of the beneficial title to the Mortgage Loans no later than 2 Business Days prior to the Interest Payment Date on which the Notes are to be redeemed in full in accordance with Condition 9.6 (*Mandatory Redemption of the Notes following the exercise of Mortgage Portfolio Purchase Option or Market Mortgage Portfolio Purchase*) or take such other action as may be agreed with the Trustee. Upon completion of transfer of the beneficial title to the Mortgage Loans, the purchase price will be applied in accordance with the relevant Priority of Payments on the immediately following Interest Payment Date.

## ABILITY FOR THE MORTGAGE PORTFOLIO TO BE PURCHASED

It will be a condition of the sale to a third party that either (i) each of the purchasers of the legal (if applicable) and beneficial title in and to the Mortgage Loans is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and the Trustee, as applicable, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HMRC), is satisfied that sale of legal (if applicable) and beneficial title in and to the relevant Mortgage Loans will not expose the Issuer or the Legal Title Holder, as applicable, to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Mortgage Loans. The costs relating to such tax advice shall be borne by the purchaser of the Mortgage Portfolio.

**Ability of the Seller to repurchase the Mortgage Portfolio for Tax and other Reasons:**

The Seller may, pursuant to the terms of the Mortgage Sale Agreement, purchase the Mortgage Loans in respect of any optional redemption of the Notes pursuant to Condition 9.4 (*Optional Redemption in whole for taxation reasons*). The consideration payable by the Seller shall be an amount equal to the consideration that would have been paid in respect of the Mortgage Portfolio Purchase Option.

**Seller's Clean-up Call:**

The Seller may, pursuant to the terms of the Mortgage Sale Agreement, purchase the Mortgage Loans in respect of any optional redemption of the Notes pursuant to Condition 9.3 (*Optional Redemption in whole*). The consideration payable by the Seller shall be an amount equal to the consideration that would have been paid in respect of the Mortgage Portfolio Purchase Option.

**Ability of the Seller to repurchase the Mortgage Portfolio in the event of a Risk Retention Regulatory Change Event:**

The Retention Holder shall have the right (but not any obligation) to acquire or re-acquire the entire beneficial interest of the Issuer in the Mortgage Portfolio upon the occurrence of a Risk Retention Regulatory Change Event in accordance with the terms of Condition 9.5 (*Mandatory Redemption of the Notes following the exercise of a Risk Retention Regulatory Change Option*). The price payable by or on behalf of the Retention Holder to the Issuer to acquire the beneficial interest of the entire Mortgage Portfolio from the Issuer shall be an amount equal to the consideration that would have been paid in respect of the Mortgage Portfolio Purchase Option.

It will be a condition of the purchase of the beneficial interest in the Mortgage Loans comprising the Mortgage Portfolio following the occurrence of a Risk Retention Regulatory Change Event that (A) either (i) the purchaser is resident for tax purposes in the United Kingdom, or (ii) where the purchaser is not the Retention Holder, each of the Issuer and the Trustee, as applicable, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HMRC), is satisfied that the sale of the Mortgage Loans will not expose the Issuer or the Legal Title Holder, as applicable, to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Mortgage Loans, and, (B) where the purchaser is not the Seller, each of the Issuer and the Trustee having received that tax advice from an appropriately qualified and experienced United Kingdom tax adviser in form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HMRC) that any such sale should not cause the Issuer to cease to be taxed in

## ABILITY FOR THE MORTGAGE PORTFOLIO TO BE PURCHASED

accordance with the TSC Regulations for times prior to the completion of the sale. The costs relating to such tax advice shall be borne by the Retention Holder.

The purchaser of the Mortgage Loans comprising the Mortgage Portfolio will be required to deposit the full amount of the Mortgage Portfolio Purchase Option Purchase Price in the Deposit Account on the date of sale of the beneficial interest in the Mortgage Loans no later than the day falling 2 Business Days immediately preceding the Interest Payment Date on which the Notes are to be redeemed or take such other action agreed with the Trustee.

Following exercise of the Risk Retention Regulatory Change Option, the Issuer will give not more than 40 nor less than five Business Days' notice to the Noteholders and the Certificateholders in accordance with Condition 22 (*Notices*) and Certificate Condition 20 (*Notices*) and the Trustee stating that the Notes and the Certificates will be redeemed on the Interest Payment Date immediately following the exercise of such option by the Retention Holder.

### **Consequence of the purchase of the Mortgage Portfolio:**

On an Interest Payment Date on which any of the above events have occurred and the relevant conditions have been satisfied and the Mortgage Portfolio has been purchased, the purchase price will be applied in accordance with the relevant Priorities of Payments and will result in the Notes being redeemed in full in accordance with Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) of the Notes.

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Ratings Trigger	Consequence
<b>Issuer Account Bank:</b>	<p>Ceases to be rated A by DBRS;</p> <p>Ceases to be rated F1 by Fitch or (if none is assigned) a long-term issuer default rating of at least A for so long as the Class A Notes remain outstanding;</p> <p>Ceases to be rated A+ by S&amp;P; and;</p> <p>Ceases to be rated 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.</p>	<p>The Issuer or (so long as CHL is the Cash Manager), the Cash Manager on the Issuer's behalf shall, use commercially reasonable efforts to close the account and transfer the account to a successor institution within a period not exceeding 30 calendar days from the first day on which such downgrade occurred.</p>
<b>Collection Account Bank:</b>	<p>Ceases to be rated BBB(low) by DBRS;</p> <p>Ceases to be rated F1 or (if none is assigned) a long-term issuer ratings fall below BBB+ by Fitch for so long as the Class A Notes remain outstanding;</p> <p>Ceases to be rated BBB+ by S&amp;P; and</p> <p>Ceases to be rated Baa3 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.</p>	<p>The Legal Title Holder (or the Servicer on behalf of the Legal Title Holder) shall use commercially reasonable efforts to:</p> <p>(a) terminate the appointment of the Collection Account Bank and appoint a replacement Collection Account Bank; or</p> <p>(b) obtain a guarantee of the Collection Account Bank's obligations</p> <p>in each case within a period not exceeding 30 calendar days from the date on which such downgrade occurred.</p>
<b>Liquidity Facility Provider:</b>	<p>Ceases to be rated A by DBRS;</p> <p>Ceases to be rated A-1 and A by S&amp;P if no short-term rating of at least A-1 is available at least A+ by S&amp;P;</p> <p>Ceases to be rated F1 by Fitch or a long-term issuer default rating of at least A by Fitch for so long as the Class A Notes remain outstanding; and</p> <p>Ceases to be rated 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.</p>	<p>The Issuer must, within 30 calendar days of such downgrade either make a Liquidity Standby Drawing (to be deposited into the Deposit Account with a corresponding entry made to the Liquidity Standby Ledger) or find a replacement liquidity facility provider substantially on the same terms as the existing Liquidity Facility Agreement.</p>

**Non-Rating Triggers Table**

<b>Nature of Trigger</b>	<b>Description of Trigger</b>	<b>Consequence</b>
Servicer Termination Event  See the section entitled " <i>Servicing and Cash Management</i> " for further information on this.	<ul style="list-style-type: none"> <li>• Servicer payment default;</li> <li>• Failure to comply with any of its other covenants or obligations; or</li> <li>• failure to maintain licences; or</li> <li>• Insolvency Event in relation to the Servicer.</li> </ul>	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.
Perfection Trigger Events  See the section entitled " <i>Sale of the Mortgage Portfolio under the Mortgage Sale Agreement</i> " for further information on this.	<ul style="list-style-type: none"> <li>• delivery of an Enforcement Notice by the Trustee;</li> <li>• the Legal Title Holder being required to perfect by an order of a court or regulatory authority;</li> <li>• the Legal Title Holder being required to perfect by requirement of law;</li> <li>• (for as long as the 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;</li> <li>• the security under the Deed of Charge or any material part of that security is, in the opinion of the Trustee, in jeopardy;</li> <li>• the Seller or the Legal Title Holder notifying the Issuer in writing of its decision to perfect; or</li> <li>• Insolvency Event in relation to the Legal Title Holder.</li> </ul>	The legal transfer by the Legal Title Holder to the Issuer of all the Mortgage Loans and their Related Security as soon as reasonably practicable.
Cash Manager Termination Event	<ul style="list-style-type: none"> <li>• Cash Manager payment default;</li> <li>• Failure to provide the Investor Report;</li> <li>• Failure to comply with</li> </ul>	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.

Nature of Trigger	Description of Trigger	Consequence
Back-Up Servicer Termination Event	<p>any other of its covenants or obligations;</p> <ul style="list-style-type: none"> <li>• failure to instruct the Principal Paying Agent;</li> <li>• It becomes unlawful for the Cash Manager to perform or comply with any of its obligations; or</li> <li>• Insolvency Event in relation to the Cash Manager.</li> </ul>	Successor Back-Up Servicer to be appointed.
Back-Up Cash Manager Termination Event	<ul style="list-style-type: none"> <li>• Failure to comply with any of its obligations;</li> <li>• it becomes unlawful for the Back-Up Servicer to perform or comply with any of its obligations; or</li> <li>• Insolvency Event occurs in relation to Back-Up Servicer.</li> </ul> <ul style="list-style-type: none"> <li>• Material failure to comply with any of its obligations;</li> <li>• it becomes unlawful for the Back-Up Cash Manager to perform or comply with any of its obligations; or</li> <li>• Insolvency Event occurs in relation to Back-Up Cash Manager.</li> </ul>	Successor Back-Up Cash Manager to be appointed.
Issuer Account Bank	<ul style="list-style-type: none"> <li>• Insolvency Event in respect of the Issuer Account Bank, material breach of obligations or for tax reasons.</li> </ul>	Replacement account bank to be appointed.
Collection Account Bank	<ul style="list-style-type: none"> <li>• Insolvency Event in respect of the Collection Account Bank, breach of obligations or for tax reasons.</li> </ul>	Replacement Collection Account Bank to be appointed.



## FEES

The following table sets out the estimated on-going annual fees to be paid by the Issuer to the specified Transaction Parties. Such fees will be subject to caps in relation to their payment in priority to the Rated Notes, with excess amounts above the caps paid subordinate to payments of interest on the Rated Notes, as set out in more detail in the section entitled "*Key Structural Features—Credit Enhancement, Liquidity Support and Priority of Payments*".

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
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 Certificates, but subject to the Servicer Compensation Cap. Any amounts in excess of the Servicer Compensation Cap will be subordinated	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 all Mortgage Loans comprising the Mortgage Portfolio as at the close of business on the last day of the preceding Quarterly Collection Period, subject to a minimum annual fee of £55,000 and a maximum annual fee of £85,000	Ahead of all outstanding Notes and Certificates, but subject to the Servicer Compensation Cap. Any amounts in excess of the Servicer Compensation Cap will be paid as Subordinated Servicing Fees	Payable in advance on each Interest Payment 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 all the Mortgage Loans comprising the Mortgage Portfolio as at the opening of business on the last day of the preceding Collection Period  A fee of £50 per calendar month (exclusive of VAT) in respect of any Mortgage Loans that is one month or more in arrears; and  A mortgage redemption processing fee of £120 per Mortgage Loan (exclusive of VAT)  The fees will be subject to the Servicer Compensation Cap		

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
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 Certificates	Quarterly in arrear on each Interest Payment Date
Liquidity Facility Provider Fees	<p>The Liquidity Facility Provider Fees shall be in an amount equal to a commitment fee equal to 1.00 per cent. per annum on the Liquidity Facility Undrawn Amount.</p> <p>The rate of interest on any drawings made under the Liquidity Facility (including any Liquidity Standby Drawings) is at a rate equal to 3 Month GBP LIBOR plus 1.50 per cent., <b>provided that</b>, if LIBOR is less than zero, LIBOR shall be deemed to be zero.</p> <p>If the Issuer fails to pay any amount payable by it under the Liquidity Documents, the Issuer must pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgment at a rate determined by the Liquidity Facility Provider to be 2 per cent. per annum above the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan under the Liquidity Facility Agreement. Interest on an overdue amount will be compounded with that overdue amount.</p>	Ahead of all outstanding Notes and Certificates	Commitment fees: Quarterly in arrear on each Interest Payment Date or on any cancelled amounts of the commitment at the time the relevant cancellation takes effect
Other fees and expenses of the Issuer (including the Back-Up Cash Manager Fees)	Estimated at approximately £70,000 (exclusive of any applicable VAT)	Ahead of all outstanding Notes and Certificates	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes			On or about the Closing Date

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### EU Risk Retention Requirements

The Seller, 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 51 of the AIFMR and Article 254(2) of 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 of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Delegated Act. Such retention requirement will be satisfied by the Seller (either directly or through a majority-owned affiliate) by holding the Retention 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 European Union 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.

The Seller 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.

The Seller 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 the Seller as specified in the introductory paragraph above to the Joint Lead Managers and Co-Arrangers in the Subscription Agreement. 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, the Seller 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, Article 51 of the AIFMR and Article 254 of the Solvency II Delegated Act.

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 of the CRR, Article 409 of the CRR, Article 51 of the AIFMR and Article 254(2) of the Solvency II Delegated Act and none of the Issuer, the Co-Sponsors, the Seller, the Trustee, the Co-Arrangers, the Joint Lead Managers nor the Co-Manager 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, Article 51 of the AIFMR and Article 254(2) of the Solvency II Delegated Act 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 "*Other Legal Risks - Regulatory initiatives may result in increased regulatory capital requirements for certain investors and/or decreased liquidity in respect of the Notes*".

On or after the Closing Date, the Retention Holder may obtain funding on a full recourse basis to finance its economic exposure to some or all of the Retention Notes. Such financing may be provided by one or more of the Co-Manager, the Joint Lead Managers or certain of their affiliates and may require the grant of a security interest over such financed Retention Notes and result in the financing counterparty having enforcement rights and remedies in case of an event of default which may include the right to appropriate or sell such Notes. In carrying out any such appropriation or sale, the financing counterparty would not be required to have regard for the provisions of the CRR described above, and any such sale may therefore cause the Seller to be out of compliance with such requirements. The retention, financing and hedging limitations set forth in the CRR will not apply to any Notes held by the Seller that do not constitute part of its required retention tranche.

**CRA3**

The credit ratings included or referred to in this Prospectus have been issued by DBRS, Fitch, Moody's and S&P, each of which is established in the European Union and is registered under CRA3.

**AIFMR**

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

**Volcker Rule**

The Issuer has been structured not to be a "covered fund" for the purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (such statutory provisions, together with such implementing regulations, the "**Volcker Rule**"). In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act and under the Volcker Rule may be available, the Issuer has relied on an exemption from registration as an "investment company" under the Investment Company Act under Section (3)(c)(5)(C) thereof. Under the Volcker Rule, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) thereof. Any prospective investor in the Notes or the Certificates, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

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

The Retention Holder and FirstKey (each acting as a Co-Sponsor) are required under the U.S. Credit Risk Retention Requirements to ensure that one of the Co-Sponsors (directly or through a majority-owned affiliate) acquires and retains at least 5 per cent. of the credit risk of the securitised assets of the Issuer (the "**Required Risk Retention Interest**"). The Co-Sponsors intend to satisfy the U.S. Credit Risk Retention Requirements on the Closing Date by designating the Retention Holder as the entity that will acquire and retain, directly or through a majority-owned affiliate, an eligible horizontal residual interest ("**EHRI**") in an amount equal to at least 5 per cent. of the fair value (as determined under U.S. generally accepted accounting principles) of the 'ABS interests'.

The Retention Holder is obliged by the U.S. Credit Risk Retention Requirements to retain, either directly or through a majority-owned affiliate, the Required Risk Retention Interest from the Closing Date until the later of: (a) the fifth anniversary of the Closing Date and (b) the date on which the aggregate unpaid principal balance of the Mortgage Loans has been reduced to 25% of the aggregate unpaid principal balance of the Mortgage Loans as of the Closing Date, but in any event no longer than the seventh anniversary of the Closing Date (the "**Sunset Date**"). In order to satisfy this obligation, the Retention Holder will retain, either directly or through a majority-owned affiliate, the Required Risk Retention Interest through the Sunset Date.

Until the Sunset Date, the U.S. Credit Risk Retention Requirements impose limitations on the ability of the Retention Holder (or its majority-owned affiliate) during such period to dispose of or hedge its risk with respect to the Required Risk Retention Interest.

Prior to the Sunset Date, any financing obtained by the Retention Holder (or its majority-owned affiliate) during such period to purchase or carry the Required Risk Retention Interest that is secured by the Required Risk Retention Interest must provide for full recourse to the Retention Holder (or its majority-owned affiliate) and otherwise comply with the U.S. Credit Risk Retention Requirements. In addition, prior to the Sunset Date, the Retention Holder (or its majority-owned affiliate) may not engage in any hedging transactions if payments on the hedge instrument are materially related to the Required Risk Retention Interest and the hedge position would limit the credit exposure of the Retention Holder or its majority-owned affiliates to the Required Risk Retention Interest. The retention, financing and hedging limitations set forth in the U.S. Credit Risk Retention Requirements will not apply to any Notes and Certificates held by the Co-Sponsors that do not constitute part of the Required Risk Retention Interest. Also, any financing of the Required Risk Retention Interest may require a grant or a security interest over the Required Risk Retention Interest and result in the financing counterparty having enforcement rights in case of an event of default, which may include the right to appropriate or sell the Required Risk Retention

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Interest. In carrying out such appropriations or sale, the financing counterparty would not be required to have regard for the provisions of the U.S. Risk Retention Rules, and any such sale could cause the Retention Holder to be out of compliance with such rules.

The Retention Holder, directly or through a majority-owned affiliate, will acquire and, to the extent required, retain through the Sunset Date 100 per cent. of the Class DC1 Certificates, the Class SDC Certificates, the Class Z Notes and the Class E Notes, the aggregate fair value of which is at least 5 per cent. of the fair value as of the Closing Date of all 'ABS interests' issued by the Issuer as of the Closing Date, as described below. To the extent that the Risk Retention Holder, directly or through majority-owned affiliates, holds an interest in the Notes greater than the amount required for an EHRI, such interest may, at any time, be transferred to any third party or an affiliate without affecting its compliance with the U.S. Credit Risk Retention Rules.

Each of the securities retained would represent interests in the Issuer. The Class Z Notes and the Class E Notes are described in further detail under "*Transaction Overview*". The Class Z Notes will not bear interest. The Class Z Notes and the Class E Notes will have an initial principal balance of £67,500,000 and £22,500,000, respectively, and will be entitled to receive payments only from (i) Available Revenue Receipts to the extent applied in respect of the Class E Notes, in payment of interest in respect of Class E Notes and in respect of the Class E Notes and the Class Z Notes, as a credit to the relevant Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon and (ii) Available Principal Receipts, to the extent that the Principal Amount Outstanding of each Class of Notes senior to such Class of Risk Retained Security has been reduced to zero, in each case in accordance with the relevant Priority of Payment. The Class DC1 Certificates and the SDC Certificates are described in further detail under "*Transaction Overview*". The Class DC1 Certificates and SDC Certificates will not bear interest. The Class DC1 Certificates will be entitled to receive the DC1 Payment on each Interest Payment Date only after the Class E Notes have been redeemed in full in accordance with the relevant Priority of Payments. The SDC Certificates will be entitled to receive the SDC Payment in accordance with their terms.

For an EHRI, fair value is determined using the fair value measurement framework under U.S. GAAP. The fair value or estimated fair value of each Class of Notes and Certificates (other than the Class DC2 Certificates, for which the requirement to determine fair value is inapplicable) as of the Closing Date is summarised below.\*

Class	Fair Value or Estimated Fair Value (£mm)**	Fair Value or Estimated Fair Value / Price or Estimated Price (as a percentage of all ABS interests issued)
<b>Notes</b>		
A1 <sup>(1)</sup> .....	£730.637	99.7456%
A2 <sup>(1)</sup> .....	£49.489	98.9787%
B <sup>(1)</sup> .....	£51.134	97.3989% <sup>(2)</sup>
C <sup>(1)</sup> .....	£35.997	95.9924% <sup>(2)</sup>
D .....	£34.418	91.7822%
E <sup>(3)</sup> .....	£19.287	85.7205%
Z <sup>(3)</sup> .....	£47.600	70.5189%
<b>Certificates</b>		
SDC <sup>(3)</sup> .....	£1.465	0.1465%
DC1 <sup>(3)</sup> .....	£1.363	0.1363%
<b>Total</b> .....	<b>£971.391</b>	<b>97.1391%</b>

<sup>(1)</sup> Based on the actual pricing of such Class of Notes.

<sup>(2)</sup> The price exceeded the original estimated range set out in the corresponding table in the preliminary prospectus dated 2 February 2017 due to higher demand leading to better than expected pricing.

<sup>(3)</sup> EHRI Risk Retention Securities under the EHRI. The aggregate fair value of the securities retained pursuant to the EHRI as of the Closing Date is approximately £69.715mm, and the aggregate fair value of the securities retained pursuant to the EHRI as a percentage of the estimated fair value for the 'ABS interests' issued by the Issuer, as of the Closing Date is approximately 7.18%

\* Fair value is not applicable with respect to the Class DC2 Certificates as the Class DC2 Certificates will not receive any payments and will represent the right of the Portfolio Option holder to exercise the Portfolio Purchase option and the right of the Market Sale Option Holder to exercise the Market Sale Option.

\*\* Numbers are rounded to the nearest thousand of pounds.

The Co-Sponsors determined the fair value or estimated fair value of each Class of Notes and Certificates using a fair value measurement framework under U.S. GAAP. In measuring fair value, the use of

## CERTAIN REGULATORY DISCLOSURES

observable and unobservable inputs and their significance in measuring fair value are reflected in the fair value hierarchy assessment, with Level 1 inputs favoured over Level 3 inputs.

- Level 1 – inputs include quoted prices for identical instruments and are the most observable;
- Level 2 – inputs include quoted prices for similar instruments and observable inputs such as interest rates and yield curves; and
- Level 3 – inputs include data not observable in the market and reflect management judgement about the assumptions market participants would use in pricing the instrument.

The fair value of the Notes and Certificates (other than the Required Risk Retention Interest) is categorised within Level 2 of the hierarchy, reflecting the use of inputs derived from prices for similar instruments. The fair value of the Required Risk Retention Interest is categorised within Level 3 of the hierarchy as inputs to the fair value calculation are generally not observable in the market and reflect the Co-Sponsors' judgement about the assumptions market participants would use in pricing such Notes and Certificates.

The fair value of the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes reflects the price to be paid by the third-party investors for such Classes of Notes, and the estimated fair values of the Class D Notes, the Class E Notes, Class Z Notes, Class SDC Certificates and Class DC1 Certificates is based on the following *bona fide* estimates of the discount margin or yield and of the price at which the Class D Notes, Class E Notes, Class Z Notes, Class SDC Certificates and Class DC1 Certificates would be purchased by third-party investors.

Class	Discount Margin (Class A1 to Class E) or Estimated Yield (Class Z, SDC & DC1)	Price or Estimated Price (as a percentage of all ABS interests issued)
<b>Notes</b>		
A1 .....	0.95% <sup>(1)</sup>	99.7456% <sup>(2)</sup>
A2 .....	1.30% <sup>(1)</sup>	98.9787% <sup>(2)</sup>
B .....	1.90% <sup>(1)</sup>	97.3989% <sup>(2)(3)</sup>
C .....	2.50% <sup>(1)</sup>	95.9924% <sup>(2)(3)</sup>
D .....	4.25%	91.7822%
E .....	5.75%	85.7205%
Z .....	12%	70.5189%
<b>Certificates</b>		
SDC .....	12%	0.1465%
DC1 .....	12%	0.1363%

<sup>(1)</sup> Calculated at the Reference Rate plus the applicable Margin.

<sup>(2)</sup> Based on the actual pricing of such Class of Notes.

<sup>(3)</sup> The price exceeded the original estimated range set out in the corresponding table in the preliminary prospectus dated 2 February 2017 due to higher demand leading to better than expected pricing.

The discount margin for the Class D Notes and the Class E Notes and the estimated yield for the Class Z Notes, the Class SDC Certificates and the Class DC1 Certificates and the estimated prices at which the Class D Notes, the Class E Notes, the Class Z Notes, the Class SDC Certificates and the Class DC1 Certificates would be purchased by investors, in each case, as set forth above, was determined based on recent pricing of fixed-income securities issued in similar securitisation transactions and market-based expectations for interest rates and credit risk. Set out in Annex D (*Fair Value Curves*) are curves that were material for calculating the estimated fair value of the Class D Notes, the Class E Notes, the Class SDC Certificates and the Class DC1 Certificates.

### **Valuation Methodology**

To calculate the fair value of the Notes and the Certificates, the Co-Sponsors used a fair value measurement framework under U.S. GAAP. This model projects future interest and principal payments on the Mortgage Loans, the interest and principal payment on each Class of Notes and the Certificates and transaction fees and expenses. The resulting cash flows to the securities retained pursuant to the EHRI are discounted to present value based on a discount rate of 12 per cent. for the Class Z Notes, the Class SDC Certificates and the Class DC1 Certificates, which rate the Co-Sponsors believes reflects a

reasonable expectation for the future credit exposure to such cash flows. In completing these calculations, the Co-Sponsors made the following additional assumptions:

- (a) index rates are as described under "*Weighted Average Lives of the Notes*";
- (b) prices are calculated on the Class A1 through E Notes on an actual/365 daycount basis and prices are calculated on the Class SDC and Class DC1 Certificates on a 30/360 daycount basis;
- (c) the Mortgage Loans prepay at a rate of either (1) 6% constant prepayment rate ("**CPR**") for the Class A1 through Class C Notes or (2) between 5.10% and 5.35% CPR for the Class D through Class Z Notes and the Certificates, which is further described under "*Weighted Average Lives of the Notes*" and in Annex D (*Fair Value Curves*);
- (d) losses on the Mortgage Loans either have (1) a constant default rate ("**CDR**") of 0% for the Class A1 through Class C Notes or (2) between 0.30% and 0.93% CDR for the Class D through Class Z Notes and the Certificates, which is further described under "*Weighted Average Lives of the Notes*" and in Annex D (*Fair Value Curves*);
- (e) severity on the Mortgage Loans either have (1) a loss severity of 0% for the Class A1 through Class C Notes or (2) between 9.50% and 19.20% loss severity for the Class D through Class Z Notes and the Certificates, which is further described under "*Weighted Average Lives of the Notes*" and in Annex D (*Fair Value Curves*);
- (f) the lag time between default and recovery of proceeds on a Mortgage Loan is zero months; and
- (g) the Notes are redeemed in full on the FORD.

The Co-Sponsors developed these inputs and assumptions by considering the composition of the Mortgage Loans and the performance of (i) mortgage loans similar to the Mortgage Loans which were previously securitised by the Co-Sponsors or affiliates of the Co-Sponsors, (ii) similar mortgage loans originated or acquired by the Co-Sponsors and held in its portfolio and (iii) mortgage loans similar to the Mortgage Loans in securitised pools that were not issued by the Co-Sponsors. In particular, the Co-Sponsors reviewed the prepayment, default and loss history of such mortgage loans in order to project an anticipated prepayment, default and loss scenario for the Mortgage Loans. Based on such prepayment, default and loss assumptions, the Co-Sponsors calculated the projected anticipated cashflow to be generated by the Mortgage Loans. In addition, in valuing the Notes and the Certificates, the current interest rate environment and the expectation of anticipated interest rates following the Closing Date was also taken into account. Based on such considerations, the Co-Sponsors calculated an estimated fair value of each Class of the Notes and the Certificates, based on the anticipated cashflows of the Mortgage Loans, the transaction structure and expectations for the interest rates.

The discount rates applicable to the anticipated cashflow on the securities retained pursuant to the EHRI is estimated to reflect the credit exposure to such cash flows based on (i) the assumptions set forth above, (ii) the first loss exposure of the securities retained pursuant to the EHRI and (iii) various qualitative factors, including the cashflow velocity of the Mortgage Loans and the geographic location of the related Properties, as well as other customary assumptions used in the market to evaluate risks for similar mortgage loans.

The Co-Sponsors believe that the inputs and assumptions described above include the inputs and assumptions that could have a significant impact on the fair value calculation or a prospective Noteholder's ability to evaluate the fair value calculation. The fair values of the Notes and the Certificates were calculated based on the assumptions described above that likely will differ from the actual characteristics and performance of the Mortgage Loans. Purchasers of the Notes should be sure they understand these assumptions when considering the fair value calculation.

***Post-Closing Date Disclosure***

On the first Interest Payment Date following the Closing Date, the Cash Manager's monthly report will include a statement with valuations prepared by the Co-Sponsors, and furnished to the Cash Manager by the Co-Sponsors, that will set forth the following information:

- (i) the fair value, expressed as a percentage of the fair value of all of the Notes and the Certificates issued by the Issuer on the Closing Date, of the securities retained pursuant to the EHRI retained by the Retention Holder as of the Closing Date, based on actual sale prices and finalised tranche sizes;
- (ii) the fair value, expressed as a percentage of the fair value of all of the Notes and the Certificates issued by the Issuer on the Closing Date, of the securities retained pursuant to the EHRI that the Retention Holder is required to retain under the U.S. Credit Risk Retention Requirements; and
- (iii) to the extent the valuation methodology or any of the key inputs and assumptions that were used in calculating the fair value as disclosed herein materially differs from the methodology or key inputs and assumptions used to calculate the fair value on the Closing Date, descriptions of those material differences.

**Rule 15Ga-2**

On 27 August 2014, the SEC approved rules and issued a release regarding third-party due diligence reports. The release relates primarily to two rules, Rule 15Ga-2 and Rule 17g-10, each under the Exchange Act, which became effective on 10 June 2015. Rule 15Ga-2 requires any issuer or underwriter of asset-backed securities (including, for this purpose, securitisations of residential and commercial mortgage loans) rated by a nationally recognized statistical rating organisation to furnish Form ABS-15G Report via the SEC's EDGAR database containing the findings and conclusions of any third-party due diligence report obtained by the issuer or underwriter. The filing requirements apply to both publicly registered offerings and unregistered securitisations of assets offered within the United States such as those relying on Rule 144A. A third party due diligence report is any report containing findings and conclusions relating to due diligence services, which are defined as a review of pool assets for the purposes of issuing findings on: (1) the accuracy of the asset data; (2) determining whether the assets conform to stated underwriting standards; (3) asset value(s); (4) legal compliance by the originator; and (5) any other factor material to the likelihood that the issuer will pay interest and principal as required. These due diligence services are routinely provided by third-party due diligence vendors in asset-backed securities structured transactions and affect their credit ratings.

A Form ABS-15G Report containing diligence findings and conclusions with respect to a third party due diligence report prepared for the purpose of the transaction contemplated by this Prospectus has been prepared and furnished by the Seller to the SEC pursuant to Rule 15Ga-2 and is publicly available. This Form ABS-15G Report is not, by this reference or otherwise, incorporated into this Prospectus and should not be relied upon by any prospective investor as a basis for making a decision to invest in the Notes.

Prospective investors should rely exclusively on this Prospectus as a basis for making a decision to invest in the Notes.



## WEIGHTED AVERAGE LIVES 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:

1. the Mortgage Portfolio Option Holder or the Market Sale Option Holder exercises the Mortgage Portfolio Call Option on the FORD, in the first scenario and as set out in the table headed "*Assuming the occurrence of the Mortgage Portfolio Call Option on the FORD*" below, or the Mortgage Portfolio Call Option is not exercised on or after the FORD, in the second scenario and as set out in the table headed "*Assuming no Occurrence of the Mortgage Portfolio Call Option on the FORD but clean-up call option is exercised*" and "*Assuming no occurrence of the Mortgage Portfolio Call Option on the FORD and no clean-up call option*" below;
2. 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;
3. 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 FORD in the first scenario;
4. the characteristics of the Mortgage Loans in the Mortgage Portfolio will be identical to those of the Mortgage Loans in the Provisional Mortgage Portfolio;
5. no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
6. no Borrowers are offered and accept different mortgage products by the Legal Title Holder, and, as applicable, the Seller is not required to repurchase any Mortgage Loan in accordance with the Mortgage Sale Agreement;
7. the Security is not enforced;
8. all Mortgage Loans continue to be fully performing;
9. the payment frequency of the Mortgage Loans is on a monthly basis;
10. the ratio of the Principal Amount Outstanding of:
  - (a) the Class A Notes balance as at the Closing Date to the Current Balance of the Mortgage Portfolio as at the Cut-off Date is 78.25 per cent.(with Class A1 being 73.25 per cent. and Class A2 being 5.00 per cent.);
  - (b) the Class B Notes balance as at the Closing Date to the Current Balance of the Mortgage Portfolio as at the Cut-off Date is 5.25 per cent.;
  - (c) the Class C Notes balance as at the Closing Date to the Current Balance of the Mortgage Portfolio as at the Cut-off Date is 3.75 per cent.;
  - (d) the Class D Notes balance as at the Closing Date to the Current Balance of the Mortgage Portfolio as at the Cut-off Date is 3.75 per cent.;
  - (e) the Class E Notes balance as at the Closing Date to the Current Balance of the Mortgage Portfolio as at the Cut-off Date is 2.25 per cent.; and
  - (f) the Class Z Notes balance as at the Closing Date to the Current Balance of the Mortgage Portfolio as at the Cut-off Date is 6.75 per cent.;
11. the current coupon payable in each Mortgage Loan is fixed until maturity;
12. three months LIBOR remains fixed at a rate of 0.35 per cent.;
13. Bank of England Base Rate remains fixed at a rate of 0.25 per cent.;

WEIGHTED AVERAGE LIVES OF THE NOTES

14. CHL Standard Variable Rate remains fixed at a rate of 5.05 per cent.;
15. No cash reinvestment was assumed;
16. items (1) to (4) of the Pre-Enforcement Revenue Priority of Payments are 0.16 per cent. per annum of the Current Balance of the Mortgage Portfolio;
17. 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;
18. all Collection Periods (including the first Collection Period) are assumed to be exactly of one month duration;
19. the amortisation of any repayment Mortgage Loan is calculated as an annuity loan;
20. there are no Flexible Drawings;
21. the weighted average lives of the Notes are calculated on a 30/360 basis;
22. the collections from the Mortgage Portfolio are projected starting on 1 February 2017 with all collections in respect of the Mortgage Portfolio from 1 February 2017 to 30 April 2017 available in the Deposit Account for application on the First Interest Payment Date;
23. the Notes are issued on or about 20 February 2017;
24. amounts credited to the Deposit Account have a yield of 0 per cent;
25. the Mortgage Portfolio has been projected assuming the Cut-off Date to be 31 January 2017.

**Constant annual rate of prepayment of the Mortgage Loans**

(Assuming the Occurrence of the Mortgage Portfolio Call Option on the FORD)  
Possible Average Life (in years) of:

	Class A1 Notes	Class A2 Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class Z Notes
0.00% .....	2.92	3.00	3.00	3.00	3.00	3.00	3.00
2.50% .....	2.78	3.00	3.00	3.00	3.00	3.00	3.00
5.00% .....	2.65	3.00	3.00	3.00	3.00	3.00	3.00
6.00% .....	2.60	3.00	3.00	3.00	3.00	3.00	3.00
7.50% .....	2.52	3.00	3.00	3.00	3.00	3.00	3.00
10.00% .....	2.40	3.00	3.00	3.00	3.00	3.00	3.00
12.50% .....	2.27	3.00	3.00	3.00	3.00	3.00	3.00
15.00% .....	2.15	3.00	3.00	3.00	3.00	3.00	3.00

**Constant annual rate of prepayment of the Mortgage Loans**

(Assuming no Occurrence of the Mortgage Portfolio Call Option on the FORD but Clean-up  
Call option is exercised)  
Possible Average Life (in years) of:

	Class A1 Notes	Class A2 Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class Z Notes
0.00% .....	11.45	15.66	15.91	16.04	16.25	16.32	16.51
2.50% .....	8.90	14.99	15.44	15.78	16.00	16.22	16.25
5.00% .....	6.92	14.06	14.67	15.23	15.64	15.97	16.00
6.00% .....	6.28	13.52	14.29	14.91	15.45	15.76	15.76
7.50% .....	5.47	12.23	13.60	14.40	15.02	15.50	15.50
10.00% .....	4.43	10.66	11.70	13.19	14.18	14.73	14.75
12.50% .....	3.66	9.44	10.45	11.43	12.88	13.50	13.50
15.00% .....	3.09	8.12	9.32	10.36	11.34	11.75	11.75

**Constant annual rate of prepayment of the Mortgage Loans**

(Assuming no Occurrence of the Mortgage Portfolio Call Option on the FORD and no clean-up  
call option)  
Possible Average Life (in years) of:

	Class A1 Notes	Class A2 Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class Z Notes
0.00% .....	11.45	15.66	15.91	16.04	16.25	16.32	26.50

WEIGHTED AVERAGE LIVES OF THE NOTES

<b>Constant annual rate of prepayment of the Mortgage Loans</b>	<b>(Assuming no Occurrence of the Mortgage Portfolio Call Option on the FORD and no clean-up call option) Possible Average Life (in years) of:</b>						
	<b>Class A1 Notes</b>	<b>Class A2 Notes</b>	<b>Class B Notes</b>	<b>Class C Notes</b>	<b>Class D Notes</b>	<b>Class E Notes</b>	<b>Class Z Notes</b>
2.50% .....	8.90	14.99	15.44	15.78	16.00	16.22	26.50
5.00% .....	6.92	14.06	14.67	15.23	15.64	15.97	26.11
6.00% .....	6.28	13.52	14.29	14.91	15.45	15.82	25.57
7.50% .....	5.47	12.23	13.60	14.40	15.02	15.57	24.66
10.00% .....	4.43	10.66	11.70	13.19	14.18	14.86	23.12
12.50% .....	3.66	9.44	10.45	11.43	12.89	14.03	21.55
15.00% .....	3.09	8.12	9.32	10.36	11.38	12.75	19.93

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 – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*", above.

## **USE OF PROCEEDS**

The Issuer will use the gross proceeds of the Notes to 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*"). The Seller will apply the proceeds received from the Issuer towards the purchase of the Mortgage Portfolio from Auburn Warehouse Borrower 2 Limited on the Closing Date.

## RATINGS

On the Closing Date, the following Classes of Notes will be the Rated Notes. The Class Z Notes and the Certificates will not be rated by any Rating Agency. For the avoidance of any doubt, payments of Net WAC Additional Amounts in respect of the Mezzanine Floating Rate Notes will not be rated by any Rating Agency.

Below are the ratings that are expected to be assigned to the Rated Notes:

Class	S&P	Moody's	Fitch	DBRS
A1	AAA(sf)	Aaa(sf)	AAAsf	AAA(sf)
A2	AA(sf)	Aaa(sf)	AAAsf	AAA(sf)
B	AA-(sf)	Aa2(sf)	N/A	AA(sf)
C	A(sf)	A1(sf)	N/A	A(sf)
D	BBB+(sf)	Baa2(sf)	N/A	N/A
E	BB(sf)	Ba2(sf)	N/A	N/A

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency if, in its judgement, circumstances so warrant.

The ratings assigned to the Rated Notes (including in respect of the Step-Up Margins in respect of such Rated Notes, where applicable) address, *inter alia*:

- (1) The likelihood of full and timely payment to the holders of the Class A Notes of all payments of interest on each Interest Payment Date. Fitch will not rate any Class of Notes lower in payment priority to the Class A Notes.
- (2) The likelihood of full and ultimate payment to the holders of the Mezzanine Floating Rate Notes of all payments of interest (but not, for the avoidance of doubt, any Net WAC Additional Amounts) on the Final Maturity Date.
- (3) The likelihood of full and ultimate payment to the Rated Noteholders of principal in relation to the Rated Notes on or before the Final Maturity Date.

The Class A Notes are not subject to the Net WAC Cap. The Mezzanine Floating Rate Notes are each subject to the Net WAC Cap and will only be rated by Moody's, S&P and DBRS (other than the Class D Notes and the Class E Notes in relation to DBRS). For the avoidance of doubt, the ratings of the Mezzanine Floating Rate Notes do not address the likelihood of receipt of any payment in respect of Net WAC Additional Amounts.

The Class Z Notes and the Certificates will not be rated by the Rating Agencies.

Fitch was engaged by the Co-Sponsors to provide ratings in respect of certain Classes of Notes with a payment priority lower than the Class A2 Notes. The Co-Sponsors obtained indicative ratings feedback from Fitch that would have resulted in either lower ratings or higher credit enhancement levels if Fitch had been hired by the Co-Sponsors to assign ratings to those Classes of Notes. As a result, the Co-Sponsors did not obtain ratings from Fitch in respect of such Classes of Notes with a lower payment priority than the Class A2 Notes. If Fitch were subsequently to elect to assign ratings to such Classes of Notes with a lower payment priority than the Class A2 Notes, such ratings may be lower than the ratings for such Classes expected to be assigned by S&P and/or Moody's and/or DBRS.

DBRS was engaged by the Co-Sponsors to provide ratings in respect of certain Classes of Notes with a payment priority lower than the Class C Notes. The Co-Sponsors obtained indicative ratings feedback from DBRS that would have resulted in either lower ratings or higher credit enhancement levels if DBRS had been hired by the Co-Sponsors to assign ratings to those Classes of Notes. As a result, the Co-Sponsors did not obtain ratings from DBRS in respect of such Classes of Notes with a lower payment priority than the Class C Notes. If DBRS were to elect to assign ratings to such Classes of Notes with a lower payment priority than the Class C Notes, such ratings may be lower than the ratings for such Classes expected to be assigned by S&P and/or Moody's.

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

## THE ISSUER

Towd Point Mortgage Funding 2017 – Auburn 11 plc (the Issuer) was incorporated and registered in England and Wales on 23 December 2016 (under company registration number 10539679) as a public limited company under the Companies Act 2006 (as amended).

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, 50,000 shares of which are a quarter paid up, 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 as 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, 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 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, the Seller nor any associated body of either of them 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 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. As of the date of this Prospectus, the Issuer has not prepared accounts. The first statutory accounts of the Issuer will be prepared for the period from the date of its incorporation to 31 December 2017.

### Directors

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

<u>Name</u>	<u>Address</u>	<u>Principal Activities</u>
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
Daniel Jonathan Wynne	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
Alan Geraghty	Fourth Floor, 3 George's Dock, International Financial Services Centre, Dublin 1, Ireland	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 and commercial mortgages originated by the relevant Originator (including CHL) and acquired by CERH. All Mortgage Loans acquired by the Issuer on such date will be financed by the proceeds of the issue of the Notes and the 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 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

Towd Point Mortgage Funding 2017 - Auburn 11 Holdings Limited (being Holdings) was incorporated in England and Wales on 23 December 2016 (registered number 10539669) as a private limited company under the Companies Act 2006 (as amended).

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 as the Share Trustee, the benefit of which is expressed to be for discretionary purposes, under a declaration of trust dated 20 January 2017.

As at the date of this Prospectus, Holdings does not have any borrowings or contingent liabilities.

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
Daniel Jonathan Wynne	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



<b>Name</b>	<b>Address</b>	<b>Principal Activities</b>
Alan Geraghty	Fourth Floor, 3 George's Dock, International Financial Services Centre, Dublin 1, Ireland	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.

## **CERH - THE SELLER AND THE RETENTION HOLDER AND CERH AND FIRSTKEY - THE CO-SPONSORS**

### **Cerberus European Residential Holdings B.V.**

Cerberus European Residential Holdings B.V. ("**CERH**"), the Seller, the Retention Holder and a Co-Sponsor, is a private company with limited liability under Dutch law with its headquarters in Baarn, The Netherlands. Incorporated on 4 February 2015 (and formerly known as Promontoria Holding 144 B.V.), CERH is indirectly owned by certain investment funds that are managed by Cerberus Capital Management, L.P. ("**Cerberus**"), an investment advisor registered with the U.S. Securities and Exchange Commission, or one of its affiliates. CERH is the holding company of CHL. CERH completed the acquisition of Capital Homes Loans Limited on 31 July 2015. CHL holds a mortgage portfolio of £2.3 billion, most of which has been securitised. In February 2016, CERH completed the acquisition from GE Capital of a £925 million portfolio of loans. In December 2015, CERH acquired a portfolio of mortgage loans and unsecured personal loans from Landmark Mortgages Limited (formerly NRAM plc), some of which have been securitised. CERH completed, through a wholly owned subsidiary, the acquisition of Landmark Mortgages Limited (formerly NRAM plc) on 5 May 2016. On 17 November 2016, CERH acquired a £2.3 billion portfolio of mortgage assets from Permanent TSB plc. CERH also holds certain other mortgage assets as part of Cerberus' European residential mortgage business.

As of 31 December 2015, CERH had total assets (unaudited) of £1.8 billion and a total net worth (unaudited) of £1.1 billion. CERH generated a profit of £15,315,412 for the period ended 31 December 2015. CERH has no employees and relies on other Cerberus group members, such as FirstKey Mortgage, LLC, to provide advisory and administrative services.

Pursuant to the U.S. Credit Risk Retention Requirements, CERH intends to retain, either directly or through a majority-owned affiliate, the Required Risk Retention Interest as described in "*Certain Regulatory Disclosures – U.S. Credit Risk Retention Requirements*".

On the Closing Date, CERH also intends to hold the economic exposure to the Retention Notes issued by the Issuer for the purposes of the EU Retention Requirement. CERH as Retention Holder will undertake to retain the economic exposure to the Retention Notes for the life of the transaction. The aggregate Principal Amount Outstanding of securities which CERH holds the economic exposure to on the Closing Date will be £149,300,000. Additionally, pursuant to the Mortgage Sale Agreement, in certain circumstances, CERH will be required to buy-back or indemnify and keep indemnified in respect of certain Loans and their related Security from the Issuer. See "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement – Warranties, Repurchase and Indemnification*".

### **FirstKey Mortgage, LLC**

FirstKey Mortgage, LLC, a Co-Sponsor, is a Florida limited liability company headquartered in 900 Third Avenue, Suite 500, New York, NY 10022. Formerly known as PREO Mortgage, LLC, FirstKey was acquired by FirstKey Holdings, LLC in June 2013 and is indirectly owned by certain funds managed by affiliates of Cerberus. FirstKey was formed to originate, acquire and sell residential mortgage loans in the secondary mortgage market and to develop a securitisation issuance platform. To date, FirstKey has sponsored and/or served as asset manager on eleven rated securitisations of approximately \$9.29 billion of U.S. seasoned residential mortgage loans and co-sponsored two rated securitisations of approximately £6.90 billion of UK seasoned residential mortgage loans.

## CHL - THE SERVICER

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. CHL has no subsidiaries.

CHL was formed as a result of a joint venture between Credit Foncier de France and Société Generale. Société Generale's 51 per cent. holding in CHL was later purchased by Credit Foncier de France on 23 October 1992. CHL was acquired from Credit Foncier de France by Permanent TSB p.l.c. ("**PTSB**") on 22 October 1996 and was sold by PTSB to Promontoria (Lansdowne) Limited, an affiliate of Cerberus Capital Management L.P. on 31 July 2015.

CHL is engaged in the business of purchasing and selling (including for investment) and managing residential mortgage loans and residential investment mortgage loans (including third party administration) secured on properties in the United Kingdom. CHL holds a mortgage portfolio of approximately £2.2 billion, some of which has been securitised.

As of 31 December 2015, CHL had total assets (audited) of £2.5bn and a total net worth (audited) of £218m. CHL made a profit (audited) of £50.4m for the period ended 31 December 2015, this is attributable to the ultimate parent.

## **HML - THE BACK-UP SERVICER**

Homeloan Management Limited ("**HML**") (regulated by the Financial Conduct Authority) 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 administration services.

HML is part of the Computershare Loan Services group, which is one of the largest providers of financial outsourced services in the United Kingdom and Ireland, and is responsible for delivering a diverse range of administration and analytical services to support a variety of mortgage and loan products. Computershare Loan Services manages over £67bn of assets for over 31 leading financial institutions across the commercial and residential mortgage markets.

The registered office and principal place of business of HML are The Pavilions, Bridgwater Road, Bristol BS13 8AE and Gateway House, Gargrave Road, Skipton BD23 2HL respectively. HML has a residential primary servicer rating of RPS1- by Fitch and S&P's primary servicer rating of Above Average with a Positive Outlook.

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.

## BARCLAYS BANK - THE COLLECTION ACCOUNT BANK

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

Barclays Bank PLC (together with its subsidiary undertakings (the "**Barclays Group**")) is a transatlantic consumer, corporate and investment bank offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in the Group's two home markets of the United Kingdom and the U.S. Following the March 2016 strategy update for the Barclays Group, the Barclays Group is focused on two core divisions – Barclays UK and Barclays International. Barclays UK comprises the UK retail banking operations, UK consumer credit card business, UK wealth management business and corporate banking for smaller businesses. Barclays International comprises the corporate banking franchise, the Investment Bank, the U.S. and international cards business and international wealth management. Assets which do not fit the Barclays Group's strategic objectives will continue to be managed in Barclays Non-Core and designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the 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 Barclays Group's audited financial information for the year ended 31 December 2015, the Barclays Group had total assets of £1,120,727m (2014: £1,358,693m), total net loans and advances<sup>1</sup> of £441,046m (2014: £470,424m), total deposits<sup>2</sup> of £465,387m (2014: £486,258m), and total shareholders' equity of £66,019m (2014: £66,045m) (including non-controlling interests of £1,914m (2014: £2,251m)). The profit before tax from continuing operations of the Barclays Group for the year ended 31 December 2015 was £2,841m (2014: £2,309m) after credit impairment charges and other provisions of £2,114m (2014: £2,168m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Barclays Bank plc for the year ended 31 December 2015.

Based on the Barclays Group's unaudited financial information for the six months ended 30 June 2016, the Barclays Group had total assets of £1,351,958m (30 June 2015: £1,197,555m), total net loans and advances<sup>3</sup> of £473,962m (30 June 2015: £475,826m), total deposits<sup>4</sup> of £500,919m (30 June 2015: £494,423m), and total shareholders' equity of £69,599m (30 June 2015: £65,710m) (including non-controlling interests of £2,976m (30 June 2015: £2,153m)). The profit before tax from continuing operations of the Barclays Group for the six months ended 30 June 2016 was £3,017m (30 June 2015: £2,635) after credit impairment charges and other provisions of £931m (30 June 2015: £779m). The financial information in this paragraph is extracted from the unaudited consolidated financial statements of the Barclays Bank plc for the six months ended 30 June 2016.

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

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

<sup>3</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>4</sup> Total deposits include deposits from bank and customer accounts.

## **WELLS FARGO - THE LIQUIDITY FACILITY PROVIDER**

Wells Fargo Bank, National Association is a national banking association organized under the laws of the United States. Wells Fargo Bank, National Association (London Branch) is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Wells Fargo Bank, National Association has, as of the date of this Prospectus, long-term debt ratings from Standard & Poor's, Fitch Ratings and Moody's of "AA-", "AA" and "Aa2", respectively, and short-term debt ratings from Standard & Poor's, Fitch Ratings and Moody's of "A-1+", "F1+" and "P-1", respectively. The ratings reflect the respective rating agency's current assessment of the creditworthiness of Wells Fargo Bank, National Association and may be subject to revision or withdrawal at any time by the rating agencies.

Wells Fargo Bank, National Association will provide upon request, without charge, to each person to whom this Prospectus is delivered, a copy of the most recent audited annual financial statements of Wells Fargo & Co., the parent company of Wells Fargo Bank, National Association. Requests for such information should be directed to Wells Fargo & Co. – Investor Relations, (415) 371- 2921 or via electronic mail at [investorrelations@wellsfargo.com](mailto:investorrelations@wellsfargo.com).

Wells Fargo Bank, National Association has not participated in the preparation of this Prospectus and has not reviewed and is not responsible for any information contained in this Prospectus, other than the information contained in the immediately preceding paragraphs. The delivery of this Prospectus shall not create any implication that there has been no change in the affairs of Wells Fargo Bank, National Association since the date hereof or that the information contained or referred to in this section is correct at any time after the date hereof.

**U.S. BANK - THE TRUSTEE, THE ISSUER ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE AGENT BANK, THE REGISTRAR AND THE BACK-UP CASH MANAGER**

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

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

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

U.S. Bancorp, with \$438 billion in assets as of 30 June 2016, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States of America. The company operates 3,312 banking offices in 25 states and 4,923 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at [usbank.com](http://usbank.com).

## THE MORTGAGE PORTFOLIO

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

The Provisional Mortgage Portfolio was drawn up as at the Portfolio Reference Date and comprised 13,534 Mortgage Loan Accounts with an aggregate Current Balance of £1,646,474,305. The Provisional Mortgage Portfolio consists of Mortgage Loans originated by the relevant Originator and (i) previously legally and beneficially owned by the relevant Originator, (ii) previously beneficially owned by Auburn Securities 6 plc, or (iii) previously beneficially owned by Auburn Securities 7 plc. The beneficial interest in the Mortgage Loans under (ii) and (iii) above was repurchased by CHL from Auburn Securities 6 plc and Auburn Securities 7 plc, as applicable, on or about 23 July 2015.

The Mortgage Loans were subsequently, beneficially owned by the Seller and, immediately prior to the sale by the Seller to the Issuer on or about the Closing Date, beneficially owned by Auburn Warehouse Borrower 2 Limited. The Properties over which the Mortgage Loans in the Provisional Mortgage Portfolio are secured have not been revalued for the purposes of the issue of the Notes.

The beneficial interest in the Mortgage Loans comprising the Mortgage Portfolio has been repurchased by the Seller from Auburn Warehouse Borrower 2 Limited immediately prior to the sale by the Seller to the Issuer on or about the Closing Date. The legal title to the Mortgage Loans in the Mortgage Portfolio has been retained by the Legal Title Holder for the life of those Mortgage Loans. See "*Annex A – Statistical Information on the Provisional Mortgage Portfolio*" for more detail on the Provisional 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 removing: (i) Mortgage Loans which are scheduled to redeem prior to the Cut-off Date; and (ii) Mortgage Loans which at any time prior to the Closing 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 to the Closing Date.

In relation to the Northern Irish Mortgage Loans and the Scottish Mortgage Loans, the Standard Documentation may vary as to the treatment and application of Further Advances, porting, payment holidays, Flexible Drawings and Product Switches. The description set out below relates in this respect to the English Mortgage Loans only.

### ***Origination of the Mortgage Loans***

The Mortgage Loans originated by CHL, included in the Provisional Mortgage Portfolio were all made no earlier than September 1989 and no later than mid-2008 (with some Mortgage Loans having been subject to porting on or before April 2016. CHL 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) Standard Variable Rate Mortgage Loans; or
- (b) 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) Interest Only Mortgage Loans; and
- (b) 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 the Legal Title Holder's current Lending Criteria (the current loan-to-value ratio of the relevant Mortgage Loan will not exceed 25 per cent. and the payment holiday does not cause the amount owed to the Legal Title Holder 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, though a Borrower is limited to 3 months of payment holiday in any 12 month period.

***Flexible Drawings***

A Borrower may apply to the Legal Title Holder to request a Flexible Drawing subject to a minimum amount of £500. All Flexible Drawing requests are subject to the Legal Title Holder'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 per cent. and the Flexible Drawing does not cause the amount owed to the Legal Title Holder 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 the Legal Title Holder 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 Legal Title Holder 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***

Porting involves the release of a Property originally subject to mortgage in connection with a Mortgage Loan and its replacement with another Property.

No new advances are provided in connection with the porting. The Legal Title Holder 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.

***Product Switches***

From time to time a Borrower may request, or the Legal Title Holder 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, the Legal Title Holder may periodically contact certain Borrowers in respect of the Legal Title Holder's total portfolio of outstanding residential mortgage loans in order to encourage a Borrower to review the Legal Title Holder's other residential mortgage loans and to discuss moving the Borrower to an alternative mortgage product. In limited circumstances, if a Mortgage Loan is subject to a Product Switch, the Seller shall be

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

***Further Advances***

The Legal Title Holder considers application for Further Advances in accordance with its Lending Criteria. the Seller 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 the 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***

***General Lending Criteria***

As at the Portfolio Reference Date, the following general lending criteria will have been applied (subject to minor changes made prior to such date) in respect of the Mortgage Loans originated by CHL, and forming part of the Provisional Mortgage Portfolio (including Buy to Let Mortgage Loans and Standard Mortgage Loans) and will apply in respect of all Further Advances, Flexible Mortgage Loans and Product Switches. Additional specific criteria in relation to the Buy to Let Mortgage Loans and Standard Mortgage Loans are set out below.

***Security***

- (a) Each loan must be secured by a first legal Mortgage over a freehold or long leasehold residential or commercial property (at least 35 years longer than the term of the Mortgage Loan) in England, Wales, Scotland or Northern Ireland. 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 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, tie bars, 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 with the exception of Wimpey No Fines & Laing Easiform;
- (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's 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 exceeding 10 per cent.; and
- (xxiv) pre-1960 timber framed properties.

***Buy to Let Mortgage Loans***

As at the Portfolio Reference Date, the following additional lending criteria to that set out in "*General Lending Criteria*" above (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, originated by CHL, 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 the relevant Originator which are intended for individual or corporate Borrowers who may be either (i) self-employed ("**Self-Certified Borrowers**") or (ii) employed ("**Full Status Borrowers**") and where for both the loan size is calculated based on verification of the sustainable gross monthly rental income (as assessed by a valuer from the originator's panel of approved valuers) of the Borrower, which must be at least 115 per cent. of the gross monthly interest charge, and who wish to use the Mortgage Loan as a means to purchase or re-mortgage residential property for the purpose of letting to third parties.

*Security*

The Mortgage Portfolio includes a very small number of Mortgage Loans which were originated prior to 2005 and have lower CHL's 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.

- (a) Each Property offered as security will have been valued by a qualified surveyor (an associate of the Royal Institution of Chartered Surveyors or equivalent qualification) chosen from a panel of valuation firms approved by CHL.
- (b) 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.
- (c) All tenancies must be six to twelve month assured shorthold tenancies or company lets or, in Scotland, short assured tenancies. No Department of Social Security tenants, tenants with diplomatic immunity or specific trusts are permitted.
- (d) 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 by CHL 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 exceeded £1,997,373.01 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 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 by CHL 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 the Legal Title Holder.
- (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 per cent. 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 for up to thirty-five (35) years, initial term must be between five (5) and thirty-five (35) years. There is no minimum initial term for Interest Only Mortgage Loans for more than thirty-five (35) years. There can be no scheduled principal repayment prior to the stated final maturity of the Interest Only Mortgage Loans. No Interest Only Mortgage Loan in the Mortgage Portfolio has stated final maturity date later than April 2039.

*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 and must be registered with the Law Society.

*Further Advances*

Since 31 October 2004, CHL has applied the approach discussed in further detail in "*Standard Mortgage Loans*" 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 a search supplied by credit reference agency.
- (b) Where past County Court Judgments or Sheriff Court decrees relating to a Borrower or a Guarantor have been revealed by a credit reference search, such County Court Judgments or Sheriff Court decree 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 or Sheriff Court decrees 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 20 per cent. of the issued share capital of a company);
  - (ii) investments and rental income;
  - (iii) accounts or accountant's certificate if a loan application on full status basis;
  - (iv) references from current lenders or twelve months proof of payment evidenced by bank statements or mortgage statements if a credit reference is not provided; or
  - (v) 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 additional Lending Criteria to that set out under "*General Lending Criteria*" above 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 remortgage 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 by CHL 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) 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.

- (b) Each property offered as security will have been valued by a qualified surveyor (an associate of the Royal Institution of Chartered Surveyors or equivalent qualification) chosen from a panel of valuation firms approved by CHL.
- (c) 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.
- (d) The Borrower must have life assurance that at least matches the value of the Mortgage Loan.
- (e) 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.
- (f) 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 by CHL before 1<sup>st</sup> 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 £1,999,373.01 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 by CHL 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 January 2043.

*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 or payslips and/or P60;
  - (iv) accounts or accountant's certificate;
  - (v) references from current lenders.
- (d) Where past County Court Judgments or Sheriff Court decrees relating to a Borrower have been revealed by the credit reference search the County Court Judgements or Sheriff Court decrees 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 or Sheriff Court decrees 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 and must be registered with the Law Society.

*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***

The Legal Title Holder may vary the Lending Criteria from time to time in the manner of 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 - Flexible Drawings*" have been satisfied.

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

The Legal Title Holder 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 Legal Title Holder 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*" and "*Servicing and Cash Management*";
- (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 Legal Title Holder – please see further the section entitled "*Servicing and Cash Management*";
- (c) diversification of credit portfolios taking into account the Legal Title Holder'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 "*Servicing and Cash Management*" and this section.

## SALE OF THE MORTGAGE PORTFOLIO UNDER 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 the Mortgage Portfolio of Mortgage Loans and their associated Related Security, 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 Legal Title Holder 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 English Mortgage Loans, Northern Irish Mortgage Loans and their Related Security will be given effect to by an equitable assignment. The sale by the Seller to the Issuer of the Scottish Mortgage Loans and their Related Security will be given effect by the Scottish Declaration of Trust (granted by the Legal Title Holder in favour of the Seller) and the Scottish Trust Transfer (granted by the Seller in favour of the Issuer).

The consideration due to the Seller in respect of the Mortgage Portfolio will comprise of an amount equal to the Purchase Price payable by the Issuer on the Closing Date, and the issue by the Issuer to the Seller of the Certificates on the Closing Date (collectively, the "**Consideration**"). The Certificates (other than the Class DC2 Certificates) represent the right to receive any deferred consideration and excess spread generated by the Mortgage Portfolio. Any Certificate Payment payable pursuant to the Class SDC Certificates and the Class DC1 Certificates will be paid in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

The Class DC2 Certificates will not receive any payments and will represent the right of the Mortgage Portfolio Option Holder to exercise the Mortgage Portfolio Purchase Option.

The terms "**sale**", "**sell**" and "**sold**" when used in this Prospectus in connection with the Mortgage Loans and their Related Security shall (in respect of the English Mortgage Loans and Northern Irish Mortgage Loans) be construed to mean each such creation of an equitable interest and such equitable assignment and (in respect of the Scottish Mortgage Loans) the beneficial interest created under and pursuant to the Scottish Declaration of Trust and the assignation of such beneficial interest pursuant to the Scottish Trust Transfer, as applicable. The terms "**repurchase**" and "**repurchased**" when used in this Prospectus in connection with a Loan and its Related Security shall be construed to include the repurchase by the Seller of the equitable interest of the Issuer in respect of such Loan and its Related Security (to the extent that it is an English Mortgage Loan or Northern Irish Mortgage Loan pursuant to the Mortgage Sale Agreement) and the repurchase of the beneficial interest in respect of such Loan and its Related Security (to the extent that it is a Scottish Mortgage Loan) pursuant to the Mortgage Sale Agreement.

### *Perfection Trigger Events*

Legal title to the Mortgage Loans and their Related Security will remain with the Legal Title Holder on the Closing Date. Under the Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) and the Trustee (the Trustee's right arising following delivery of an Enforcement Notice) will each be entitled to effect such registrations and give 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 Legal Title Holder 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 Legal Title Holder or by any organisation of which the Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Legal Title Holder to comply, to perfect legal title to the Mortgage Loans and their Related Security;

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- (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 in accordance with the Servicing Agreement after expiration of applicable grace period;
- (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 Legal Title Holder 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 Legal Title Holder or any other entity in which legal title to any Mortgage Loan is vested.

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 Legal Title Holder Power of Attorney given by the Legal Title Holder 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 Legal Title Holder 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 Legal Title Holder will act in a manner consistent with the requirements of the Legal Title Holder's policy from time to time.

The completion of the legal assignment or transfer 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 Legal Title Holder. 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 Legal Title Holder. The Legal Title Holder 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, Repurchase and Indemnification***

The Mortgage Sale Agreement will contain certain representations and warranties given by the Seller to

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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 either (i) 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), or (ii) instead to indemnify and keep indemnified the Issuer against all Liabilities relating to the breach of the representation and warranty in relation to such Mortgage Loan the relevant Loan and its Related Security. Where the Seller elects to indemnify the Issuer, if at the appropriate time of ascertainment of the quantum of any amount of Liability, the Seller cannot reach any agreement with the Issuer, the Seller shall appoint an auditor of internationally recognised standing within 10 Business Days to determine the amount of such question in a final binding decision. Performance of such repurchase, or indemnification, will be in full satisfaction of the liabilities of the Seller in respect of the relevant breach.

If the Seller chooses to indemnify and keep indemnified the Issuer against all Liabilities relating to the breach of loan warranty, the amount payable by the Seller pursuant to such indemnity shall not exceed the amount that would have been payable by the Seller if it had repurchased that Mortgage Loan and its Related Security.

***Representations and Warranties***

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

- (a) Each Mortgage Loan, other than the Irish Permanent Mortgage Loans, was originated by CHL or, in the case of an Irish Permanent Mortgage Loan, by Irish Permanent plc, in the ordinary course of its commercial and residential mortgage lending activities (as the case may be).
- (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 pursuant to the related Mortgage Loan 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 (or, in relation to a Mortgage over a Property situated in Northern Ireland, first ranking legal mortgage or charge, or in relation to Mortgage over Property situated in Scotland a first ranking standard security) over the relevant Property, and secures the repayment of all advances, interest, costs and expenses payable by the Borrower pursuant to the related Mortgage Loan and any further advances under the related Mortgage Loan (save that in Northern Ireland and Scotland, it is not possible to secure

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further advances by making a registration in respect of the same at the relevant Land Registry or Registers of Scotland (as applicable)).

- (f) No lien, right of set-off, counterclaim or other right of deduction exists between the Legal Title Holder 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 other than the Irish Permanent Mortgage Loans, CHL or, in relation to an Irish Permanent Mortgage Loan, to the best of CHL's knowledge, Irish Permanent plc:
  - (i) instructed solicitors or a licensed conveyancer or (in Scotland) a qualified 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 or (in Scotland) a qualified conveyancer as are set out (in relation to the Mortgage Loans originated by CHL) in the Council of Mortgage Lenders' Handbook (the "**CML's Lenders' Handbook**") for England and Wales, or the CML's Lender's Handbook for Northern Ireland (or, for Mortgage Loans advanced before the CML's Lenders' Handbook for England and Wales was adopted in 1999, or for Mortgage Loans advanced before the CML's Lenders' Handbook for Northern Ireland was adopted in 2004, CHL's standard form instructions to solicitors) and in the case of Scottish Mortgage Loans, CHL's Lenders' Handbook for Scotland (or for Scottish Mortgage Loans advanced before CHL's Lenders' Handbook for Scotland was adopted in 2000, CHL's standard form instructions to solicitors (as the case may be) 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 (or, in the case of Scottish Property, heritable or long leasehold), or in the case of a Northern Irish Property, freehold, leasehold or fee farm grant) residential or commercial property in England, Wales, Northern Ireland or Scotland.
- (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 (or in relation to an Irish Permanent Mortgage Loan, to the best of CHL's knowledge, Irish Permanent plc), 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 relation to each Mortgage Loan originated by CHL) or, as far as CHL is aware, satisfied the relevant Originator's lending criteria (in relation to each Mortgage Loan not originated by CHL) in all material respects.
- (l) To the best of CHL's knowledge (in relation to each Mortgage Loan originated by CHL, 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 sheriff court decree (save for satisfied county court judgments or sheriff court decrees up to the value of £500) entered or awarded against him in the period commencing on the date falling six

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years prior (or two years prior in relation to county court judgments or sheriff court decrees) 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, the Registries of Northern Ireland and the Registers of Scotland all title deeds (save for title deeds held at the Land Registry the Registries of Northern Ireland and the Registers of Scotland 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 Loan, to the knowledge of CHL, the relevant Originator or its solicitors took reasonable steps to verify that the relevant Property was insured under a Building Insurance Policy, and CHL's, or in relation to an Irish Permanent Mortgage Loan, Irish Permanent plc'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, or in relation to an Irish Permanent Mortgage Loan, Irish Permanent's, valuer.
- (s) CHL is not aware (in relation to each Mortgage Loan originated by CHL, 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.

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- (u) So far as CHL is aware, 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 in all material respects 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"), so far as CHL is aware, 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 material 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 (in relation to each Mortgage Loan originated by CHL, 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 no 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 beneficial interest in 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) to the knowledge of CHL, no Property has been let or sub-let otherwise than by way of
    - (a) an assured shorthold tenancy (or in relation to Northern Ireland, a tenancy agreement of not more than six months tenure and which confers the same rights on the Borrower as an assured shorthold tenancy would in England and Wales and which is either not controlled by the Rent (Northern Ireland) Order 1978 or is not a controlled tenancy

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under the provisions of the Private Tenancies (Northern Ireland) Order 2006) which meets the requirements of Section 19A or Section 20 of the Housing Act 1988, or in relation to Scotland, a short assured tenancy which meets the requirements of Section 32 of the Housing (Scotland) Act 1988) 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 of such Mortgage Loan (other than an Irish Permanent Mortgage Loan), 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 (other than an Irish Permanent Mortgage Loan) to a Borrower, CHL (and in relation to an Irish Permanent Mortgage Loan, to the best of CHL's knowledge, Irish Permanent plc) instructed solicitors to undertake to ensure each relevant guarantor (where a Mortgage Loan is the subject of a guarantee as listed in the Data Tape) 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) To the knowledge of CHL, 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, Wales, Scotland or Northern Ireland 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 or Irish Permanent plc, as applicable, 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) to the knowledge of CHL in relation to such Borrower, the solicitor acting for CHL or Irish Permanent plc, as applicable, 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
  - (iv) to the knowledge of CHL such meeting was duly convened and quorate in accordance with the Borrower's articles of association; and
  - (v) CHL or Irish Permanent plc, as applicable, acting as a Prudent Mortgage Lender, carried out a company search at the underwriting stage to identify the directors and shareholders of the corporate borrower, and to establish whether any incidence of default was registered against either the individuals (where such individual was either a director of the company or held 20 per cent. or more of the company's shares) or the company itself; and
  - (vi) the 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 (or 18 in Scotland) 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 (in relation to each Mortgage Loan originated by CHL or, as far as CHL is aware, (in relation to each Mortgage Loan not originated by CHL) or Flexible Drawing, the Lending Criteria and all preconditions to the making of any Mortgage Loan (in relation to each Mortgage Loan originated by CHL)) or, as far as CHL is aware (in



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relation to each Mortgage Loan not originated by CHL) 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. In relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property which has been or will be registered or (as applicable) recorded in the Registers of Scotland with (in the case of registered titles) no exclusion of indemnity or warranty.
- (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 and section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013).
- (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 or, to the best of CHL's knowledge, Irish Permanent plc, as applicable, 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 or, to the best of CHL's knowledge, Irish Permanent plc, as applicable, 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 or 18 years or over in Scotland) 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 (or 18 in Scotland, as the case may be) 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. In relation to each Scottish Mortgage and prior to the making of the original Mortgage Loan, CHL instructed solicitors to ensure they obtained the appropriate MH/CP Documentation and the solicitors obtained the appropriate MH/CP Documentation in relation to each Scottish Mortgage.
- (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 other than an Irish Permanent Mortgage Loan and, to the best of CHL's knowledge, Irish Permanent plc has in connection with each Irish Permanent 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

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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, in relation to its origination or ownership of the Mortgage Loans and their Related Security, 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 did not exceed 2 per cent. of the aggregate Current Balance in the Provisional Mortgage Portfolio as at the Portfolio Reference Date.
- (uu) None of the Mortgage Loans advanced to bodies corporate carries or has carried:
  - (i) a right of conversion (exercisable at any time) into shares or other securities, or to the acquisition of shares or other securities, including a similar loan;
  - (ii) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the Mortgage Loan;
  - (iii) a right to interest, the amount of which falls or has fallen to be determined by reference to the results of, or of part of, a business or to the value of any property; or
  - (iv) a right of repayment to an amount which exceeds the nominal amount of the Mortgage Loan.
- (vv) The particulars of each Mortgage Loan and its related Mortgage in the Mortgage Portfolio set out in the Mortgage Sale Agreement are complete, true and accurate in all material respects.

***Further Advances***

Under the Mortgage Sale Agreement, the Issuer has agreed that the Legal Title Holder 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 Legal Title Holder offers a Borrower, or grants the request of a Borrower for, a Further Advance under a Mortgage Loan, the Legal Title Holder 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 by the Legal Title Holder or are otherwise aware that a Borrower has requested a Further Advance, the Issuer shall at any time serve a notice on 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 on such Mortgage Loan as of the date of completion of such repurchase plus expenses payable thereon to such date (the "**Repurchase Price**").

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***Flexible Drawings***

Under the Mortgage Sale Agreement, the Issuer has agreed that the Legal Title Holder or the Servicer may accept an application from a Borrower for a Flexible Drawing. If a Borrower requests a Flexible Drawing under a Mortgage Loan, the Legal Title Holder 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 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 Drawings Purchase Price**"). The Cash Manager (on behalf of the Issuer) shall fund the payment of the Flexible Drawings Purchase Price to the Legal Title Holder by applying Principal Receipts standing to the credit of the Deposit 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 FORD;
- (b) no Event of Default has occurred and is continuing;
- (c) no Insolvency Event in respect of the Seller or the Legal Title Holder 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 1.00 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 Mortgage Loan Warranties 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) there are sufficient Principal Receipts to fund the Flexible Drawing to be granted in respect of the

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relevant Mortgage Loan;

- (k) the Mortgage Loan which is the subject of the Flexible Drawing is not in arrears as at the Drawings Date; and
- (l) 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 with respect to any Flexible Drawing 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, 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 during which the Flexible Drawing was effected; 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 during which the Flexible Drawing was effected,

and, in either case of (b)(i) or b(ii), this (where capable of remedy) has not been remedied within 30 Business Days of receipt by the Seller and the Legal Title Holder 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 Legal Title Holder 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 may comprise (following the conversion) (each, an "**Eligible Product**"):

- (a) a Standard Variable Rate Mortgage Loan;
- (b) a Tracker Mortgage Loan; or

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- (c) any other type of Mortgage Loan offered by the Legal Title Holder 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, Seller and the Legal Title Holder:

- (a) by no later than the 5<sup>th</sup> 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 5<sup>th</sup> Business Day prior to the last calendar day of a month and the last calendar day of such month, by no later than the 5<sup>th</sup> 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, Seller and the Legal Title Holder 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 Switch Date or, as applicable, would not be satisfied following the granting of the Product Switch:

- (a) the Switch Date falls before the FORD;
- (b) no Event of Default has occurred and is continuing;
- (c) no Insolvency Event in respect of the Seller or the Legal Title Holder has occurred;
- (d) the Product Switch will be effected by such means as would be adopted by the Legal Title Holder, for the purpose of ensuring the validity and priority of the Mortgage Loan, were such switch in respect of a loan advanced by the Legal Title Holder which is not part of the Mortgage Portfolio;
- (e) the Product Switch will be similar to switches offered to the Legal Title Holder'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 Mortgage Loan Warranties 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) no Servicer Termination Event occurs as a result of it; and
- (j) the Product Switch will not result in the aggregate principal balance of all Product Switches agreed by the Legal Title Holder or the Servicer exceeding 1.00 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 Legal Title Holder, 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 Seller, the Legal Title Holder and the Issuer with respect to

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any Mortgage Loan and has not yet been 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 provided, however, if such Notice of Non-Satisfaction of Product Switch 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 Product Switch occurred, completion of such repurchase shall take place in the following calendar month.

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 (excluding the amount of the relevant Further Advance or Flexible Drawing).

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 of b(i) and b(ii), this (where capable of remedy) has not been remedied within 30 Business Days of receipt by the Seller and the Legal Title Holder 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 Legal Title Holder 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.

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***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, the Issuer, the Legal Title Holder, the Cash Manager (only for so long as CHL is the Cash Manager) or the Servicer (whichever becomes aware of the breach) must, pursuant to the terms of the Mortgage Sale Agreement, notify the other parties of any breach of warranty in respect of any of the relevant Mortgage Loans subject to Flexible Drawings or Product Switches (and such breach has or would have a Material Adverse Effect on such Mortgage Loan and/or its Related Security) as soon as it has identified such breach.

## MORTGAGE REGULATION IN THE UNITED KINGDOM

Although it is envisaged that the majority of Mortgage Loans in the Provisional Mortgage Portfolio will be buy-to-let mortgages, entered into before 14 March 2014 (which fall outside the scope of FSMA), Mortgage Loans may be owner-occupied mortgages and may therefore be regulated by FSMA. Consideration is given below to regulatory matters including the regulation of owner-occupied residential mortgages under FSMA.

### **Mortgages Regulated under FSMA**

Under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") if, at the time it is entered into between 31 October 2005 and 21 March 2016 (or if varied after those dates):

- (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 this definition of a Regulated Mortgage Contract because they fail to meet the third condition. A wider definition of Regulated Mortgage Contract applies for contracts entered into on or after 21 March 2016, and certain credit agreements that were CCA regulated prior to 21 March 2016 (see "*Mortgage Credit Directive*" below).

In the United Kingdom, 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 RAO. Conducting regulated activities requires authorisation and permission from the Financial Conduct Authority.

CHL holds authorisation and permission from the FCA to administer Regulated Mortgage Contracts. CHL is not currently able to enter into new Regulated Mortgage Contracts in relation to new lending. The Issuer is not and does not propose to be an authorised person under FSMA, and does not require such authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not itself carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered by an entity that has the required FCA authorisation and permission under an administration agreement. If that administration agreement terminates, however, the Issuer will use reasonable endeavours to arrange for that administration activity to be carried out by a replacement administrator who has the required FCA authorisation and permission pursuant to the terms of the Servicing Agreement and the Back-up Servicing Agreement.

As the Issuer is not itself authorised under FSMA, if a mortgage is varied such that a new contract is entered into constituting a new Regulated Mortgage Contract for the existing lending, then the arrangement of, advice on, administration of and entering into of such variation must be carried out by an appropriately authorised entity such as the Servicer.

### ***Mortgage and Home Finance: Conduct of Business Sourcebook ("MCOB")***

MCOB sets out the FCA's rules for regulated mortgage activities, including financial promotions, disclosure, contract changes, charges and arrears and repossessions.

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



In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention of FSMA and Consumer Credit Sourcebook by an authorised person. A borrower may set off the amount of the claim against the lender for contravention of CONC against the amount owed by the borrower to the lender. Any such set-off in relation to a Mortgage Loan may adversely affect the Issuer's ability to make payments on the Notes.

The Seller will give certain warranties to the Issuer in the Mortgage Sale Agreement, including that 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 cannot be or is not cured within 30 Business Days, then the Seller will be required to repurchase from the Issuer or pay an indemnity amount in respect of the Mortgage Loans under the relevant mortgage account and their Related Security, which shall not exceed the repurchase price of such Mortgage Loan.

#### *Expansion of MCOB regulation*

Where MCOB applies to the Mortgage Loan generally as a Regulated Mortgage Contract, additional rules apply to a new Mortgage Loan entered into on or after 26 April 2014 or where the principal amount outstanding is increased (e.g. by way of further advance) on or after that date. The changes under the expanded rules focus on responsible lending and include a more thorough verification of borrowers' income and the affordability of interest-only loans on a capital and interest; application of interest rate stress-tests; and enhanced underwriting assessments and assessments of customer affordability based on expected retirement age. Significant changes were also made to mortgage distribution and advice requirements.

To the extent that the expanded rules apply to any of the Mortgage Loans, failure to comply with these rules may allow a Borrower to claim damages or set-off the amount of the claim against the amount owing under the Mortgage Loan. Such a claim or set-off may adversely affect the Issuer's ability to make payments on the Notes.

#### *Mortgage Credit Directive*

The Mortgage Credit Directive (2014/17/European Union) ("**MCD**") came into effect on 21 March 2016 and 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 such property and (b) credit agreements used to purchase or retain rights in land or in an existing or in a residential building. The MCD also extends the Consumer Credit Directive to unsecured credit agreements used for the renovation of residential immovable property to a maximum total amount of credit of EUR 75,000. The United Kingdom implemented the MCD via the Mortgage Credit Directive Order 2015 (to be reviewed in 2018). This (i) put in place a new regulatory regime for consumer buy-to-let mortgages; (ii) widened the definition of a Regulated Mortgage Contract to include second mortgages; and (iii) transferred the regulation of some existing regulated credit agreements (e.g. second charge loans) from the consumer credit regime to the Regulated Mortgage Contract regime. The new requirements became mandatory on 21 March 2016.

In parallel, the Mortgage Credit Directive Instrument 2015 created a new distinction between consumer buy-to-let mortgages and buy-to-let mortgage agreements wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower ("**Unregulated BTL Agreements**"). A firm entering into a consumer buy-to-let mortgages as a lender, acting as an administrator, intermediary, arranger or carrying out advisory services in relation to consumer buy-to-let mortgages must be registered with the Financial Conduct Authority and will be subject to conduct of business rules in respect of both the origination and servicing of consumer buy-to-let mortgages. CHL will be subject to the conduct of business rules in respect of any consumer buy-to-let mortgages in the mortgage portfolios.

Any further changes to MCOB or changes in the regulatory framework may adversely affect the Mortgage Loans, the Legal Title Holder, the Seller and/or the Servicer and their respective businesses and operations.

#### *Current regulation of consumer credit*

The majority of Mortgage Loans in the Provisional Mortgage Portfolio are buy-to-let mortgages, entered into prior to 14 March 2014, and fall outside the scope of the CCA regulation.

However, some Mortgage Loans will be residential mortgages (and thus potentially regulated by the CCA). Due to 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. 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; and
- (c) the credit agreement was not an exempt agreement under the CCA. The upper financial limit of £25,000 was removed for credit agreements made on or after 6 April 2008 by the Consumer Credit Act 2006, which amended and updated the CCA.

On 1 April 2014 responsibility for the regulation of consumer credit activities were transferred from the Office of Fair Trading to the Financial Conduct Authority, so credit agreements previously solely regulated by the CCA became subject to both the CCA and the FSMA (and its associated secondary legislation and the Financial Conduct Authority's Handbook). Accordingly, carrying on certain credit-related regulated activities without permission from the FCA will render the credit agreement unenforceable.

A credit agreement is regulated by both FSMA and the CCA where it was made on or after 1 April 2014 and it is an agreement between an individual or relevant recipient of credit ("A") and any other person ("B") under which B provides A with credit of any amount and is not an exempt agreement under Articles 60C to 60H of the RAO (which exempts, amongst other things, Regulated Mortgage Contracts).

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 vice-versa. Any lender or broker undertaking consumer credit business, including where a credit agreement is only partly regulated by the CCA or treated as such must comply with requirements under the CCA as to licensing (or, following 1 April 2014, Financial Conduct Authority authorisation of lenders and brokers), documentation and origination procedures of credit agreements and (in so far as applicable) pre-contract disclosure

Under the Consumer Credit Act 2006, 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. If the borrower alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

To the extent that a 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, where applicable. These changes to the CCA may result in adverse effects on the Issuer's ability to make payments on the Notes.

CHL has interpreted certain CCA rules in a way common with many other mortgage market lenders. 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, then a Mortgage Loan, if regulated by the CCA or treated as such, would be unenforceable. 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, resulting in adverse effects on the Issuer's ability to make payments on the Notes.

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 from the Issuer or pay an indemnity amount in respect of all of the relevant Mortgage Loans secured on the same Property (together, forming one "**Mortgage Account**") and their Related Security.

***Financial Conduct Authority powers to make temporary product interventions***

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

The Financial Conduct Authority will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make the rules if it deems prompt action is necessary to reduce or prevent that detriment. Such changes to the United Kingdom and European Union mortgage regulation may affect the pool of Mortgage Loans, the Seller, the Legal Title Holder, the Issuer and/or the Servicer and their respective business and operations and could result in adverse effect on the Issuer's ability to make payments on the Notes.

***Risk of Mortgage Loans being characterised as cancellable under the Financial Services (Distance Marketing) Regulations 2004***

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 substantive simultaneous physical presence of the originator and Borrower). A Regulated Mortgage Contract, 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 pre-contract disclosure requirements in MCOB.

Certain other credit agreements will be cancellable under these regulations if the Borrower does not receive the prescribed information at the prescribed time or, in any event, for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the Borrower may send notice of cancellation at any time before the end of the 14<sup>th</sup> day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the Borrower receives the last of the prescribed information.

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

- (a) the Borrower is liable to repay the principal and any other sums paid by the originator to the Borrower under or in relation to the cancelled agreement, within 30 days;

- (b) the Borrower is only liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, if the Borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security is treated as never having had effect for the cancelled agreement.

If a significant portion of the Mortgage Loans are characterised as being cancellable under these regulations, 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***

The UTCCR apply to agreements made on or after 1 July 1995 and prior to 1 October 2015, and apply to all or almost all of the Mortgage Loans entered into within that period. For agreements entered into on or after 1 October 2015, the Consumer Rights Act 2015 ("**CRA**") applies (see below).

Where the UTCCR apply, they provide 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 Financial Conduct Authority) may seek to prevent a business from relying on unfair terms.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the Borrower's obligation to repay the principal (**provided that** these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect other terms, such as the lender's power to vary the interest rate or 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 Legal Title Holder is permitted to do) is found to be unfair, the Borrower will not be liable to pay interest at the increased rate.

Whilst the Financial Conduct Authority has powers to enforce the UTCCR, it would be for a court to determine the proper interpretation. The broad wording of the UTCCR makes an assessment of the fairness of terms largely subjective and therefore difficult to predict whether or not a term would be held by a court to be unfair. If any term of the Mortgage Loans is found to be unfair under the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

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

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. The CRA revoked the UTCCR, making only minor changes to the unfairness regime under the UTCCR. Agreements entered into before the CRA came into force on 1 October 2015 continue to be subject to the UTCCR.

Like the UTCCR, if 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 area of law is continues to develop and further regulatory guidance and case law will follow.

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 Legal Title Holder, 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.

### ***Repossessions***

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 repossessions than borrowers under buy-to-let mortgage agreements.

The pre-action protocol for repossessions based on mortgage or home purchase plan arrears in respect of residential property in England and Wales sets out steps that judges expect any lender to take before starting a claim. A number of mortgage lenders, including CHL, have confirmed that they will delay the repossession action for at least six months after a Borrower who is an owner-occupier is in arrears. Such moratorium is subject to the wishes of the relevant Borrower and may not apply in cases of fraud.

The Mortgage Repossession (Protection of Tenants etc) Act 2010 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. Additionally, under the Dwelling Houses (Execution of Possession Orders by Mortgagees) Regulations 2010, the lender has to serve at least 14 days' notice of its intention to execute a possession order over residential premises which have been let.

Under the MCOB rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed. 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. The rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions and, as a result, 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.

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

The Scottish Parliament recently passed the Private Housing (Tenancies) (Scotland) Act 2016 which is expected to come into force later in 2017. One of the changes made by this legislation will be to introduce a new form of tenancy in Scotland known as a "private residential tenancy" which will (except in a very limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the grounds on which an eviction order can be sought is that a lender or security-holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession. The effect of this legislative change will primarily be restricted to any buy-to-let loans secured over Scottish Property.

There can be no assurance that any delay in starting and/or completing repossession actions by CHL would not result in the amounts recovered being less than if CHL 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 aforementioned protocol, act, regulations 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.

*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 its opinion and in light of law and guidance, would be fair and reasonable in the circumstances of the case. The Financial Ombudsman Service may order a money award to a complaining Borrower. 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.

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.

*Impact of Consumer Protection from Unfair Trading Regulations 2008*

The directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**") permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans. The Unfair Practices Directive was implemented in the United Kingdom through the Consumer Protection from Unfair Trading Regulations 2008 ("**CPUTRs**"), which affect all contracts entered into with natural persons acting outside their business area and apply to the residential mortgage market. The CPUTRs contain a general prohibition on unfair commercial practices as well as provisions aimed at aggressive and misleading practices.

The Consumer Protection (Amendment) Regulations 2014 give 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 and 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 began before 1 October 2014 and continues after that date, or occurs on or after 1 October 2014.

The effect (if any) of the CPUTRs on the Mortgage Loans, the Legal Title Holder, 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.

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

## SERVICING AND CASH MANAGEMENT

### Mortgage Servicing

On the Closing Date, CHL (as 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 on the books of CHL and in accordance with CHL'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 shall administer and service the Mortgage Loans and their Related Security in connection with any Flexible Drawings and/or Product Switches. For instance, the Servicer shall, on behalf of the Legal Title Holder 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, the 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) administer 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 CHL and in accordance with CHL'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 Legal Title Holder 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) not knowingly fail to comply with any legal requirements in the performance of its duties under the Servicing Agreement;
- (f) save as otherwise agreed with the Issuer, provide free of charge to the Issuer, the Seller and the Legal Title Holder, office space, facilities, equipment and staff sufficient to fulfil the obligations of the Issuer, the Seller and the Legal Title Holder 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 Deposit 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;
- (j) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase and/or indemnify any Mortgage Loan pursuant to the Mortgage Sale Agreement, notify the Issuer and the Seller in writing of such event;
- (k) not create or permit to subsist any encumbrance in relation to the Collection Account, other than that created under the Collection Account Declaration of Trust; and
- (l) if at any time the Servicer receives any money (other than sums credited to the Collection Account) arising from the Mortgage Loans and their Related Security, hold such money on trust for the Issuer and shall keep such money separate from other money held by it and shall promptly upon receipt transfer such money to the Deposit Account.

### **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 (in accordance with the Arrears Policy and Arrears Procedure) 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 in accordance with the Mortgage Sale Agreement (see "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement – Further Advances*", "*– Flexible Drawings*" and "*Product Switches*" above).

From and including the Closing Date, subject to the terms of the Servicing Agreement, the Issuer will grant the Servicer full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set in relation to the Mortgage Loans sold by the Seller to the Issuer the CHL Standard Variable Rate and any other discretionary rates or margins applicable in relation to the Mortgage Loans.

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 in form and substance acceptable to the Issuer and Trustee 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, in accordance with the Servicing Agreement, are to be paid into the Deposit Account, the subcontractor or delegate holds any such moneys on trust for the Issuer which will be paid forthwith into the Deposit Account in accordance with the terms of the Servicing Agreement and other applicable Transaction Documents;
- (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 requisite licences, approvals, authorisations and consents, to enable to fulfil its obligations under or in connection with any such arrangements.

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, (iii) persons such as valuers, surveyors, estate agents, property management agents, receivers, solicitors or other relevant professional advisors as such or (iv) any entity that provides a mortgage bureau service for the Servicer.

Notwithstanding any subcontracting or delegation of the performance of its obligations under the Servicing Agreement, the Servicer shall remain responsible for the performance of all of the obligations of the Servicer under the Servicing Agreement, and the performance or non-performance or the manner of performance by any subcontractor or delegate of any of the Services shall not affect the Servicer's obligations under the Servicing Agreement and any breach in the performance of the Services by such subcontractor or delegate shall, subject to the Servicer being entitled for a period of 20 Business Days from the Servicer becoming aware of or receiving written notice of any breach by any subcontractor or delegate to remedy such breach, be treated as a breach of the Servicing Agreement by the Servicer.

**Replacement of the Collection Account Bank**

If at any time the Collection Account Bank ceases to have the Collection Account Bank Rating, the Legal Title Holder or the Servicer (on behalf of the Legal Title Holder) shall on behalf of, and at the sole cost and expense of, the Issuer:

- (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) or (c) 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 (d) 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) *Non-Payments*: 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 the Servicer becoming aware of the default and the Servicer receipt of written notice from the Issuer or the Trustee (following delivery of an Enforcement Notice) requiring the default to be remedied;
- (b) *Breach of other obligations*: 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 the Servicer becoming aware of the failure and the Servicer being in receipt of a written notice from the Issuer or the Trustee (following delivery of an Enforcement Notice) requiring the failure to be remedied;
- (c) *Licences*: the Servicer fails to maintain required licences, registrations, regulatory approvals and authorisations enabling it to continue servicing the Mortgage Loans; or
- (d) *Insolvency*: an Insolvency Event occurs in relation to the Servicer.

Upon and following the termination of appointment of the Servicer as servicer under the Servicing Agreement, the Back-Up Servicer shall be appointed as Servicer or, if the Back-Up Servicer is not appointed at such time, then the Issuer will be required to use its reasonable endeavours to appoint a successor servicer which satisfies the conditions set out in the Servicing Agreement.

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 (or by such shorter period of notice as may be agreed between the Servicer, the Issuer, the Legal Title Holder, the Seller and Trustee). The substitute servicer is required to have experience of servicing mortgages in England, Wales, Northern Ireland and Scotland 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 or Back-Up 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, on an after Tax basis, for any Liabilities suffered or incurred by the Issuer and/or Trustee in respect of any Breach of Duty by the Servicer in carrying out its functions as servicer under the Servicing Agreement or any other Transaction Document.

#### **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.

The Back-Up Servicer will undertake an annual 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 identify a suitable successor 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 £0.5 million pre-invocation and £2.5 million post-invocation other than in the case of the fraud, wilful default or gross negligence of the Back-Up Servicer.

### **Cash Management**

#### **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 Deposit Account and making corresponding calculations and determinations on behalf of the Issuer.

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.

#### **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 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 confirmation of Retention Holder's compliance with Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Delegated Act. The monthly Investor Reports will be published on CHL's website at [www.chlmortgages.co.uk](http://www.chlmortgages.co.uk) and the EuroABS website. In addition, loan level information will be provided on a quarterly basis and published on the website at [www.euroabs.com](http://www.euroabs.com) and uploaded to the EuroABS website. 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 from the earlier of (i) the Cash Manager becoming aware of such default or (ii) 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;

- (b) *Investor Report*: the Cash Manager does not provide the Investor Report in accordance with the terms of the Cash Management Agreement;
- (c) *Paying Agent instructions*: the Cash Manager fails, in respect of an Interest Payment Date, to deliver the required notice to the Principal Paying Agent and the Back-Up Cash Manager setting out, *inter alia*, principal and interest to be paid on such Interest Payment Date in accordance with the terms of 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 Issuer (for the benefit 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 in accordance with the terms 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);
- (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.

#### **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 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 five business 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 [www.usbank.com/abs](http://www.usbank.com/abs). For the avoidance of doubt, the website and the contents thereof do not form part of this Prospectus.

## **Bank Accounts**

### **Account Bank Agreement**

Pursuant to the terms of the Account Bank Agreement, the Issuer will maintain with the Issuer Account Bank the Deposit Account.

The Issuer shall cause the following ledgers to be established in respect of the Deposit Account: (i) the Excess Cashflow Reserve Fund Ledger (such ledger recording amounts constituting the Excess Cashflow Reserve Fund); (ii) the Liquidity Reserve Fund Ledger (such ledger recording amounts constituting the Liquidity Reserve Fund); (iii) the Principal Ledger; (iv) the Revenue Ledger; (v) the Principal Deficiency Ledger; (vi) the Issuer Profit Ledger; (vii) the Liquidity Standby Ledger; and (viii) the SDC Ledger. The Issuer Account Bank will provide an agreed rate of interest per annum equal to SONIA minus 0.20 per cent. per annum on any cleared credit balances. The Deposit Account will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

The funds representing the Liquidity Reserve Fund and the Excess Cashflow Reserve Fund will be credited to, retained in and released from the Deposit Account in accordance with the Account Bank Agreement, the Cash Management Agreement and the Deed of Charge. See the section headed "*Key Structural Features - Credit Enhancement, Liquidity Support, and Priority of Payments*" for more detail.

If at any time the Issuer Account Bank ceases to have the Issuer Account Bank Rating, the appointment of the Issuer Account Bank 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 Account Bank Agreement.

The appointment of the Issuer Account Bank 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 or automatically upon an Insolvency Event in relation to the Issuer Account Bank, in each case in accordance with the provisions set out in the Account Bank Agreement.

### **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 held by the Legal Title Holder at the Collection Account Bank, in accordance with the Collection Account Agreement. All amounts credited to the Collection Account from (and including) the Closing Date will relate to the Mortgage Loans (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 Deposit Account no later than the next Business Day after that Daily Mortgage Loan Amount is identified as received in the Collection Account.

The Legal Title Holder will declare a trust over its Collection Account 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) Closing Date to (and including) such date less an amount equal to the payments made by the Servicer (in accordance with the Servicing Agreement) into the Deposit Account from the Collection Account from (and including) the Closing Date to (and including) such date. The Legal Title Holder's 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 Deposit Account the corresponding amounts previously credited. If a direct debit is returned unpaid in these circumstances, the usual arrears procedures described in "*Servicing and Cash Management – 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 applicable Priority of Payments.

**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 Legal Title Holder 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.

## KEY STRUCTURAL FEATURES - CREDIT ENHANCEMENT, LIQUIDITY SUPPORT AND PRIORITY OF PAYMENTS

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.

### **Liquidity Support for the Notes and the Certificates provided by Available Revenue Receipts**

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Mortgage Loans will, assuming that all of the Mortgage Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable in accordance with items (1) to (21) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Class DC1 Certificateholders will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Mortgage Loans in the Mortgage Portfolio relative to the payments due on the Notes and the Certificates and the performance of the Mortgage Portfolio.

Available Revenue Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Mortgage Portfolio, from the application of Available Principal Receipts in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments and (prior to the redemption of the Rated Notes in full) from the application of Available Principal Receipts as Principal Addition Amounts to cure any PAA Deficit in accordance with item (1) of the Pre-Enforcement Principal Priority of Payments (for the avoidance of doubt, drawings under the Excess Cashflow Reserve Fund, the Liquidity Facility and any Liquidity Reserve Fund Actual Amounts will not be available for the purpose of eliminating any such PAA Deficit).

Amounts will also be available to the Class A Noteholders under the Liquidity Facility Agreement and the Liquidity Reserve Fund – see "*Liquidity Facility Agreement and Liquidity Reserve Fund*" below.

### **Liquidity Facility Agreement and Liquidity Reserve Fund**

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement and have the Liquidity Facility made available to it thereunder. In addition, the Issuer or the Cash Manager on its behalf will establish the Liquidity Reserve Fund. Amounts drawn under the Liquidity Facility prior to an Enforcement Notice and Liquidity Reserve Fund Actual Amounts will be available to provide liquidity support (and in the case of Liquidity Reserve Fund Actual Amounts only, ultimately credit enhancement) for the Class A Notes **provided that** (on and from the FORD) Excess Liquidity Amounts and (on and from the Class A Redemption Date) all amounts standing to the credit of the Liquidity Reserve Fund Ledger will be credited to the Excess Cashflow Reserve Fund.

The Liquidity Reserve Fund Actual Amount will be deposited in the Deposit Account (with a corresponding credit being made to the Liquidity Reserve Fund Ledger). The Issuer may invest the amounts standing to the credit of the Liquidity Reserve Fund Ledger from time to time in Authorised Investments.

If required, amounts drawn under the Liquidity Facility and amounts representing the Liquidity Reserve Fund Actual Amount will (for so long as the Class A Notes are outstanding) be applied by the Cash Manager as Available Revenue Receipts to the extent there is a shortfall to meet items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments provided:

- before the FORD, any Principal Addition Amounts in relation to the Most Senior Class of Notes (and for these purposes only, the Class A Notes will be treated as the Most Senior Class of Notes in their entirety in circumstances where the Class A2 Trigger has not been breached) will be applied first to cure any PAA Deficit on such Interest Payment Date;
- from the FORD, any Principal Addition Amounts and any Liquidity Reserve Fund Actual Amounts will be applied first before any drawing under the Liquidity Facility is made; and



## KEY STRUCTURAL FEATURES - CREDIT ENHANCEMENT, LIQUIDITY SUPPORT AND PRIORITY OF PAYMENTS

- from the FORD, Excess Liquidity Amounts and (on and from the Class A Redemption Date) all amounts standing to the credit of the Liquidity Reserve Fund Ledger will be credited to the Excess Cashflow Reserve Fund (see the section "- *Excess Cashflow Reserve Fund*" below).

On the FORD, unless the Issuer exercises its right to redeem all of the Notes and cancel the Certificates and such redemption is successfully completed, the Liquidity Reserve Fund will be established and will be funded in accordance with (i) *first*, item (3) of the Pre-Enforcement Ledgers Priority of Payments; (ii) *second*, from amounts standing to the credit of the Excess Cashflow Reserve Fund; and (iii) *third*, Available Principal Receipts in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments, up to the Liquidity Reserve Target.

On each Interest Payment Date following the FORD, (i) up to and including the LF Cancellation Date, the Liquidity Reserve Fund will be funded in accordance with (i) *first*, item (19) of the Pre-Enforcement Revenue Priority of Payments and (ii) *second*, item (2) of the Pre-Enforcement Principal Priority of Payments (disregarding for those purposes any Liquidity Reserve Fund Actual Amounts applied on that or any previous Interest Payment Date), to fund the Liquidity Reserve Fund up to the Liquidity Reserve Target; and (ii) thereafter Available Revenue Receipts will continue to be applied in accordance with item (19) of the Pre-Enforcement Revenue Priority of Payments to fund the Liquidity Reserve Fund up to the Liquidity Reserve Target.

Any amounts funded to the Liquidity Reserve Fund on the FORD or on any Interest Payment Date following the FORD will (disregarding for such purposes, any debit entries made to the Liquidity Reserve Fund Ledger on or prior to such Interest Payment Date) reduce the commitment amount under the Liquidity Facility by an equivalent amount until the commitment amount under the Liquidity Facility is reduced to zero (on the LF Cancellation Date).

On and following the LF Cancellation Date, the commitment amount under the Liquidity Facility will be zero.

On the Class A Redemption Date, all amounts standing to the credit of the Liquidity Reserve Fund Ledger (after application in accordance with items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments) will be credited to the Excess Cashflow Reserve Fund.

### **Excess Cashflow Reserve Fund**

The Excess Cashflow Reserve Fund will be established by the Issuer or the Cash Manager on its behalf on and from the First Interest Payment Date and will be recorded on the Excess Cashflow Reserve Fund Ledger. On and from the First Interest Payment Date, the Excess Cashflow Reserve Fund will be credited in accordance with item (22) of the Pre-Enforcement Revenue Priority of Payments, and will be available to pay interest due and payable on the Mezzanine Floating Rate Notes in accordance with items (11), (13), (15) and (17) of the Pre-Enforcement Revenue Priority of Payments (after applying any Principal Addition Amounts towards any PAA Deficit on such Interest Payment Date) and on the FORD to credit the Liquidity Reserve Fund Ledger up to the Liquidity Reserve Target (after applying amounts available pursuant to item (3) of the Pre-Enforcement Ledgers Priority of Payments).

In addition, (i) on the FORD, any amounts available in accordance with item (3)(ii) of the Pre-Enforcement Ledgers Priority of Payments exceeding the Liquidity Reserve Target; (ii) on each Interest Payment Date on and following the FORD, any Excess Liquidity Amounts in accordance with item (5) of the Pre-Enforcement Ledgers Priority of Payments and (iii) any amounts in accordance with item (4) of the Pre-Enforcement Ledgers Priority of Payments which would have otherwise been payable to the Class SDC Certificateholders, will instead each be credited to the Excess Cashflow Reserve Fund. On the earlier of the Final Rated Notes Redemption Date and the Final Maturity Date, all amounts standing to the credit of the Excess Cashflow Reserve Fund will be applied to (i) *first*, cover shortfalls in amounts available to pay Net WAC Additional Amounts; and (2) *second*, will form DC1 Payment amounts.

Following the service of an Enforcement Notice, all amounts standing to the credit of the Excess Cashflow Revenue Reserve Fund will be applied in accordance with the Post-Enforcement Priority of Payments.

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**Use of Available Principal Receipts to pay PAA Deficit**

On each Calculation Date prior to the service of an Enforcement Notice and prior to the redemption of the Rated Notes in full, and with reference to the immediately following Interest Payment Date, the Cash Manager will calculate whether there will be an excess or a deficit of Available Revenue Receipts available to pay PAA Deficits, being:

- (a) if the Class A Notes are the Most Senior Class:
  - (i) if the Class A2 Trigger has not been breached, for these purposes only, for so long as any Class A Notes remain outstanding, the entirety of any Class A Notes shall be treated as the Most Senior Class: items (1) to (9) but disregarding items (5) and (8) of the Pre-Enforcement Revenue Priority of Payments until all amounts payable thereunder are paid in full; and
  - (ii) if the Class A2 Trigger has been breached:
    - (A) for as long as any Class A1 Notes remain outstanding: *first*, items (1) to (7) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments until all amounts payable thereunder are paid in full;
    - (B) following full redemption of the Class A1 Notes and for as long as any Class A2 Notes remain outstanding, items (1) to (9) but disregarding items (5) and (8) of the Pre-Enforcement Revenue Priority of Payments until all amounts payable thereunder are paid in full;
- (b) if the Class B Notes are the Most Senior Class, items (1) to (6) and (11) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments;
- (c) if the Class C Notes are the Most Senior Class, items (1) to (6) and (13) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments;
- (d) if the Class D Notes are the Most Senior Class, items (1) to (6) and (15) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments; and
- (e) if the Class E Notes are the Most Senior Class, items (1) to (6) and (17) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments.

If the Cash Manager determines that there will be a PAA Deficit, then pursuant to item (1) of the Pre-Enforcement Principal Priority of Payments, the Cash Manager on behalf of the Issuer shall apply Available Principal Receipts being the Principal Addition Amounts as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

Any Available Principal Receipts applied as Principal Addition Amounts on any Interest Payment Date in accordance with item (1) of the Pre-Enforcement Principal Priority of Payments will be recorded as a debit on the Principal Deficiency Ledger (as further described below).

**Principal Deficiency Ledger**

A Principal Deficiency Ledger will be established to record as a debit (i) any Losses affecting the Mortgage Loans in the Mortgage Portfolio; (ii) any Principal Addition Amounts and (iii) any Available Principal Receipts applied in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments.

The Principal Deficiency Ledger will comprise eight sub-ledgers (one for each Class of Notes).

Any (i) Losses on the Mortgage Portfolio will be recorded as a debit on the date on which the Cash Manager is informed of such Losses by the Servicer; and (ii) Principal Addition Amounts; and (iii) amounts of Available Principal Receipts applied in accordance with items (2) of the Pre-Enforcement Principal Priority of Payments will be recorded as a debit on the Calculation Date immediately preceding the Interest Payment Date on which they are so applied. All such debits will be recorded and debited in the following manner:

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- (a) *first*, to the Class Z Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class Z Notes;
- (b) *second*, to the Class E Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class E Notes;
- (c) *third*, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes;
- (d) *fourth*, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes;
- (e) *fifth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes;
- (f) *sixth*, to the Class A2 Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A2 Notes; and
- (g) *seventh*, to the Class A1 Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A1 Notes.

Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Mortgage Loan to outstanding fees and interest amounts due and payable on the relevant Mortgage Loan.

The Cash Manager will record as a credit to the Principal Deficiency Ledger Available Revenue Receipts applied pursuant to items (8), (10), (12), (14), (16), (18) and (20) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon become Available Principal Receipts).

### **Operation of ledgers**

Pursuant to the Cash Management Agreement, the Cash Manager shall maintain the following ledgers on behalf of the Issuer:

- (a) the Principal Ledger, which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);
- (b) the Revenue Ledger, which shall record as a credit all Revenue Receipts and the proceeds of each Liquidity Drawing and as a debit the distribution of the Revenue Receipts and the distribution of any other relevant amounts recorded on the Revenue Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Permitted Withdrawals;
- (c) the Liquidity Reserve Fund Ledger, which will record amounts of Liquidity Reserve Fund Actual Amounts credited to, and debited from, the Liquidity Reserve Fund. On each Interest Payment Date from the FORD (prior to service of an Enforcement Notice), the Cash Manager will record, as a debit, (i) Liquidity Reserve Fund Actual Amounts used to meet any shortfall in amounts due in respect of items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments and, (ii) amounts in accordance with the Pre-Enforcement Ledgers Priority of Payments and, as a credit, amounts credited to the Liquidity Reserve Fund (i) on the FORD in the order of (1) *first*, amounts in accordance with item (3) of the Pre-Enforcement Ledgers Priority of Payments; (2) *second*, from amounts standing to the credit of the Excess Cashflow Reserve Fund; and (3) *third*, (disregarding for those purposes any Liquidity Reserve Fund Actual Amounts applied on that or any previous Interest Payment Date) Available Principal Receipts in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments and (ii) on any Interest Payment Date following the FORD, in the order of (1) *first*, Available Revenue Receipts in accordance with item (19) of the Pre-Enforcement Revenue Priority of Payments and (2) *second*, (disregarding for those purposes any Liquidity Reserve Fund Actual Amounts applied on that or any previous Interest Payment Date) Available Principal Receipts in accordance with item (2) of the Pre-

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Enforcement Principal Priority of Payments and thereafter from Available Revenue Receipts only (see "*Key Structural Features – Liquidity Facility Agreement and Liquidity Reserve Fund*" above);

- (d) the Principal Deficiency Ledger, which will record on the appropriate sub-ledger as a debit (i) deficiencies arising from Losses on the Mortgage Portfolio (on the date the Cash Manager is informed of such Losses by the Servicer); (ii) Principal Addition Amounts and (iii) any Available Principal Receipts applied in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments (in the case of (ii) and (iii), on the Calculation Date immediately preceding the Interest Payment Date on which the relevant amounts are to be applied), and record as a credit Available Revenue Receipts applied as Available Principal Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments (if any) on each Interest Payment Date (see "*Key Structural Features – Principal Deficiency Ledger*" above);
- (e) the Issuer Profit Ledger, which shall record as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Revenue Priority of Payments and as a debit any amount used to discharge any tax liability of the Issuer;
- (f) the Liquidity Standby Ledger, which shall record Liquidity Standby Drawings, and as a debit any amount of such drawing applied as a deemed Liquidity Drawing to meet a shortfall in amounts due in respect of items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments:
- before the FORD, after applying any Principal Addition Amounts in relation the Most Senior Class of Notes to cure (and for these purposes only, the Class A Notes will be treated as the Most Senior Class of Notes in their entirety in circumstances where the Class A2 Trigger has not been breached) a PAA deficit on such Interest Payment Date; and
  - on and from the FORD, any Liquidity Reserve Fund Actual Amounts will be applied first before any drawing of amounts recorded on the Liquidity Standby Ledger is made,
- or which are returned to the Liquidity Facility Provider following the repayment or prepayment of any Liquidity Standby Drawing or cancellation of its commitment under the Liquidity Facility Agreement;
- (g) the SDC Ledger shall record as a credit any amounts credited to the SDC Ledger in accordance with the Pre-Enforcement Ledgers Priority of Payments on any Interest Payment Date from (and including) the Closing Date to and including the FORD, and be debited as contemplated under items (1), (2) and (3) of the Pre-Enforcement Ledgers Priority of Payments. In addition, the Interim SDC Sub-Ledger will record as a credit items made available in accordance with item (5) of the Pre-Enforcement Revenue Priority of Payments on a given Interest Payment Date, and debit (on that same Interest Payment Date) such amount from the Interim SDC Sub-Ledger in accordance with the Pre-Enforcement Ledgers Priority of Payments set out below; and
- (h) the Excess Cashflow Reserve Fund Ledger shall record as a credit to the Deposit Account (i) any amounts made available in accordance with item (22) of the Pre-Enforcement Revenue Priority of Payments; and (ii) on and after FORD any amounts in accordance with items (3)(ii), (4) and (5) of the Pre-Enforcement Ledgers Priority of Payments, which in relation to items (3)(ii) and (4) of the Pre-Enforcement Ledgers Priority of Payments would have otherwise been payable to the Class SDC Certificateholders, on and/or following the FORD. Amounts standing to the credit of the Excess Cashflow Reserve Fund Ledger shall be debited from time to time as described in the section entitled "*Excess Cashflow Reserve Fund*" above, including (on the FORD only) to fund the Liquidity Reserve Fund after item (3) of the Pre-Enforcement Ledgers Priority of Payments.

Balances standing to the credit of the Deposit Account and recorded on the ledgers will accrue interest on the Actual/365 basis at a per annum rate equal to SONIA minus 0.20 per cent. per annum.

**Available Revenue Receipts and Available Principal Receipts and Interest Deferral**

Available Revenue Receipts and Available Principal Receipts shall be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement

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Principal Priority of Payments, respectively. Other than Issuer Profit Amounts, it is not intended that any surplus will be accumulated in the Issuer.

If, on any Interest Payment Date while there are Rated Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest thereon or interest due on the Notes that would otherwise be payable (absent the deferral provisions in respect of the Notes (other than in respect of the Class A Notes) or a Net WAC Additional Amount has been calculated which cannot be paid on such Interest Payment Date), then the Issuer will be entitled under Condition 8.13 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Any such deferral in accordance with the deferral provisions contained in the Conditions will not constitute an Event of Default. However, failure to pay interest on the Class A Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Trustee enforcing the Security.

**"Available Revenue Receipts"** means for any Interest Payment Date (without double counting):

- (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 8.14(c)(i) on the relevant Interest Payment Date);
- (b) interest payable to the Issuer on the Deposit Account (including in respect of any Liquidity Standby Drawings credited to the Deposit Account) and income from any Authorised Investments received during the three immediately preceding Collection Periods;
- (c) (A) prior to the LF Cancellation Date, any Liquidity Drawing (where for the avoidance of doubt, "Liquidity Drawing" does not include any Liquidity Standby Drawing) and (B) on and from the FORD, the Liquidity Reserve Fund Actual Amount, but only to the extent necessary (after applying all other Available Revenue Receipts and any Principal Addition Amounts to do so (assuming for the purpose of this paragraph (c) that this paragraph (c) had not applied)) to make payments in the Pre-Enforcement Revenue Priority of Payments to the extent there is a shortfall to meet items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments. If the LF Cancellation Date has not yet occurred (but the FORD has) the Liquidity Reserve Fund Actual Amount will be applied first before any Liquidity Drawing is made;
- (d) Principal Addition Amounts to be applied as Available Revenue Receipts (prior to the application of Liquidity Drawings and the Liquidity Reserve Fund Actual Amount in accordance with paragraph (c) above and amounts standing to the credit of the Excess Cashflow Reserve Fund in accordance with paragraph (e) below) to pay a PAA Deficit;
- (e) amounts standing to the credit of the Excess Cashflow Reserve Fund up to (and including) the earlier of the Class E Redemption Date and the Final Maturity Date, but only to the extent necessary (after applying all other Available Revenue Receipts and any Principal Addition Amounts to do so (assuming for the purpose of this paragraph (e) that this paragraph (e) had not applied)) to pay items (11), (13), (15) and (17) of the Pre-Enforcement Revenue Priority of Payments;
- (f) any amounts standing to the credit of the SDC Ledger;
- (g) any amount applied as Available Revenue Receipts in accordance with Condition 8.14(c)(ii); and
- (h) other net income of the Issuer received during the three immediately preceding Collection Periods (other than any Principal Receipts),  
*less:*
- (i) Permitted Withdrawals.

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"**Available Principal Receipts**" means for any Interest Payment Date (without double counting):

- (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 (8) and/or (10) and/or (12) and/or (14) and/or (16) and/or (18) and/or (20) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date; and
- (c) any amount to be applied as Available Principal Receipts in accordance with Condition 8.14(c)(i),  
*less:*
- (d) the amount of Principal Receipts used during the three immediately preceding Collection Periods to purchase any Flexible Drawings.

**Application of Available Revenue Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer**

On each Interest Payment Date prior to the service of an Enforcement Notice by the Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Priority of Payments**"):

1. 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 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 and any Prior Trustee Year Compensation Amounts (the "**Trustee Original Amount**"), less the Trustee Excess Amount, together with (if payable) VAT on the Trustee Original Amount, **provided that** the amount payable under this paragraph (i) shall not exceed the amount of the Compensation Fee Cap (such amounts paid herein exclusive of VAT shall collectively be referred to herein as the "**Senior Trustee Fee**");
  - (ii) 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 (in aggregate the "**Agent Amount**"), less the amount by which the Agent Amount exceeds the Applicable Compensation Fee Cap for the Agent Bank, Registrar and the Paying Agent together (such excess being the "**Agent Excess Amount**"), together with (if payable) VAT on the Agent Amount;
  - (iii) 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 (the "**Cash Manager Amount**"), less the amount by which the Cash Manager Amount exceeds the Applicable Compensation Fee Cap for the Cash Manager (such excess being the "**Cash Manager Excess Amount**"), together with (if payable) VAT on the Cash Manager Amount;
  - (iv) 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 (the "**BUCM Amount**"), less the amount by which the BUCM Amount exceeds the Applicable Compensation Fee Cap for the Back-Up Cash Manager (such excess being as the "**BUCM Excess Amount**"), together with (if payable) VAT on the BUCM Amount;

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- (v) 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 Account Bank Agreement or agreement governing the operation of any other account in the name for the Issuer (in aggregate the "**Account Banks Amount**"), less the amount by which the Account Banks Amount exceeds the Applicable Compensation Fee Cap of the Collection Account Bank, the Issuer Account Bank or such other bank together (such excess being the "**Account Banks Excess Amount**"), together with (if payable) VAT on the Account Banks Amount;
  - (vi) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement (the "**CSP Amount**"), less the amount by which the CSP Amount exceeds the Applicable Compensation Fee Cap for the Corporate Services Provider (such excess being the "**CSP Excess Amount**"), together with (if payable) VAT on the CSP Amount;
  - (vii) 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 (the "**BUSF Amount**"), less the amount by which the BUSF Amount exceeds the Applicable Compensation Fee Cap for the Back-Up Servicer Facilitator (such excess being the "**BUSF Excess Amount**"), together with (if payable) VAT on the BUSF Amount;
  - (viii) 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 (the "**BUS Original Amount**"), less the amount to which the BUS Original Amount exceeds the lower of:
    - (A) the Applicable Servicer Compensation Cap of the Back-Up Servicer; and
    - (B) the Applicable Compensation Fee Cap of the Back-Up Servicer,(with the excess being the "**BUS Excess Amount**") together with (if payable) VAT on the BUS Original Amount; and
  - (ix) 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 (the "**Servicer Original Amount**"), less the amount by which the Servicer Original Amount exceeds the lower of:
    - (A) the Applicable Servicer Compensation Cap of the Servicer; and
    - (B) the Applicable Compensation Fee Cap of the Servicer,(with the excess being the "**Servicer Excess Amount**") together with (if payable) VAT on the Servicer Original Amount;
2. 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

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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;

3. 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);
4. to pay any amounts and liabilities then due and payable to the Liquidity Facility Provider and any fees, costs, charges and expenses then due to the Liquidity Facility Provider under the provisions of the Liquidity Documents, together with (if payable) VAT thereon as provided therein (the "**LFP Amount**"), less the amount by which the LFP Amount, when aggregated with all other amounts paid in respect of items (1) to (3), exceeds the Compensation Fee Cap (such excess being the "**LFP Excess Amount**");
5. to credit the Interim SDC Sub-Ledger in an amount equal to the sum of (A) the SDC Interim Transferred Amount for such Interest Payment Date and (B) any Surplus SDC Amounts credited to the SDC Ledger on the immediately preceding Interest Payment Date and thereafter such amounts to be paid in accordance with the Pre-Enforcement Ledgers Priority of Payments;
6. to pay any LFP Excess Amount;
7. in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class A1 Notes;
8. to credit the Class A1 Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
9. in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class A2 Notes;
10. to credit the Class A2 Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
11. in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class B Notes (other than Class B Net WAC Additional Amounts);
12. to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
13. in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class C Notes (other than Class C Net WAC Additional Amounts);
14. to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
15. in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class D Notes (other than Class D Net WAC Additional Amounts);
16. to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
17. in or towards payment *pro rata* and *pari passu* of interest due and payable on the Class E Notes (other than Class E Net WAC Additional Amounts);
18. to credit the Class E Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
19. on any Interest Payment Date following the FORD, amounts to be credited to the Liquidity Reserve Fund up to the Liquidity Reserve Target;
20. to credit the Class Z Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;



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21. in the following order of priority:
- (A) to pay the Trustee Excess Amount together with (if payable) VAT thereon to the extent not already paid;
  - (B) to pay *pro rata* and *pari passu* the Agent Excess Amount, the Cash Manager Excess Amount, the BUCM Excess Amount, the Account Banks Excess Amount, the CSP Excess Amount, the BUSF Excess Amount, the BUS Excess Amount and the Servicer Excess Amount together with (if payable) VAT on each of the amounts payable under this item (21)(B) to the extent not already paid; and
  - (C) to pay sequentially in the following order of priority: (i) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class B Notes; (ii) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class C Notes; (iii) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class D Notes; and (iv) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class E Notes;
22. on any Interest Payment Date on which any Mezzanine Floating Rate Notes remain outstanding and after taking into account Available Principal Receipts to be applied on such Interest Payment Date, amounts to be credited to the Excess Cashflow Reserve Fund; and
23. to pay, *pro rata* and *pari passu*, the DC1 Payment due on the Class DC1 Certificates.

**Application of amounts standing to the credit of the Interim SDC Sub-Ledger, the SDC Ledger and the Liquidity Reserve Fund Ledger prior to the service of an Enforcement Notice on the Issuer**

Prior to the service of an Enforcement Notice on the Issuer, the Cash Manager on behalf of the Issuer is required pursuant to the terms of the Cash Management Agreement to apply certain amounts standing to the credit of the Interim SDC Sub-Ledger, the SDC Ledger and the Liquidity Reserve Fund Ledger on each Interest Payment Date after amounts have been applied to items (1) to (10) of the Pre-Enforcement Revenue Priority of Payments in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority in relation to that ledger or sub-ledger have been made in full) (the "**Pre-Enforcement Ledgers Priority of Payments**"):

1. on each Interest Payment Date (including the FORD), the amounts credited to the Interim SDC Sub-Ledger (in accordance with item (5) of the Pre-Enforcement Revenue Priority of Payments) shall be credited to the SDC Ledger, to be applied:
  - (i) *first*, as Available Revenue Receipts in an amount sufficient to pay items (6) to (10) of the Pre-Enforcement Revenue Priority of Payments only, and only to the extent they remain unpaid after the application of the Available Revenue Receipts in accordance with items (1) to (10) of the Pre-Enforcement Revenue Priority of Payments; and
  - (ii) *second*, any amounts remaining (such amounts being the "**Surplus SDC Amounts**") will be retained in the SDC Ledger;
2. on any Interest Payment Date prior to (and including) the FORD on which the Notes are redeemed in full the amounts standing to the credit of the SDC Ledger will be applied as an SDC Payment on that Interest Payment Date;
3. on the FORD, if the Notes are not redeemed in full on such date, the amounts standing to the credit of the SDC Ledger will be applied:
  - (i) *first*, to be credited to the Liquidity Reserve Fund up to the Liquidity Reserve Target; and
  - (ii) *second*, any amounts remaining will be credited to the Excess Cashflow Reserve Fund Ledger;
4. on any Interest Payment Date after the FORD, the amounts standing to the credit of the SDC Ledger will be credited to the Excess Cashflow Reserve Fund; and

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5. the Excess Liquidity Amount and (on and from the Class A Redemption Date) the amounts standing to the credit of the Liquidity Reserve Fund Ledger will be credited to the Excess Cashflow Reserve Fund for application in accordance with its priorities.

**Application of Principal Receipts prior to service of an Enforcement Notice**

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**"):

1. any Principal Addition Amounts to be applied to meet any PAA Deficit;
2. on and from the FORD up to and including the LF Cancellation Date, to credit the Liquidity Reserve Fund Ledger by an amount which, when aggregated with all other amounts credited to the Liquidity Reserve Fund Ledger pursuant to item (19) of the Pre-Enforcement Revenue Priority of Payments or this item (2) (but disregarding any debit entries made to Liquidity Reserve Fund Ledger on this and any previous Interest Payment Date), is equal to the Liquidity Reserve Target;
3. in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class A1 Notes until the Class A1 Notes have been reduced to zero;
4. in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class A2 Notes until the Class A2 Notes have been reduced to zero;
5. 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 reduced to zero;
6. 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 reduced to zero;
7. 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 reduced to zero;
8. 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 reduced to zero;
9. to pay sequentially in the following order of priority: (i) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class B Notes; (ii) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class C Notes; (iii) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class D Notes; and (iv) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class E Notes;
10. in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class Z Notes until the Class Z Notes have been redeemed in full; and
11. in or towards payment *pro rata* and *pari passu* of the DC1 Payment on the Class DC1 Certificates (which shall be zero in circumstances where the Issuer has insufficient proceeds available to meet its obligations (1) to (11) above).

**Post-Enforcement Priority of Payments**

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 (other than any amounts standing to the credit of the Liquidity Standby Ledger following the credit to the Liquidity Standby Ledger of any Liquidity Standby Drawing made under the Liquidity Facility Agreement) and all amounts received or recovered following service of an Enforcement Notice in the following order of priority (the "**Post-Enforcement Priority of Payments**"):

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1. 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;
  
2. 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 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;
  - (iii) 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;
  - (iv) 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 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;
  - (v) 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;
  - (vi) 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;
  - (vii) 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; and

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- (viii) 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;
3. to pay any amounts and liabilities then due and payable to the Liquidity Facility Provider including any fees, costs, charges and expenses then due under the provisions of the Liquidity Documents, together with (if payable) VAT thereon as provided therein;
  4. in or towards payment *pro rata* and *pari passu* first of interest and then principal due and payable on the Class A1 Notes until the Principal Amount Outstanding of the Class A1 Notes has been redeemed in full;
  5. in or towards payment *pro rata* and *pari passu* first of interest and then principal due and payable on the Class A2 Notes until the Principal Amount Outstanding of the Class A2 Notes has been redeemed in full;
  6. to pay *pro rata* and *pari passu*, all SDC Payments due (if any) on the Class SDC Certificates;
  7. in or towards payment *pro rata* and *pari passu* first of interest and then principal due and payable on the Class B Notes until the Principal Amount Outstanding of the Class B Notes has been redeemed in full;
  8. in or towards payment *pro rata* and *pari passu* first of interest and then principal due and payable on the Class C Notes until the Principal Amount Outstanding of the Class C Notes has been redeemed in full;
  9. in or towards payment *pro rata* and *pari passu* first of interest and then principal due and payable on the Class D Notes until the Principal Amount Outstanding of the Class D Notes has been redeemed in full;
  10. in or towards payment of the Subordinated Servicing Fees in excess of the Servicer Compensation Cap, **provided that** the amounts due to the Back-Up Servicer shall be paid first;
  11. in or towards payment *pro rata* and *pari passu* of interest and then principal due and payable on the Class E Notes until the Principal Amount Outstanding of the Class E Notes has been redeemed in full;
  12. to pay sequentially in the following order of priority: (i) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class B Notes; (ii) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class C Notes; (iii) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class D Notes; and (iv) to pay *pro rata* and *pari passu* any Net WAC Additional Amounts due and payable on the Class E Notes;
  13. 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);
  14. in or towards payment *pro rata* and *pari passu* of principal due and payable on the Class Z Notes until the Principal Amount Outstanding of the Class Z Notes has been reduced to zero; and
  15. to pay, *pro rata* and *pari passu*, the DC1 Payment due on the Class DC1 Certificates.

**Liquidity Drawings**

In the event that the Cash Manager determines that (after applying any Principal Addition Amounts to cure any PAA Deficit and first taking into account (on and from the FORD) any Liquidity Reserve Fund Actual Amounts) there would be a shortfall in Available Revenue Receipts to pay items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments, the Cash Manager must (prior to a Liquidity

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Facility Event of Default) notify the Issuer of the same and the Issuer will request a drawing under the Liquidity Facility in an amount equal to such shortfall for application by the Issuer in accordance with the Pre-Enforcement Revenue Priority of Payments. The proceeds of any Liquidity Drawing will be credited to the Deposit Account and recorded on the Revenue Ledger and will form part of Available Revenue Receipts on the relevant Interest Payment Date.

### **Liquidity Standby Drawings**

The Liquidity Facility Agreement will provide that, if at any time:

- (a) a Downgrade Event has occurred and is outstanding and a 30 day period has expired from the occurrence of such Downgrade Event; or
- (b) an Extension Refusal has occurred and is outstanding,

then the Issuer (i) may find an alternative liquidity facility provider, or (ii) must (in the case of paragraph (a) above, on the condition that (A) the rights and obligations of the Liquidity Facility Provider under the Liquidity Facility Agreement have not been transferred or assigned to a New Liquidity Facility Provider or (B) a new liquidity facility agreement has not been entered into by the Issuer with a New Liquidity Facility Provider on terms substantially similar to the terms of Liquidity Facility Agreement), or may (in the case of paragraph (b) above), require the Liquidity Facility Provider to pay the Liquidity Standby Drawing into the Deposit Account and credited to the Liquidity Standby Ledger.

If the Liquidity Facility Provider is required to advance a Liquidity Standby Drawing to the Issuer, if it is so requested by or on behalf of the Issuer or if it so chooses, the Liquidity Facility Provider shall, at the expense of the Issuer, transfer the facility to, or replace itself with, a new liquidity facility provider. In the event that the Issuer makes a Liquidity Standby Drawing the Cash Manager will be required, prior to the proceeds of such drawing being applied as deemed Liquidity Drawings as described above, to invest such funds in Authorised Investments. Amounts standing to the credit of the Liquidity Standby Ledger will be available to the Issuer, if no Liquidity Facility Event of Default is outstanding or would result from the making of the drawing, for the purposes of making deemed Liquidity Drawings as described above and in accordance with the terms of the Liquidity Facility Agreement. Following (a) the service of an Enforcement Notice or the Notes otherwise becoming due and repayable in full, (b) the rating of the Liquidity Facility Provider ceasing to be below the LF Provider Ratings or (c) certain events of default and other events specified under the Liquidity Facility Agreement, principal amounts standing to the credit of the Liquidity Standby Ledger in respect of a Liquidity Standby Drawing will be returned to the Liquidity Facility Provider and will not be applied in accordance with any of the applicable Priority of Payments. If and to the extent that there is a reduction in the Liquidity Facility commitment amount (e.g. due to the increase in amounts credited to the Liquidity Reserve Fund on and following the FORD or as a result of any reduction in the amount of the Liquidity Reserve Target following any partial redemption of the Class A Notes) there will be a *pro rata* repayment of the Liquidity Standby Drawing by reference to the amount by which there is a reduction in the Liquidity Facility Commitment.

### **Repayment of drawings**

All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement will rank in priority to payments of interest and principal on the Notes. The Issuer will repay:

- (a) any Liquidity Drawing on the earliest of (A) the Interest Payment Date following the last day of the Interest Period for a Liquidity Drawing; (B) the Final Maturity Date or the date on which an Enforcement Notice is delivered (whichever is the earliest); and (C) the Class A Redemption Date; and (D) the date on which the Liquidity Facility Required Amount equals zero and the Commitment is cancelled in full; and
- (b) any Liquidity Standby Drawing on the earliest of (A) if a Downgrade Event resulted in the Liquidity Standby Drawing, the date falling two Business Days after the date on which the Liquidity Facility Provider satisfies the Issuer and the Trustee that it again has the LF Provider Ratings (unless an Extension Refusal occurred after the Downgrade Event); (B) the date on which the Liquidity Facility Provider assigns or transfers (including by way of novation) its rights and obligations under the Liquidity Facility Agreement to a New Liquidity Facility Provider which has the LF Provider Ratings in accordance with the terms of the Liquidity

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Facility Agreement; (C) the Final Maturity Date or the date on which an Enforcement Notice is delivered (whichever is the earliest); (D) the Class A Redemption Date; (E) the date on which the Liquidity Facility Required Amount equals zero and the Commitment is cancelled in full; and (F) the date on which the Issuer enters into a new liquidity facility agreement with a New Liquidity Facility Provider substantially similar to the terms set out in the Liquidity Facility Agreement.

The Issuer will pay interest on any drawings made under the Liquidity Facility (including any Liquidity Standby Drawings) at a rate equal to LIBOR (as determined under the Notes) plus 1.50 per cent., **provided that**, if LIBOR is less than zero, LIBOR shall be deemed to be zero.

## 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 inside the United States and outside the United States to U.S. Persons in reliance on Rule 144A and will be represented on issue by either one or more Rule 144A Global Note and/or a Regulation S Global Note, as applicable, in fully registered form without interest coupons or principal receipts. Beneficial interests in a Rule 144A Global Note may only be held through Euroclear or Clearstream, Luxembourg. Beneficial interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time. The Notes are intended to be held under the new safekeeping structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations.

The Global Notes will have an ISIN and a common code and will be deposited on or about the Closing Date with a common safekeeper for both Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and registered in the name of the nominee for the Common Safekeeper.

All capitalised terms not defined in this section shall be as defined in the Conditions of the Notes. The Issuer will procure the Registrar to maintain a register in which it will register in the name 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 will record book-entry interests representing beneficial interests (the "**Book-Entry Interests**") in the Global Notes attributable thereto (as the case may be).

Book-Entry Interests in respect of the Notes will be recorded in Minimum Denominations. Ownership of Book-Entry Interests is limited to Participants in Euroclear or Clearstream, Luxembourg 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 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 Co-Arrangers. 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.

Beneficial interests in a Rule 144A Global Note may only be held by persons who are QIBs holding their interests for their own account or for the account of another QIB. By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A Global Note (see "*Subscription and Sale*").

So long as a nominee of the Common Safekeeper is the registered holder of the respective Global Notes underlying the Book-Entry Interests, the nominee of the Common Safekeeper will be considered the sole Noteholder of the relevant Global Note for all purposes under the Trust Deed and the Agency Agreement. 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 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 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 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 will hold Book-Entry Interests in the respective 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 respective Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's 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 the Principal Paying Agent on behalf of the Issuer to the Common Safekeeper or its nominee as the registered holder thereof with respect to the relevant Global Note. 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 their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law or as otherwise set out in Condition 12 (*Taxation*). 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 Co-Sponsors, the Co-Arrangers, the Joint Lead Managers, the Co-Manager or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's



ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

#### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.
- The Issuer understands that under existing industry practices, if any of the Issuer or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

#### **Redemption**

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Safekeeper and, upon final payment, the Registrar will surrender such Global Note (or portion thereof) to or to the order of the relevant 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 relevant 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 relevant 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 pursuant to the customary procedures established by each respective system and its Participants.

Each Rule 144A Global Note will bear a legend substantially identical to that appearing under "*Subscription and Sale – Legends on Global Note Certificates*", and the holder of any Rule 144A Global Note or any Book-Entry Interest in such Rule 144A Global Note will undertake that it will not transfer such Notes except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one Class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Regulation S Global Note of the same Class only upon receipt by the Issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Each Regulation S Global Note will bear a legend substantially identical to that appearing under "*Subscription and Sale – Legends on Global Note Certificates*". A Book-Entry Interest in a Regulation S Global Note of a particular Class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same Class only upon receipt by the Issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a QIB within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Regulation S Global Note of one Class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Regulation S Global Note and will become represented by a Book-Entry Interest in such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Note for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Note of one Class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Regulation S Global Note of the same Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Note and will become represented by a Book-Entry Interest in such Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to the Book-Entry Interests in a Regulation S Global Note as long as it remains such a Book-Entry Interest.

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 (being 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 a Global Note will be entitled to receive 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.

In order to receive a Definitive Note a person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates.

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. 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 the minimum authorised denomination that are not integral multiples of such denomination. 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 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 the applicable clearing system 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 listed on the official list of the Irish Stock Exchange and admitted to trading on its regulated market) 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 CERTIFICATES

### General

The Certificates, as at the Closing Date, will each be represented by a Global Certificate. Each Global Certificate will be registered on issue on or around the Closing Date in the name of a nominee of the Common Depository as nominee for Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depository as the holder of the Global Certificate.

The Global Certificates will have an ISIN and a common code and will be deposited on or about the Closing Date with the Common Depository and registered in the name of the nominee for the Common Depository.

Upon confirmation by the Common Depository that it has been issued with the Global Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Certificate ("**Certificate Book-Entry Interests**") representing beneficial interests in the Certificates attributable thereto.

Ownership of 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. 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 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 Certificate Book-Entry Interests will be shown on, and transfers of 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 Certificate Book-Entry Interests.

Beneficial interests in a Rule 144A Global Certificate may only be held by persons who are QIBs holding their interests for their own account or for the account of another QIB. By acquisition of a beneficial interest in a Rule 144A Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A Global Certificate (see "*Subscription and Sale*").

So long as the nominee of the Common Depository is the registered holder of the Global Certificate underlying the Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Certificate represented by that Global Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of the Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a 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 Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of the Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Certificate and the Certificate Book-Entry Interests*".

Unlike legal owners or holders of the Certificates, holders of the 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 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 Certificate Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of a Certificates Event of Default, holders of Certificate Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Certificates are issued in accordance with the 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 Certificate Book-Entry Interests are exchanged for Definitive Certificates, the Global 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 Certificate Book-Entry Interests in a Global Certificate will hold Certificate Book-Entry Interests in the Global Certificate relating thereto. Investors may hold their Certificate Book-Entry Interests in respect of a Global 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 Certificate Book-Entry Interests in the Global 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 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 Co-Sponsors, the Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Trustee or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

#### **Issuance of Definitive Certificates**

The Global Certificate will become exchangeable in whole, but not in part, for Definitive Certificates at the request of the holder of the relevant Global Certificate if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business 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 Certificates which would not be required were the Certificates in definitive form (the "**Exchange Event**").

Any Definitive Certificate issued in exchange for Certificate Book-Entry Interests in the Global 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 Certificate Book-Entry Interests. Whenever a Global Certificate is to be exchanged for Definitive Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Certificate Book-Entry Interests) of such Definitive Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Certificate within 30 days of the occurrence of the Exchange Event.

#### **Payments on Global Certificate**

Payment of amounts due in respect of the Global 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 Certificate.

Each holder of 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 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 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 Certificate. The Record Date in respect of the Global 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 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 Co-Sponsors, the Co-Arrangers, the Joint Lead Managers, the Co-Manager or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Certificate Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of 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 the 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 Certificate Book-Entry Interests or if an owner of a 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 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 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*").

Each Rule 144A Global Certificate will bear a legend substantially identical to that appearing under "*Subscription and Sale – Legends on Global Notes and Global Certificates*", and the holder of any Rule 144A Global Certificate or any Certificate Book-Entry Interest in such Rule 144A Global Certificate will undertake that it will not transfer such Certificates except in compliance with the transfer restrictions set forth in such legend. A Certificate Book-Entry Interest in a Rule 144A Global Certificate of one Class may be transferred to a person who takes delivery in the form of a Certificate Book-Entry Interest in the Regulation S Global Certificate of the same Class only upon receipt by the Issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Each Regulation S Global Certificate will bear a legend substantially identical to that appearing under "*Subscription and Sale – Legends on Global Notes and Global Certificates*". A Certificate Book-Entry Interest in a Regulation S Global Certificate of a particular Class may be transferred to a person who takes delivery in the form of a Certificate Book-Entry Interest in the Rule 144A Global Certificate of the same Class only upon receipt by the Issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a QIB within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Certificate Book-Entry Interest in a Regulation S Global Certificate of one Class that is transferred to a person who takes delivery in the form of a Certificate Book-Entry Interest in the Rule 144A Global Certificate of the same Class will, upon transfer, cease to be represented by a Certificate Book-Entry Interest in such Regulation S Global Certificate and will become represented by a Certificate Book-Entry Interest in such Rule 144A Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Certificate Book-Entry Interests in a Rule 144A Global Certificate for as long as it remains such a Certificate Book-Entry Interest. Any Certificate Book-Entry Interest in a Rule 144A Global Certificate of one Class that is transferred to a person who takes delivery in the form of a Certificate Book-Entry Interest in the Regulation S Global Certificate of the same Class will, upon transfer, cease to be represented by a Certificate Book-Entry Interest in such Rule 144A Global Certificate and will become represented by a Certificate Book-Entry Interest in such Regulation S Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to the Certificate Book-Entry Interests in a Regulation S Global Certificate as long as it remains such a Certificate Book-Entry Interest.

Beneficial interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg. Neither the Global 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 Certificate.

### **Action in respect of the Global Certificate and the Certificate Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notice in respect of the Global Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global 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 Certificate Book-Entry Interests or the Global



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 Certificate Book-Entry Interests or the Global 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 Certificate Condition 20 (*Notices*)). The Trustee may in accordance with the 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 £732,500,000 Class A1 Mortgage Backed Floating Rate Notes due 2045 (the "**Class A1 Notes**"), the £50,000,000 Class A2 Mortgage Backed Floating Rate Notes due 2045 (the "**Class A2 Notes**"), and together with the Class A1 Notes, the "**Class A Notes**"), the £52,500,000 Class B Mortgage Backed Floating Rate Notes due 2045 (the "**Class B Notes**"), the £37,500,000 Class C Mortgage Backed Floating Rate Notes due 2045 (the "**Class C Notes**"), the £37,500,000 Class D Mortgage Backed Floating Rate Notes due 2045 (the "**Class D Notes**"), the £22,500,000 Class E Mortgage Backed Floating Rate Notes due 2045 (the "**Class E Notes**"), the Class A Notes, Class B Notes, Class C Notes, the Class D Notes and the Class E Notes being the "**Rated Notes**"), the £67,500,000 Class Z Mortgage Backed Notes due 2045 (the "**Class Z Notes**") (and together, with the Rated Notes, the "**Notes**") will be issued by Towd Point Mortgage Funding 2017 - Auburn 11 plc (registered number 10539679) (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 principal office for the time being of the Trustee, being at the date hereof 125 Old Broad Street, London EC2N 1AR, United Kingdom 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 and Construction**

- 2.1 In these Conditions the defined terms where used shall have the meanings set out in the Incorporated Terms Memorandum. Terms of construction set out in the Incorporated Terms Memorandum shall be construed accordingly in these Conditions.
- 2.2 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.

### 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 aggregate nominal amount of each Class of Notes initially offered and sold outside the United States to non-U.S. Persons pursuant to Regulation S under the Securities Act is represented by one or more global registered notes in fully registered form without coupons attached. The aggregate nominal amount of the Rule 144A Global Notes initially offered and sold to persons who are QIBs in reliance on Rule 144A under the Securities Act, in transactions made in accordance with Rule 144A, is represented by one or more global registered notes in fully registered form without coupons attached.
- 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, with respect to the Rule 144A Global Notes and with respect to the Regulation S Global Notes, 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 for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum denominations (a) in respect of the Rule 144A Global Notes, of £250,000 and integral multiples of £1,000 in excess thereof and (b) in respect of the Regulation S Global Notes, of £100,000 and integral multiples of £1,000 in excess thereof. 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 Minimum Denominations.
- 3.5 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 Minimum Denominations.
- 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 and transfer**

- 4.1 The holder 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.
- 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 (subject to the limited recourse provision in Condition 10 (*Limited Recourse and Non-Petition*)) unconditional obligations of the Issuer.

5.2 **Ranking:**

- (a) The Class A1 Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in these Conditions and the Transaction Documents.
- (b) The Class A2 Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A1 Notes, as provided in these Conditions and the Transaction Documents.
- (c) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 10 (*Limited Recourse and Non-Petition*) and Condition 8.13 (*Subordination by Deferral*)) unconditional obligations of the Issuer.
- (d) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 10 (*Limited Recourse and Non-Petition*) and Condition 8.13 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest, Class B Net WAC Additional Amount (if any) and principal, subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents (except that all payments in respect of any Class B Net WAC Additional Amount will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class C Net WAC Additional Amount, Class D Net WAC Additional Amount and Class E Net WAC Additional Amount). 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).

TERMS AND CONDITIONS OF THE NOTES

- (e) The Class C Notes constitute direct, secured and (subject to the limited recourse provision in Condition 10 (*Limited Recourse and Non-Petition*) and Condition 8.13 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class C Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest, Class C Net WAC Additional Amount and principal at all times, subordinate to the Class A Notes and the Class B Notes and as provided in these Conditions and the Transaction Documents (except that all payments in respect of any Class C Net WAC Additional Amount will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class D Net WAC Additional Amount and Class E Net WAC Additional Amount). 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 the Class B Notes remain outstanding).
- (f) The Class D Notes constitute direct, secured and (subject to the limited recourse provision in Condition 10 (*Limited Recourse and Non-Petition*) and Condition 8.13 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class D Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest, Class D Net WAC Additional Amount and principal at all times, subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents (except that all payments in respect of any Class D Net WAC Additional Amount will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class E Net WAC Additional Amount). 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, Class B Notes, and/or any Class C Notes remain outstanding).
- (g) The Class E Notes constitute direct, secured and (subject to the limited recourse provisions in Condition 10 (*Limited Recourse and Non-Petition*) and Condition 8.13 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class E Notes rank *pari passu* without preference or priority among themselves in relation to the payment of interest, Class E Net WAC Additional Amounts and principal at all times, 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, Class B Notes, Class C Notes, and/or any Class D Notes remain outstanding).
- (h) The Class Z Notes constitute direct, secured and (subject to the limited recourse provisions in Condition 10 (*Limited Recourse and Non-Petition*) and Condition 8.13 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class Z Notes rank *pari passu* without preference or priority among themselves in relation to the payment of principal at all times, subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class B Net WAC Additional Amount, the Class C Net WAC Additional Amount, the Class D Net WAC Additional Amount and the Class E Net WAC Additional Amount, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z 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 the Class E Noteholders (so long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes and/or Class E Notes remain outstanding).
- (i) The Class SDC Certificates constitute direct, secured and (subject to the limited recourse provisions in Certificate Condition 10 (*Limited Recourse and Non-Petition*)) unconditional obligations of the Issuer. The Class SDC Certificates rank *pari passu* without preference or priority among themselves in relation to the payment of SDC Payments at all times, but subordinate to the Notes as provided in these Conditions and the Transaction Documents.

- (j) The Class DC1 Certificates constitute direct, secured and (subject to the limited recourse provisions in Certificate Condition 10 (*Limited Recourse and Non-Petition*)) unconditional obligations of the Issuer. The Class DC1 Certificates rank *pari passu* without preference or priority among themselves in relation to the payment of DC1 Payments, subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class B Net WAC Additional Amount, the Class C Net WAC Additional Amount, the Class D Net WAC Additional Amount, the Class E Net WAC Additional Amount and the Class Z Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class DC1 Certificateholders 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 Z Noteholders (so long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and/or any Class Z Notes remain outstanding).
- (k) The Class DC2 Certificates represent the right of the Mortgage Portfolio Option Holder to exercise the Mortgage Portfolio Purchase Option.
- (l) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of holders of each Class of the Notes and each Class of the Certificates as regards all rights, powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee where there is a conflict of interests between one or more Classes of Notes and/or the Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class of Notes and/or Certificates ranking in priority to the other relevant Classes of Notes or the Certificates in the Post-Enforcement Priority of Payments (where for such purposes the Class SDC Certificates, the Class DC1 Certificates and the Class DC2 Certificates shall be deemed to rank junior to the Class Z Notes, and in such order of priority) and, if all the and Notes and Class SDC Certificates have been redeemed, the Class DC1 Certificates and the Class DC2 Certificates.

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 (save for the Class Z Notes) bears interest on its Principal Amount Outstanding, from (and including) the Closing Date. No interest will be payable in respect of the Class Z Notes.

- 8.2 **Cessation of Interest:** Each Note (save the Class Z Notes) (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 (save for the Class Z Notes) 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 subject to the rest of this Condition 8 (*Interest*) and in accordance with the applicable Priority of Payments.
- 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 (save for the Class Z Notes) for the related Interest Period.
- 8.5 **Step-Up Margins:** From and including the FORD an increased margin will (subject as provided in Condition 8.13 (*Subordination by Deferral*)) become payable as the Relevant Margin on each of the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes as calculated in accordance with Condition 8 (*Interest*) (in each case the "Step-Up Margin").
- 8.6 **Payment of Net WAC Additional Amounts:** On each Interest Payment Date the Issuer shall, in accordance with the applicable Priority of Payments and subject as provided in Condition 8.13 (*Subordination by Deferral*), pay any Net WAC Additional Amounts that are due and payable on such Interest Payment Date.
- 8.7 **Determination of Note Rate, Interest Amount and Interest Payment Date:** The Agent Bank will, on each Interest Determination Date, determine:
- (a) the Floating Rate of Interest for the Class A Notes and each Class of the Mezzanine Floating Rate Notes for the related Interest Period;
  - (b) if any Net WAC Cap shall apply to any Mezzanine Floating Rate Notes for the related Interest Period;
  - (c) the Interest Amount, the Net WAC Additional Amount (if any) and Required Interest for each Class for the related Interest Period taking into account determination made in paragraph (b) above and, where applicable, the Class B Net WAC Additional Amount, the Class C Net WAC Additional Amount, the Class D Net WAC Additional Amount and the Class E Net WAC Additional Amount;
  - (d) the Rated Carryforward Interest related to any Class of Mezzanine Floating Rate Notes;
  - (e) 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.
- 8.8 **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 8.7 (*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.

8.9 **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.

8.10 **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 and, where applicable, the Class B Net WAC Additional Amount, the Class C Net WAC Additional Amount, the Class D Net WAC Additional Amount and the Class E Net WAC Additional 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.

8.11 **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 (*Interest*).

8.12 **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.

8.13 **Subordination by Deferral**

- (a) *Interest*
  - (i) If the Issuer otherwise has insufficient funds to make payment in full of all amounts of Required Interest (which shall, for the purposes of this Condition 8.13, include any Required Interest previously deferred under this Condition 8.13 and Additional Interest thereon but exclude any Net WAC Additional Amounts and any Deferred Net WAC Additional Amounts) payable in respect of a respective Class of Mezzanine Floating Rate Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of such Required Interest (such deferred interest being



"**Deferred Required Interest**") in respect of the relevant Mezzanine Floating Rate Notes to the extent only of any such insufficiency of funds.

- (ii) Any amounts of Deferred Required Interest in respect of a Class of Mezzanine Floating Rate Notes shall accrue Additional Interest at the Reference Rate plus the Relevant Margin. To the extent that the amount of Additional Interest accrued on the Deferred Required Interest is greater than the amount that would have accrued if accruing at a rate equal to the Net WAC Cap (instead of at the Reference Rate plus the Relevant Margin) for such period in respect of a Class of Mezzanine Floating Rate Notes, the excess amount of such accrued Additional Interest above the amount that would have accrued if accruing at a rate equal to the Net WAC Cap (instead of at the Reference Rate plus the Relevant Margin) shall instead form part of the Net WAC Additional Amounts payable on such Interest Payment Date.
- (iii) With respect to the Mezzanine Floating Rate Notes only, if on any Interest Payment Date, a Net WAC Additional Amount (which shall, for the purposes of this Condition 8.13, include any Net WAC Additional Amounts previously deferred under this Condition 8.13 and Additional Interest thereon) has been determined and has not been paid on such Interest Payment Date, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of such Net WAC Additional Amounts (such deferred interest being "**Deferred Net WAC Additional Amounts**") in respect of the relevant Mezzanine Floating Rate Notes to the extent only of any such insufficiency of funds.
- (iv) Any amounts of Deferred Net WAC Additional Amounts in respect of a Class of Mezzanine Floating Rate Notes shall accrue Additional Interest at the Reference Rate plus the Relevant Margin.
- (v) Any such Deferred Required Interest and any such Deferred Net WAC Additional Amounts and Additional Interest thereon shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that this Condition 8.13 again applies) or on such earlier date as the relevant Class of Rated Notes becomes due and repayable in full in accordance with these Conditions. For the avoidance of any doubt, this Condition 8.13 does not apply to the Class A Notes.

(b) *Notification*

As soon as practicable after becoming aware that any part of a payment of (i) Required Interest or (ii) Net WAC Additional Amount on a Class of Mezzanine Floating Rate Notes with the respective current shortfall will be (in addition to amounts previously deferred) deferred or that a payment previously deferred will be made in accordance with this Condition 8.13, the Issuer will give notice thereof to the relevant Class of Noteholders, as appropriate, in accordance with Condition 22 (*Notices*). Any deferral of interest in accordance with this Condition 8.13 will not constitute an Event of Default. The provisions of this Condition 8.13 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or, are required to be redeemed in full, at which time all deferred interest and accrued interest thereon shall become due and payable.

8.14 ***Determinations and Reconciliation***

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to 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 8.14 (*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 8.14(c). Any (i) calculations properly

done on the basis of such estimates in accordance with Conditions 8.14(b) and/or 8.14(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 8.14(b) and/or 8.14(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 Calculated Revenue Receipts; and
  - (iii) calculate the Calculated Principal Receipts.
- (c) Following the end of 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 8.14(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 Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and
  - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

**provided that** the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the 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 and unpaid interest (including any Net WAC Additional Amount) 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, **provided that** if as a result of the application of the Available Principal Receipts a Class of Notes will be redeemed in full, it shall be redeemed together with all accrued but unpaid interest (including any interest deferred in accordance with Condition 8.13 (*Subordination by Deferral*)).

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, exercise its right to redeem all of the Notes (not partial) in each Class at their Principal Amount Outstanding together with accrued and unpaid interest (including any Net WAC Additional Amount outstanding on the Mezzanine Floating Rate Notes); or
  - (ii) on any Interest Payment Date from and including the FORD, exercise its right to redeem all of the Notes (not partial) in each Class at their Principal Amount Outstanding together with accrued and unpaid interest (including any Net WAC Additional Amount) (**provided that** in relation to any 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 in its capacity as Class DC2 Certificateholder to the Issuer for the purchase of 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 exercise its right to redeem all of the Notes (not partial) in each Class at their Principal Amount Outstanding together with any accrued but unpaid interest (including any Net WAC Additional Amount and interest deferred in accordance with Condition 8.13 (*Subordination by Deferral*) on any Interest Payment Date with respect to the Mezzanine Floating Rate Notes):

- (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 the following:
  - (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;
  - (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 ***Mandatory Redemption of the Notes following the exercise of a Risk Retention Regulatory Change Option***

- (a) On any Business Day, if a Risk Retention Regulatory Change Event occurs and the Seller exercises the Risk Retention Regulatory Change Option, the Issuer will give not more than forty nor less than five Business Days' notice to (i) the Noteholders in accordance with Condition 22 (*Notices*) (ii) the Trustee, and the Notes will be redeemed at their respective amounts determined in accordance with Condition 9.5(b) on the Interest Payment Date immediately following the exercise of such option by the Retention Holder, **provided that** the Issuer has, immediately prior to giving such notice, certified to the Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid in priority to or *pari passu* with the Notes and the Certificates on such Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer on which the Trustee shall be entitled to rely without any further enquiry or liability) (and for the avoidance of doubt, the order of priority shall be as set out in the Post-Enforcement Priority of Payments).
- (b) Any Note redeemed pursuant to Condition 9.5(a) above will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest (including any Net WAC Additional Amount) on the Principal Amount Outstanding for the respective Class of Notes up to, but excluding, the relevant Interest Payment Date (**provided that** in relation to any Notes held by the Seller, the redemption amounts payable by the Issuer to the Retention Holder in its capacity as the Class Z Noteholder may be set off (to the greatest extent possible) against the purchase price payable by the Retention Holder in its capacity as Class DC2 Certificateholder to the Issuer for the purchase of the Mortgage Portfolio).

9.6 ***Mandatory Redemption of the Notes following the exercise of Mortgage Portfolio Purchase Option or Market Mortgage Portfolio Purchase***

- (a) Following the exercise of the Mortgage Portfolio Purchase Option or upon the occurrence of a Market Mortgage Portfolio Purchase and, in each case, on giving not more than 40 nor less than 5 days' notice to the Noteholders and the Certificateholders in accordance with Condition 22 (*Notices*) and Certificate Condition 20 (*Notices*), and the Trustee, the consideration received by the Issuer will be applied in accordance with the relevant Priority of Payments on the immediately succeeding Interest Payment Date with the result that the Notes will be redeemed in full in accordance with this Condition 9.6.
- (b) Any Note redeemed pursuant to Condition 9.6(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest (including any Net WAC Additional Amount) on the Principal Amount Outstanding of the relevant Note up to but excluding the Interest

Payment Date on which the redemption occurred (**provided that** in relation to any 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 in its capacity as Class DC2 Certificateholder to the Issuer for the purchase of the Mortgage Portfolio).

9.7 **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 9.11 (*Notice of Calculation*).

9.8 **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.

9.9 **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.

9.10 **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.

9.11 **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.

9.12 **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 9.11 (*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*).

9.13 **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 and Non-Petition**

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,

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 respective 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 and any payments in respect of the 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.

10.2 Apart from the Trustee, none of the Noteholders or any other Secured Creditor (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer or its directors, officers, successors or assigns, or join in any institution against the Issuer of, any bankruptcy, examinership, reorganisation, arrangement, insolvency, winding up or liquidation proceedings or for the appointment of a liquidator, administrator, receiver or any other insolvency official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings of the Issuer.

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 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 a 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 Class A Notes within seven Business Days following the due date for payment of such principal or fails to pay any amount of interest in respect of the Class A Notes within fourteen Business Days following the due date for payment of such interest;
- (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 to which it is a party and such default (a) is, in the opinion of the Trustee, materially prejudicial to the interest of the holders of the Most Senior Class, and (b) is, in the opinion of the Trustee, incapable of remedy or (c) is, in the opinion of the Trustee, capable of remedy, but remains unremedied for 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice of such default to the Issuer, **provided that** failure to pay any Net WAC Additional Amount payable in respect of a Class of the Mezzanine Floating Rate Notes on an Interest Payment Date on which such Class of the Notes is due to be redeemed in full in accordance with Condition 9.1 (*Final Redemption*) or Condition 9.2 (*Mandatory Redemption in part*) shall not constitute an Event of Default under this Condition 13.1(b) (*Breach of other obligations*);
- (c) **Insolvency:** an Insolvency Event in respect of the Issuer occurs; and
- (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 holders of the Most Senior Class of Notes outstanding; and
- (b) it shall, in all circumstances, 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 Notes then outstanding (and if no Notes are outstanding, the Most Senior Class of Certificateholders); or
- (b) so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding, (and if no Notes are outstanding, the Most Senior Class of 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.

14.2 **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 (except in respect of any Liquidity Standby Drawing standing to the credit of the Liquidity Standby Ledger which shall be repaid to the Liquidity Facility Provider in accordance with the terms of the Liquidity Facility Agreement) 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 14.2(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 14.2(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 14.2(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 for which it may incur by so doing and shall have no Liability to anyone for not so doing.

14.3 **Third Party Rights:** No person shall have any right to enforce any Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

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**

16.1 **Convening:** The Trust Deed contains "*Provisions for Meetings of Noteholders*" for convening separate or combined meetings of Noteholders of any Class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

16.2 **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 conflict of interest, actual or potential 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 Ordinary Resolution, relating to a meeting of a particular Class or Classes of the Notes will be one or more persons present and holding or representing in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or, at any adjourned meeting, one or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding;
- (b) 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
- (c) 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 Certificate Conditions, the Trust Documents, the Notes, the 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 interests of the holders of the Most Senior Class of Certificates); or
- (b) any modification to these Conditions, the Certificate Conditions, the Trust Documents, the Notes, the 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,

**provided that**, no material amendments to the LFP Related Provisions may be made without the consent of the Liquidity Facility Provider.

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 (iii) 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) to enable the Issuer to enter into any new and/or amended bank account agreement, collection account agreement or liquidity facility agreement (including where the unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Account Bank, Collection Account Bank or Liquidity Facility Provider are downgraded below any relevant rating level as set out in the relevant Transaction Document, and the Issuer is required to take certain remedial action (as set out in the relevant Transaction Documents) in order to maintain the ratings of the Rated Notes at their then current ratings), **provided that** the Issuer certifies to the Trustee (upon which the Trustee shall rely without further enquiry or liability) that any such new agreement and/or amendment would not have an adverse effect on the then current rating of the Most Senior Class and **provided that** the Trustee shall not be obliged to agree to any such new agreement and/or amendment 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 protections, of the Trustee under the Transaction Documents and/or these Conditions and/or the Certificate Conditions;
- (c) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 17 of AIFMD, Article 51(1) of AIFMR 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, **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 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;

- (e) for the purposes of enabling the Issuer or any other person that is a Transaction Party to comply with the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to 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
- (f) 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 or in replacement thereof, **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:**

- (i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
- (ii) 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;
- (iii) 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, prior to the LF Cancellation Date only, in the case of material amendments to the LFP Related Provisions, the Liquidity Facility Provider provides its consent to such material amendments;
- (iv) either:
  - (A) the Issuer obtains from each of the Rating Agencies a written RAC (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
  - (B) 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
- (v) 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 holders 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.

- (g) 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.
- (h) 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 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 Certificates or any of the other Transaction Documents or determine that any Event of Default or Certificates Event of Default shall not be treated as such for the purposes of these Conditions, the Notes, the Certificate Conditions or any of the Transaction Documents if, in the opinion of the Trustee, the interests of the holders of the Most Senior Class of Notes outstanding (or, if there are no Notes outstanding, the holders of the Most Senior Class of Certificates) 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 holders of the Most Senior Class of Certificates) 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 Most Senior Class of 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 Certificates then in issue (as the case may be) in accordance with Condition 16.5 (*Relationship between Classes*) and Certificate Condition 14.4 (*Relationship between Noteholders and Certificateholders*) (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 of Notes and the Certificates, have regard only to the interests of the holders of the Most Senior Class of Notes outstanding and will not have regard to any lower ranking Class of Notes or (following the redemption in full of all Classes of Notes) the 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.
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 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 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 listed on the official list of the Irish Stock Exchange and admitted to trading on its regulated market any notice shall also be published in accordance with the relevant guidelines of the Irish Stock Exchange by a notification in writing to its Company Announcements Office, 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 RAC that the then current ratings of the Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby.

23.2 If a RAC 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 RAC 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 RAC or response necessary in the circumstances or that it does not, as a matter of practice or policy provide such RAC or response or (II) within 30 days of delivery of such request, no RAC or response is received and/or such request elicits no statement by such Rating Agency that such RAC or response could not be given; and

(b) one Rating Agency gives such RAC or response based on the same facts,

then such condition to receive a RAC or response from each Rating Agency shall be deemed modified so that there shall be no requirement for the RAC 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 RAC 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 RAC or response from such Non-Responsive Rating Agency.

24. **Governing Law and Jurisdiction**

24.1 **Governing law:** The Transaction Documents, the Notes, the Certificates and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except (i) to the extent that any provisions of the Transaction Documents relate to the Scottish Mortgage Loans, such provisions shall be construed in accordance with Scots law (ii) to the extent that any provisions of the Transaction Documents relate to the Northern Irish Mortgage Loans, such provisions shall be construed in accordance with the laws of Northern Ireland and (iii) those Transaction Documents expressed to be governed by Scots law (which are governed by Scots 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 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 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 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 CERTIFICATES

*The following are the terms and conditions of the 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 1,000,000 Class SDC Certificates (the "**Class SDC Certificates**"), the 1,000,000 Class DC1 Certificates (the "**Class DC1 Certificates**") and the 1,000,000 Class DC2 Certificates (the "**Class DC2 Certificates**") and together with the Class SDC Certificates and the Class DC1 Certificates, the "**Certificates**", will be issued by Towd Point Mortgage Funding 2017 - Auburn 11 plc (registered number 10539679) (the "**Issuer**") on or about the Closing Date. Any reference in these Certificate Conditions to a Class of Certificates or Certificateholders shall be a reference to the Class SDC Certificates, Class DC1 Certificates and Class DC2 Certificates, as the case may be, or to the respective holders thereof.
- 1.2 The Issuer has agreed to issue the Certificates subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the 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 Certificate Payments with respect to the Class SDC Certificates and the Class DC1 Certificates respectively.
- 1.4 Certain provisions of these 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 125 Old Broad Street, London EC2N 1AR, United Kingdom 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 Certificate Conditions and any rules of interpretation shall have the meanings given to them in the terms and conditions of the Notes.
- 2.2 ***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.

### 3. **Form and Denomination**

- 3.1 Each Certificate will initially be represented by a global certificate in registered form (a "**Global Certificate**").
- 3.2 For so long as any of the Certificates are represented by a Global Certificate, transfers and exchanges of beneficial interests in such Global 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 Certificate will be deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**").

## TERMS AND CONDITIONS OF THE CERTIFICATES

- 3.3 A Global Certificate will be exchanged for a Definitive Certificate only if either of the following applies:
- (a) in the case of a Global Certificate 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 Certificates which would not be required if the Certificates were in definitive form.
- 3.4 If Definitive Certificates are issued in respect of the Certificates originally represented by a Global Certificate, the beneficial interests represented by such Global Certificate shall be exchanged by the Issuer for the relevant Certificates in registered definitive form.
- 3.5 Definitive Certificates will be serially numbered and will be issued in registered form only.
- 3.6 References to the "**Certificates**" in these Certificate Conditions shall include the Global Certificate and the Definitive Certificates, and references to "**Certificateholders**" means the holder of a respective Class of Certificates.
4. **Title**
- 4.1 The holder registered in the Register of a respective Class of 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 Certificate regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.
- 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 Certificates and the particulars of the Certificates held by them and of all transfers and redemptions of the Certificates.
- 4.3 No transfer of a Certificate will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Certificate and any Definitive Certificates and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Certificates and the detailed regulations concerning transfers of such Certificates contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Certificates. In no event will the transfer of a beneficial interest in a Global Certificate or the transfer of a Definitive Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Certificate who so requests (and who provides evidence of such holding where the 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 Certificate, may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, a new Definitive Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- 4.6 Each new Definitive Certificate, to be issued upon transfer of Definitive 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 Certificate, to such address as may be specified in such request.

- 4.7 Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

5. **Status and Ranking**

- 5.1 **Status:** The Certificates constitute direct, secured and (subject to the limited recourse provision in Certificate Condition 8.8 (*Limited Recourse and Non-Petition*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay any SDC Payment amounts to the Class SDC Certificateholders and any DC1 Payment amounts to the Class DC1 Certificateholders.

- 5.2 The Class SDC Certificates rank *pari passu* without preference or priority among themselves in relation to the SDC Payment at all times, but subordinate to the Notes, as provided in these Certificate Conditions and the Transaction Documents.

- 5.3 The Class DC1 Certificates rank *pari passu* without preference or priority among themselves in relation to payment of the DC1 Payments at all times, but subordinate to the Class SDC Certificates and the Notes, as provided in these Certificate Conditions and the Transaction Documents.

- 5.4 The Class DC2 Certificates will not receive any payments.

- 5.5 **Sole Obligations:** The Certificates are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

- 5.6 **Priority of Payments.** Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Receipts and Available Principal Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and the 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 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 Certificates in issue, Certificate Condition 11 (*Certificates Events of Default*) and subject to the matters referred to in 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 Certificate remains in issue, the Issuer shall comply with the Issuer Covenants.

8. **Certificate Payments**

- 8.1 **Right to Certificate Payments:** The SDC Certificates and the DC1 Certificates represents a *pro rata* entitlement to receive Certificate Payments by way of (i) release of amounts standing to the credit of the SDC Ledger on the FORD should the Notes be redeemed in full, and (ii) excess spread generated from the purchase by the Issuer of the Mortgage Portfolio, respectively.

## TERMS AND CONDITIONS OF THE CERTIFICATES

- 8.2 **Payment:** A Certificate Payment shall be payable in respect of the Certificates on each Interest Payment Date as referred to below.
- 8.3 **Determination of Certificate Payment Amount:** The Cash Manager shall on each Calculation Date determine the Certificate Payment payable on the immediately following Interest Payment Date and the Certificate Payment Amount payable in respect of each Certificate on such Interest Payment Date.
- 8.4 **Publication of Certificate Payment and Certificate Payment Amount:** The Cash Manager shall cause the Certificate Payment and Certificate 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 Certificate Payment and Certificate 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 Certificate Payment and the Certificate Payment Amount in accordance with this Certificate Condition 8 (*Certificate 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 Certificate Payment and the Certificate Payment Amount in the manner, in its absolute discretion (having such regard as it shall think fit to the procedure described in this 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 Certificate Condition 8 (*Certificate 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 Certificate Condition 8 (*Certificate 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 Certificate Condition 8 (*Certificate Payments*).
- 8.8 **Limited Recourse and Non-Petition**

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 Certificates (including Certificate Payments),

the proceeds of such Realisation are allocated in accordance with the applicable Priority of Payments to make a payment in respect of the Certificates and used to make such a payment, such amount shall cease to be due and payable by the Issuer and the Certificateholders shall have no further claim against the Issuer in respect of any further amounts due to be paid in respect of the Certificates.

Apart from the Trustee, none of the Certificateholders or any other Secured Creditor (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer or its directors, officers, successors or assigns, or join in any institution against the Issuer of, any bankruptcy, examinership, reorganisation, arrangement, insolvency, winding up or liquidation proceedings or for the appointment of a liquidator, administrator, receiver or any other insolvency official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings of the Issuer.

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 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 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 person shown in the Register at the opening of business on the relevant Record Date in respect of a Certificate shall be the only person entitled to receive payments in respect of the Certificates represented by such 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 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 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 Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

9.5 **Payments on Business Days:** If the due date for payment of any amount in respect of any Certificate is not a 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), 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 Certificate.

9.6 **Cancellation:** The Certificates will be cancelled upon the earliest to occur of (i) the redemption in full of the Notes; and (ii) the Final Discharge Date.

10. **Taxation**

10.1 **Payments free of Tax:** All payments in respect of the 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 Certificate Conditions, the Issuer, the Trustee and the Paying Agent shall be permitted to withhold or deduct any amounts required pursuant to a 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 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. **Certificates Events of Default**

11.1 **Certificates Events of Default:** Subject to the other provisions of this Certificate Condition and subject to the Notes no longer being outstanding, each of the following events shall be treated as a Certificates Event of Default:

- (a) *Non-payment:* the Issuer fails to pay any amount due in respect of the Certificates within seven Business Days following the due date for payment of such amount;
- (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 Certificates, the Issuer Covenants, the Trust Deed, the Deed of Charge or any of the other Transaction Documents to which it is a party 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 (or such longer period as the Trustee may permit) after the Trustee has given written notice of such default to the Issuer;
- (c) *Insolvency:* an Insolvency Event in respect of the Issuer occurs; and
- (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 Certificates or Trust Documents or any of the other Transaction Documents.

11.2 **Delivery of Enforcement Notice:** If a Certificates 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 Most Senior Class of 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 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 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 or an enforcement notice pursuant to Condition 13.2 (*Delivery of Enforcement Notice*), any Certificate Payments pursuant to the 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 Certificates (including these 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:

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- (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; and
- (b) whilst there are no Notes outstanding but there are Certificates in issue, it is
  - (i) so requested in writing by the holders of at least 25 per cent. in number of the Most Senior Class of Certificates then in issue; or
  - (ii) so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Certificates,

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 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 Certificates, the Trustee will not be entitled to dispose of the Charged Property (except in respect of any Liquidity Standby Drawing standing to the credit of the Liquidity Standby Ledger which shall be repaid to the Liquidity Facility Provider in accordance with the terms of the Liquidity Facility Agreement) 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 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 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 Certificate Condition 12.3(b) unless the Trustee shall have been indemnified and/or secured and/or prefunded to its

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satisfaction against all Liabilities to which it may thereby become liable for 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 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 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 Certificateholders*" for convening meetings of Certificateholders to consider matters relating to the Notes and the Certificates (as applicable), including the modification of any provision of these Certificate Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

14.2 **Request from Certificateholders:** A meeting of Certificateholders of each 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 Certificateholders holding not less than 10 per cent. in number of the relevant Class of Certificates then in issue. However, so long as no Certificates 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 Ordinary Resolution, relating to a meeting of a particular Class or Classes of the Certificates will be one or more persons present and holding or representing in aggregate not less than 25 per cent. of the number of the relevant Class of Certificates then outstanding or, at any adjourned meeting, one or more persons present and holding or representing in aggregate not less than 10 per cent. of the number of the relevant Class of Certificates then outstanding;
- (b) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Certificates will be one or more persons holding or representing, in aggregate, more than 50 per cent. in number of each Class of the Certificates then in issue or, at any adjourned meeting, one or more persons present and holding or representing in aggregate not less than 25 per cent. in number of each Class of the Certificates then in issue; and



- (c) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each Class of Certificateholders) will be one or more persons holding or representing in aggregate not less than 75 per cent. in number of each Class of the Certificates then in issue or, at any adjourned meeting, one or more persons holding or representing in aggregate more than 50 per cent. in number of each Class of the Certificates then in issue.

14.4 ***Relationship between Noteholders and Certificateholders:***

In relation to each Class of Notes and the Certificates:

- (a) subject to Certificate Condition 14.4(e), no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of any Class of the 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 any Class of the 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 Certificates; and
- (e) a matter which is a Reserved Matter affecting only the holders of a Class of the Certificates shall only require an Extraordinary Resolution of the holders of the relevant Class of 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 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 Certificate Conditions, the Conditions, the Trust Documents, the Notes, the 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 Notes outstanding (or, if there are no Notes outstanding, the interests of the holders of the Most Senior Class of Certificates); or
- (b) any modification to these Certificate Conditions, the Conditions, the Trust Documents, the Notes, the 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,

**provided that**, no material amendments to the LFP Related Provisions may be made without the consent of the Liquidity Facility Provider.

15.2 ***Additional Right of Modification:***

Notwithstanding the provisions of Certificate Condition 15.1 (*Modification*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to proviso (iii) below, any other Secured Creditor, to concur with the Issuer in making any modification (other than in respect of a Reserved Matter) to these Certificate 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) to enable the Issuer to enter into any new and/or amended bank account agreement, collection account agreement or liquidity facility agreement (including where the unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Account Bank, Collection Account Bank or Liquidity Facility Provider are downgraded below any relevant rating level as set out in the relevant Transaction Document, and the Issuer is required to take certain remedial action (as set out in the relevant Transaction Documents) in order to maintain the ratings of the Rated Notes at their then current ratings), **provided that** the Issuer certifies to the Trustee (upon which the Trustee shall rely without further enquiry or liability) that any such new agreement and/or amendment would not have an adverse effect on the then current rating of the Most Senior Class and **provided that** the Trustee shall not be obliged to agree to any such new agreement and/or amendment 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 protections, of the Trustee under the Transaction Documents and/or these Certificate Conditions and/or the Conditions;
- (c) the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 17 of the AIFMD, Article 51(1) of the AIFMR 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, **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 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;
- (e) for the purposes of enabling the Issuer or any other person that is a Transaction Party to comply with the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to 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
- (f) 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

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technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto or in replacement thereof, **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 (f) above being a "**Modification Certificate**"), **provided that:**

- (i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
- (ii) 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;
- (iii) 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, prior to the LF Cancellation Date only, in the case of material amendments to the LFP Related Provisions, the Liquidity Facility Provider provides its consent to such material amendments;
- (iv) either:
  - (A) the Issuer obtains from each of the Rating Agencies a RAC (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
  - (B) 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
- (v) 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 Certificateholders of the proposed modification in accordance with Certificate Condition 20 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Certificates, and Certificateholders representing at least 10 per cent. of the number of Most Senior Class of Certificates 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 Certificates may be held) within such notification period notifying the Issuer or Principal Paying Agent that such Certificateholders do not consent to the modification.

If Certificateholders representing at least 10 per cent. of the number of Most Senior Class of Certificates 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 Certificates 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 holders of the Most Senior Class of Certificates then outstanding is

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passed in favour of such modification in accordance with Certificate Condition 14 (*Meetings of 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 Certificateholder's holding of the Certificates.

- (g) Notwithstanding anything to the contrary in this Certificate Condition 15.2 (*Additional Right of Modification*) or any Transaction Document:
- (i) when implementing any modification pursuant to this Certificate Condition 15.2 (*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 Certificate Condition 15.2 (*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 Certificate Conditions.
- (h) Any such modification shall be binding on all Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:
- (i) the Secured Creditors;
  - (ii) the Noteholders in accordance with Condition 22 (*Notices*); and
  - (iii) the Certificateholders in accordance with Certificate Condition 20 (*Notices*).

15.3 **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 Certificates or any of the other Transaction Documents or determine that any Event of Default or Certificates Event of Default shall not be treated as such for the purposes of these Certificate Conditions, the Notes, the Certificates or any of the other Transaction Documents if, in the opinion of the Trustee, the holders of the Most Senior Class of Notes outstanding or, if there are no Notes outstanding, the holders of the Most Senior Class of Certificates, will not be materially prejudiced by such waiver.

15.4 **Restriction on power to waive:** The Trustee shall not exercise any powers conferred upon it by Certificate Condition 15.3 (*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 holders of the Most Senior Class of Certificates) 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 the Most Senior Class of 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 Certificates then in issue (as the case may be) in accordance with Condition 16.5 (*Relationship between Classes*) and Certificate Condition 14.4

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*(Relationship between Noteholders and Certificateholders)* (as applicable) have, by Extraordinary Resolution, so authorised its exercise.

15.5 **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 Certificate Condition 20 (*Notices*) and the Transaction Documents, as soon as practicable after it has been made.

15.6 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Certificate Condition 15.1 (*Modification*) or Certificate Condition 15.3 (*Waiver*) shall be binding on the Noteholders, the Certificateholders and the other Secured Creditors.

### 16. **Prescription**

16.1 **Certificate Payments:** Claims in respect of Certificate Payment Amounts will be prescribed after ten years from the Relevant Date in respect of the relevant payment.

In this 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 Certificate Condition 20 (*Notices*).

### 17. **Replacement of the Certificates**

If any 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 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 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 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 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 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.
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 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 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 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 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 the 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 Certificates are represented by Definitive 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 Certificates and these Certificate Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except (i) to the extent that any provisions of the Transaction Documents relate to the Scottish Mortgage Loans, such provisions shall be construed in accordance with Scots law (ii) to the extent that any provisions of the Transaction Documents relate to the Northern Irish Mortgage Loans, such provisions shall

## TERMS AND CONDITIONS OF THE CERTIFICATES

be construed in accordance with the laws of Northern Ireland and (iii) those Transaction Documents expressed to be governed by Scots law (which are governed by Scots 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 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 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 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.

## UNITED KINGDOM 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 published practice of 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 Certificates other than in relation to United Kingdom stamp tax on the issue and transfer of the 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 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 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 the European Economic Area. The Irish Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be officially listed in Ireland in accordance with provisions corresponding to those generally applicable in the European Economic Area 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.

### 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.
- (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, Certificate Condition 19 (*Substitution of Issuer*) 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 Certificate or agreements to transfer any Certificate. No United Kingdom stamp duty should be payable on the issue of any Certificate or on any transfer of any Certificate effected by electronic means. United Kingdom stamp duty may be payable on any instrument transferring a Certificate or on any documentary agreement to transfer any interest in a Certificate. If such an instrument or agreement were created then stamp duty would be chargeable at the rate of 0.5 per cent. of the stampable consideration for the transfer or agreement to transfer.

## ERISA CONSIDERATIONS FOR INVESTORS

ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include for ERISA purposes the assets of such plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of employee benefit plans or other plans subject to such provisions (the "**Plans**") and persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Paying Agent, the Registrar or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired or held by a Plan. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest solely by reason of providing services to the plan (and neither it nor its affiliate has or exercises discretionary authority or control, or renders investment advice with respect to assets involved in the transaction), **provided that** the Plan receives no less than and pays no more than adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisers regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to federal, state, local or other law that is substantially **Similar Law**. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for and the availability of any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Issuer is deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Notes, such plan assets would include an undivided interest in the assets held by the Issuer and transactions by the Issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code. The Plan Asset Regulation provides, however, that if equity participation in any entity by "**Benefit Plan Investors**" is not significant, then the "look-through"

rule will not apply to such entity. The term "Benefit Plan Investors" is defined in the Plan Asset Regulation to include (1) any employee benefit plan subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include "plan assets" for ERISA purposes by reason of any such employee benefit plan or plan's investment in the entity. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice to the entity for a fee or certain affiliates of such persons) is held by Benefit Plan Investors. While there is little pertinent authority in this area and no assurance can be given, the Issuer does not intend to treat the Class A Notes, Class B Notes, Class C Notes or Class D Notes ("**ERISA-Eligible Securities**") as equity interests for the purposes of the Plan Asset Regulation as to which the look-through rule of the Plan Asset Regulation applies.

Any Notes or Certificates that are not ERISA-Eligible Securities may not be purchased or held by any Plan or other Benefit Plan Investor, and each purchaser or subsequent transferee of such Note will be deemed by such purchase or acquisition to have represented, warranted and agreed that it is not, and for so long as it holds such Note will not be, a Plan or other Benefit Plan Investor, or, if it is a governmental, church or non-U.S. plan, its acquisition, holding and transfer or other disposition of such Notes or Certificates will not result in a violation of Similar Law. Each purchaser or subsequent transferee of ERISA-Eligible Securities will be deemed by such purchase or acquisition to have represented, warranted and agreed that (i) it is not, and for so long as it holds such Note will not be, a Plan or other Benefit Plan Investor, or a governmental, church or non-U.S. plan subject to Similar Law, or (ii) its acquisition, holding and transfer or other disposition of such Notes will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of Similar Law.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the ERISA-Eligible Securities should determine whether, under the documents and instruments governing the Plan, an investment in such Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of ERISA-Eligible Securities to a Plan is in no respect a representation by the Issuer, the Paying Agent, the Registrar or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

This Prospectus is not directed to any particular investor, nor does it address the needs of any particular investor. None of the Issuer, Paying Agent, the Registrar, nor any of their affiliates has undertaken to provide impartial investment advice, or give advice in a fiduciary capacity and of these parties has or shall provide any advice or recommendation with respect to the management of any investment in the Notes or the advisability of acquiring, holding, disposing or exchanging of such Notes.

## 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. Under the intergovernmental agreement, 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 intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to 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.**

## U.S. FEDERAL INCOME TAXATION

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. Holder (as defined below). This discussion only addresses a U.S. Holder that acquires a Note at original issuance for its issue price (defined below) and that will hold the Note as a capital asset. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation:

- (a) financial institutions;
- (b) insurance companies;
- (c) dealers or traders in stocks, securities, notional principal contracts or currencies;
- (d) tax-exempt entities; regulated investment companies;
- (e) real estate investment trusts;
- (f) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- (g) entities or arrangements treated as partnerships for U.S. federal income tax purposes;
- (h) certain former citizens or residents of the United States; and
- (i) investors that have a "functional currency" other than the U.S. dollar.

This discussion also does not address alternative minimum tax or net investment income tax consequences, or the indirect effects on the holders of equity interests in holders of Notes, nor does it describe state, local, non-U.S. or other U.S. tax laws (e.g. estate and gift tax).

This discussion is based on the Code, its legislative history, existing and proposed U.S. Treasury regulations, published rulings and court decisions, all as of the date hereof and subject to change at any time, possibly with retroactive effect.

No rulings will be sought from the U.S. Internal Revenue Service (the "**IRS**") on any of the issues discussed in this section and there can be no assurance that the IRS or courts will agree with the conclusions expressed herein. Accordingly, investors are encouraged to consult their own tax advisors as to the U.S. federal income tax consequences to the investor of the purchase, ownership and disposition of the Notes to them, including the possible application of state, local, non-U.S. or other tax laws, and other U.S. tax issues affecting the transaction.

As used in this section, the term "**U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- (a) an individual who is a citizen or resident of the United States;
- (b) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia);
- (c) any estate the income of which is subject to U.S. federal income tax regardless of the source of its income; or
- (d) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

If a holder of a Note is an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Entities or arrangements treated as partnerships owning a Note and

partners in such partnerships should consult their own tax advisors as to the particular U.S. federal income tax consequences of owning and disposing of a Note.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES INCLUDING THE APPLICABILITY OF STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

#### **Characterisation of the Notes**

The Issuer will treat the Notes other than the Class Z Notes (the "**U.S. Notes**") as indebtedness for U.S. federal income tax purposes. Each beneficial owner of a U.S. Note, by acceptance of such U.S. Note, will agree to treat such U.S. Note as indebtedness for U.S. federal income tax purposes. Upon issuance of the U.S. Notes, Clifford Chance LLP will deliver an opinion to the effect that, although there is no authority regarding the treatment of instruments that are substantially similar to the U.S. Notes, when issued, the Class A Notes, the Class B Notes, the Class C Notes, and the Class D Notes will, and the Class E Notes should, be treated as debt for U.S. federal income tax purposes. This opinion is not binding on the IRS, and no assurance can be given that the characterisation of the U.S. Notes as indebtedness will prevail if the issue were challenged by the IRS. Prospective U.S. Holders of the U.S. Notes should consult their own tax advisors as to the effect of a recharacterisation of the U.S. Notes as equity interests in the Issuer, including the tax consequences of the Issuer being treated as a passive foreign investment company or a controlled foreign corporation for U.S. federal income tax purposes. Except as otherwise stated below, the remainder of this discussion assumes the U.S. Notes will be treated as indebtedness for U.S. federal income tax purposes.

The Issuer has agreed, and by its acceptance of a Class Z Note (and any other Class of Notes treated as equity for U.S. federal income tax purposes) (together, the "**Equity Notes**") each beneficial owner of an Equity Note will be deemed to have agreed, to treat the Equity Notes as equity in the Issuer for U.S. federal income tax purposes. The balance of this discussion assumes that the Equity Notes will properly be characterised as equity in the Issuer.

#### **Taxation of U.S. Holders of the U.S. Notes**

##### **Qualified Stated Interest and Original Issue Discount**

U.S. Holders of U.S. Notes generally will be required to include in gross income the U.S. dollar value of payments of "qualified stated interest" accrued or received on their U.S. Notes, in accordance with their usual method of tax accounting, as ordinary interest income. The amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in Sterling in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS. Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale, exchange or retirement of a Note) denominated in Sterling, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as U.S.-source ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

"Qualified stated interest" generally is stated interest that is unconditionally payable at least annually at a single fixed rate or certain floating rates. Interest is considered "unconditionally payable" if reasonable legal remedies exist to compel timely payment or terms and conditions of the debt instrument make the likelihood of late payment (other than late payment that occurs within a reasonable grace period) or non-payment (ignoring the possibility of non-payment due to default, insolvency or similar circumstances) a remote contingency. While interest payments on the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes (together, the "**Deferrable Notes**") that are not made on a relevant Interest Payment Date will generally be deferred ("**Deferred Interest**") until the first Interest Payment Date thereafter on which funds are available to the Issuer to fund the payment of such Deferred Interest to the extent of such available funds (See "*Terms and Conditions of the Notes – Interest – Accrual of Interest*"), the Issuer intends to take the position (to the extent it is required to take a position) that the possibility of such deferral is remote and therefore should not cause the stated interest on the Deferrable Notes to not be qualified stated interest. The remainder of this discussion assumes that the stated interest on the Class A Notes and the Deferrable Notes is properly treated as qualified stated interest. Potential investors should consult their own tax advisors as to the U.S. federal income tax consequences to them if the stated interest on the Deferrable Notes is not qualified stated interest.

If a U.S. Note is treated as issued with original issue discount ("**OID**"), a U.S. Holder must include a portion of the OID in gross income as interest in each taxable year or portion thereof in which the U.S. Holder holds the U.S. Note, generally in advance of the cash payment in respect of the OID. The amount of a U.S. Note's OID is the excess of the U.S. Note's stated redemption price at maturity over its issue price. Notwithstanding the foregoing, a U.S. Note will not be treated as issued with OID if such excess is less than 0.25 per cent. of the U.S. Note's stated redemption price at maturity, or the weighted average maturity (as determined under applicable U.S. Treasury Regulations) in the case of an instalment obligation, multiplied by the number of complete years to its maturity. Generally, the issue price of a U.S. Note is the first price at which a substantial amount of the U.S. Notes included in the issue of which such U.S. Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. In general, the stated redemption price at maturity of a U.S. Note is the total of all payments provided by the U.S. Notes that are not payments of qualified stated interest. If the discount on a U.S. Note is less than the above threshold, such discount will be treated as *de minimis* OID and generally will be included in income on a *pro rata* basis as principal payments are made on the U.S. Note. Prospective investors should consult their own tax advisors regarding the calculation of OID on the U.S. Notes.

If a U.S. Note is treated as having been issued with OID (a "**Discount Note**"), a U.S. Holder holding such Discount Note will be required to determine the accrual of OID under a method prescribed by Code Section 1272(a)(6) (the "**1272(a)(6) Method**"). Under the 1272(a)(6) Method, accruals of OID on a Discount Note will be calculated using an assumption as to the expected payments on the Discount Note. Adjustments are then made to the amount of discount accruing in each taxable year in which the actual prepayment rate differs from the prepayment assumption. The prepayment assumption is to be determined in a manner prescribed in U.S. Treasury Regulations; however, these regulations have not been issued. The legislative history states that it is intended that the prepayment assumption used to price a debt instrument will also be used to calculate the OID on such instrument. Prospective investors should consult their own tax advisors regarding the application of these rules and the impact of any prepayments under the Loans.

As an alternative to the above treatments, U.S. Holders may elect to include in gross income all interest with respect to the U.S. Notes, including stated interest, OID, *de minimis* OID and unstated interest using the method described above for OID. OID for each accrual period will be determined in Sterling and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale, exchange or retirement of a U.S. Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Interest income on the U.S. Notes will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex,

and U.S. Holders are encouraged to consult their own tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

### **Sale, exchange or retirement of the U.S. Notes**

Upon a sale, exchange or retirement of a U.S. Note, a U.S. Holder generally will recognise gain or loss equal to the difference between the amount realised and the holder's adjusted tax basis in the U.S. Note. In general, a U.S. Holder of a U.S. Note will have an adjusted tax basis in such Note equal to the cost of the U.S. Note to such holder, increased by any amounts includible in income by the holder as OID, and reduced by any payments thereon other than payments of qualified stated interest. The U.S. dollar cost of a U.S. Note purchased with Sterling generally will be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of U.S. Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realised does not include amounts attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Such gain or loss generally will be long-term capital gain or loss if the U.S. Holder has held the U.S. Note for more than one year at the time of disposition. Long-term capital gains recognised by an individual U.S. Holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations. The amount realised on a sale, exchange or retirement for an amount in Sterling will be the U.S. dollar value of this amount on the date of sale, exchange or retirement, or the settlement date for the sale, in the case of U.S. Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale, exchange or retirement of a U.S. Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the U.S. Note (i) on the date of sale, exchange or retirement and (ii) the date on which the U.S. Holder acquired the U.S. Note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement.

### **Alternative characterisation of the U.S. Notes as equity**

The IRS could seek to recharacterise the U.S. Notes as equity in the Issuer for U.S. federal income tax purposes. This recharacterisation is less likely for the Class A Notes, Class B Notes, Class C Notes, and Class D Notes than for the Class E Notes. If a class of U.S. Notes were treated as equity, the U.S. federal income tax consequences to those U.S. Holders of such class of U.S. Notes would be as described under "*Taxation of U.S. Holders of the Equity Notes*", below.

### **Taxation of U.S. Holders of the Equity Notes**

#### **Investment in a Passive Foreign Investment Company**

In general, a non-U.S. corporation will be classified as a "passive foreign investment company" ("**PFIC**") for U.S. federal income tax purposes in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either, (i) 75 per cent. or more of its gross income in a taxable year is passive income, or (ii) at least 50 per cent. of the average value of its assets is attributable to assets that are held for the production of, or produce, passive income. Passive income generally includes interest and certain capital gains.

Based on the assets that the Issuer expects to hold and the income anticipated thereon, it is highly likely that the Issuer will be classified as a PFIC for U.S. federal income tax purposes for its current taxable year and in the foreseeable future, and the remainder of this discussion so assumes. U.S. Holders of Equity Notes should assume that they will be subject to the U.S. federal income tax consequences described below that result from owning stock in a PFIC (subject to the discussion under "*U.S. Shareholders of a Controlled Foreign Corporation*", below).

A U.S. Holder who holds Equity Notes during any taxable year in which the Issuer is a PFIC and has not elected to treat the Issuer as a "qualified electing fund" (as described below), generally will be subject to adverse tax treatment.



Gain recognized on a disposition of Equity Notes by a U.S. Holder will be allocated ratably over the U.S. Holder's holding period for the Equity Notes. The amount allocated to the taxable year of the disposition will be taxed as ordinary income. The amounts allocated to each other taxable year will be taxed at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge will be imposed on the resulting tax liability. Any loss recognized on the disposition of Equity Notes will be capital loss and will be long-term capital loss if the U.S. Holder held the Equity Notes for more than one year. The deductibility of capital losses is subject to limitations. The total amount of gain or loss will equal the difference between the U.S. Holder's tax basis in the Equity Notes disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Certain U.S. Holders may recognize foreign currency gain or loss as a result of fluctuations in the foreign exchange rate between the date of the sale of the Equity Notes and the settlement date.

To the extent that any distribution received by a U.S. Holder on its Equity Notes exceeds 125 per cent. of the average of the annual distributions received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, the distribution will be subject to taxation in the same manner as gains as described in the preceding paragraph.

A U.S. Holder can avoid the interest charge and the other adverse PFIC consequences described above by making a "qualified electing fund" ("**QEF**") election to be taxed currently on its share of the PFIC's undistributed income. A U.S. Holder who makes this election must annually include in income (i) as ordinary income, its *pro rata* share of the amount of the Issuer's ordinary earnings for the taxable year; and (ii) as long-term capital gain, its *pro rata* share of the amount of the Issuer's net capital gain for the taxable year. These amounts are translated into U.S. dollars using the average exchange rate for the taxable year of the Issuer.

Amounts distributed to a U.S. Holder of an Equity Note that are paid out of the Issuer's earnings and profits which were previously included in income by a U.S. Holder generally should not be subject to tax. This amount is translated into U.S. dollars at the spot rate on the date of the distribution. To the extent the exchange rate has changed since these amounts were included in income by the U.S. Holder, the U.S. Holder generally should have ordinary income or loss. In general, a U.S. Holder of an Equity Note who has made a QEF election will recognise gain or loss upon the disposition of the Equity Note equal to the difference between the amount realised and such holder's adjusted tax basis in such Equity Note, both as determined in U.S. dollars. Initially, the tax basis of a U.S. Holder should equal the U.S. dollar amount paid for an Equity Note. Such basis will be increased by amounts taxable to such U.S. Holder by virtue of a QEF election and decreased by any amounts not subject to tax at the time of distribution. Investors should consult their own tax advisors regarding the application of these foreign currency rules to their investment in the Equity Notes.

In order to make a QEF election, a U.S. Holder must receive certain information from the Issuer. The Issuer will cause its independent accountants to provide U.S. Holders, upon request and at the expense of such U.S. Holder, with the information reasonably available to the Issuer that a U.S. Holder would need (i) with respect to a U.S. Holder of Class Z Notes, to make a QEF election.

If the Issuer is a PFIC and a U.S. Holder of an Equity Note has not made a QEF election, such U.S. Holder must file an annual return on IRS Form 8621, reporting distributions received and gains realised with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. If a U.S. Holder does not file IRS Form 8621, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year may not close before the date which is three years after the date on which such report is filed.

Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to their investment in the Equity Notes.

### **U.S. Shareholders of a Controlled Foreign Corporation**

Depending on the degree of ownership of the Equity Notes and other equity interests in the Issuer by U.S. Holders and whether the Equity Notes are treated as voting securities, the Issuer may be classified as a controlled foreign corporation ("**CFC**") for U.S. federal income tax purposes. In general, a foreign corporation is a CFC if more than 50 per cent. of the shares of the corporation, measured by reference to combined voting power or value, are owned, directly or indirectly, by "U.S. shareholders". A U.S. shareholder for this purpose is any U.S. Person that owns, or is treated as owning under specified

attribution rules, 10 per cent. or more of the combined voting power of all classes of shares of a foreign corporation. If the IRS successfully asserted that the Equity Notes should be treated as voting securities and, consequently, that U.S. Holders owning Equity Notes so treated, or any combination of such Equity Notes and other voting securities of the Issuer, that constitute 10 per cent. or more of the combined voting power of all classes of shares of the Issuer are U.S. shareholders for these purposes. Under such circumstances, if more than 50 per cent. of the Equity Notes and other voting securities of the Issuer are held by such U.S. shareholders, the Issuer would be a CFC.

If the Issuer were treated as a CFC, a U.S. shareholder of the Issuer would be treated, subject to certain exceptions, as receiving a dividend at the end of the taxable year of the Issuer in an amount equal to the U.S. shareholder's *pro rata* share of the Issuer's "subpart F income" and investments of the Issuer's earnings in U.S. property. These amounts are translated into U.S. dollars using the average exchange rate for the taxable year of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes interest, and gains from the sale of securities. It is likely that, if the Issuer were to constitute a CFC, substantially all of its income would be subpart F income.

In addition, distributions of previously taxed amounts included as dividends by a U.S. shareholder generally will not be treated as income to the U.S. shareholder when distributed. Instead, special rules apply to determine the appropriate exchange rate to be used to translate such amounts treated as a dividend and the amount of any foreign currency gain or loss with respect to distributions of previously taxed amounts attributable to movements in exchange rates between the times of deemed and actual distributions. Investors should consult their own tax advisors regarding the application of these foreign currency rules to their investment in the Equity Notes.

In general, if the Issuer were a CFC, a U.S. shareholder will recognise gain or loss upon the disposition of the Equity Note equal to the difference between the amount realised and such holder's adjusted tax basis in such Equity Note, both as determined in U.S. dollars. Initially, the tax basis of a U.S. shareholder should equal the U.S. dollar amount paid for the Equity Note. Such basis will be increased by amounts taxable to such U.S. shareholder by virtue of the CFC rules, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as a non-taxable return of capital.

If the Issuer were treated as a CFC, any gain realised by a U.S. shareholder upon the disposition of Equity Notes would be treated as ordinary income to the extent of such U.S. shareholder's *pro rata* share of current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed to the U.S. shareholder pursuant to the CFC rules. Any gain in excess of those current and accumulated earnings and profits generally will be long-term capital gain or loss if the U.S. shareholder held the Equity Notes for more than one year at the time of the disposition. In certain circumstances, U.S. shareholders who are individuals may be entitled to preferential treatment for net long-term capital gains, but the ability of U.S. shareholders to offset capital losses against ordinary income is limited.

If the Issuer were a CFC, for the period during which a U.S. Holder of Equity Notes is a U.S. shareholder of the Issuer, such holder generally would be taxable on the Issuer's subpart F income and investments of the Issuer's earnings in U.S. property under rules described in the preceding paragraphs and not under the PFIC rules previously described. A U.S. Holder that is a U.S. shareholder of the Issuer subject to the CFC rules for only a portion of the time during which it holds Equity Notes should consult its own tax advisor regarding the interaction of the PFIC and CFC rules.

### **Distributions on the Equity Notes**

Subject to the PFIC rules and the CFC rules above, distributions (including deemed distributions on preferred stock described below) generally will be treated as dividends for U.S. federal income tax purposes to the extent they are made out of the Issuer's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted basis in the Equity Notes and thereafter as gain from the sale or other disposition of the Equity Notes. Because the Issuer is not expected to calculate its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. holders as ordinary dividend income. Dividends will not be eligible for the dividends received deduction generally available to U.S. corporations under the Code. In light of the discussion in "*Investments in a Passive Foreign*

*Investment Company*" above, non-corporate U.S. Holders should expect that dividends will not constitute "qualified dividend income" eligible for preferential tax rates. Distributions paid in Sterling generally will be translated into U.S. dollars by reference to the exchange rate in effect on the day the distribution is received by the U.S. Holder, regardless of whether the distribution is converted to U.S. dollars at that time.

The Equity Notes may be considered "preferred stock" for U.S. federal income tax purposes. "**Preferred stock**" generally refers to stock (including debt securities treated as stock for U.S. federal income tax purposes) which, in relation to other classes of stock outstanding, enjoys certain limited rights and privileges (generally associated with specified dividend and liquidation priorities) and does not participate in corporate growth to any significant extent. Subject to the discussion of the PFIC rules and CFC rules above, if the Equity Notes are treated as preferred stock and the issue price of an Equity Note is less than its principal amount, the difference (the "**Redemption Premium**") generally is treated as a constructive distribution (or series of constructive distributions) of additional stock on preferred stock to the U.S. Holder that is taken into account under principles similar to the OID rules discussed above under "*Taxation of the U.S. Holders of U.S. Notes – Qualified Stated Interest and Original Issue Discount.*" However, this general rule does not apply if the Redemption Premium does not exceed a *de minimis* amount, as determined under the OID rules discussed above under "*Taxation of the U.S. Holders of U.S. Notes – Qualified Stated Interest and Original Issue Discount.*" U.S. Holders should consult their own tax advisors regarding the application of the preferred stock OID rules to their investment in the Equity Notes.

#### **Back-up withholding and information reporting or other reporting requirements**

Payments of principal, and interest on, and the proceeds of sale or other disposition of Notes, as well as dividends and other proceeds with respect to Equity Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury Regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets".

In general, U.S. Holders that acquire Notes for cash may be required to file IRS Form 926 and to supply certain additional information to the IRS if (i) such U.S. Holder owns (directly or indirectly) immediately after the transfer, at least 10 per cent. by vote or value of the Issuer or (ii) the transfer when aggregated with all related transfers under applicable U.S. Treasury regulations exceeds \$100,000. In addition, a U.S. Holder of Equity Notes that owns (actually or constructively) at least 10 per cent. by vote or value of the Issuer may be required to file an information return on IRS Form 5471. A U.S. Holder of Equity Notes generally is required to provide additional information regarding the Issuer annually on IRS Form 5471 if it owns (actually or constructively) more than 50 per cent. (by vote or value) of the equity of the Issuer.

Prospective investors in the Equity Notes should consult with their own tax advisors regarding whether they are required to file IRS Form 8886 in respect of this transaction. Such filing generally will be required if such investors file U.S. federal income tax returns or U.S. federal information returns and recognise losses in excess of a specified threshold. Such filing will also generally be required by a U.S. Holder of the Equity Notes if the Issuer both participates in certain types of transactions that are treated as "reportable transactions", such as a transaction in which its loss exceeds a specified threshold, and either (x) such U.S. Holders owns 10 per cent. or more of the aggregate amount of the Equity Notes and makes a QEF election with respect to the Issuer or (y) the Issuer is treated as a CFC and such U.S. Holder is a U.S. shareholder of the Issuer. If the Issuer does participate in a reportable transaction, it will make reasonable efforts to make such information available. Significant penalties may be imposed on taxpayers required to file IRS Form 8886 that fail to do so timely.

## SUBSCRIPTION AND SALE

The Joint Lead Managers, the Co-Manager and the Seller (or a majority-owned affiliate) have, pursuant to a subscription agreement dated on or about the date of this Prospectus amongst the Seller, the Co-Arrangers, the Joint Lead Managers, the Co-Manager 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 on the Closing Date:

- (a) in the case of the Joint Lead Managers and Co-Manager:
  - (i) £732,500,000 of the Class A1 Notes at the issue price of 99.7456 per cent. of the aggregate principal amount of the Class A1 Notes;
  - (ii) £50,000,000 of the Class A2 Notes at the issue price of 98.9787 per cent. of the aggregate principal amount of the Class A2 Notes;
  - (iii) £52,500,000 of the Class B Notes at the issue price of 97.3989 per cent. of the aggregate principal amount of the Class B Notes; and
  - (iv) £15,700,000 of the Class C Notes at the issue price of 95.9924 per cent. of the aggregate principal amount of the Class C Notes; and
- (b) in the case of the Seller (or majority-owned affiliate):
  - (i) £21,800,000 of the Class C Notes at the issue price of 95.9924 per cent. of the aggregate principal amount of the Class C Notes;
  - (ii) £37,500,000 of the Class D Notes at the issue price of 91.7822 per cent. of the aggregate principal amount of the Class D Notes;
  - (iii) £22,500,000 of the Class E Notes at the issue price of 85.7205 per cent. of the aggregate principal amount of the Class E Notes; and
  - (iv) £67,500,000 of the Class Z Notes at the issue price of 70.5189 per cent. of the aggregate principal amount of the Class Z Notes.

The Issuer will also issue the Certificates in the form of Rule 144A Global Certificates to the Retention Holder on the Closing Date.

The Issuer has agreed to indemnify the Seller, the Co-Manager, the Joint Lead Managers and the Co-Arrangers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co International plc and Wells Fargo Securities, LLC will subscribe for the Rule 144A Global Notes on a several but not joint basis. Each of Merrill Lynch International, Morgan Stanley & Co International plc and Wells Fargo Securities International Limited will subscribe for the Notes offered pursuant to Regulation S on a joint and several basis.

Other than admission of the Notes to the official list of the Irish Stock Exchange and admission to trading on its regulated market, no action has been taken by the Issuer, the Co-Arrangers, the Joint Lead Managers, the Co-Manager, CHL, the Co-Sponsor or the Seller, 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.

### Offers and Sales

The Notes and the Certificates (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities

Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below. Neither the Issuer nor any other person is required to register or qualify the Notes or the Certificates or to provide registration rights to any investor therein. The Notes and the Certificates are initially being offered and sold to U.S. Persons who are QIBs (each for itself or for the account or benefit of other QIBs) pursuant to Rule 144A and outside the United States to persons other than U.S. Persons pursuant to Regulation S.

The Notes and the Certificates may not be reoffered, resold, pledged or otherwise transferred except, subject to the restrictions on transfer described herein, (A) (i) to a person whom the transferor reasonably believes is a QIB in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, or (ii) to a non-U.S. Person in accordance with Rule 903 or 904 of Regulation S, and (B) in accordance with all applicable securities laws of any state of the United States or other applicable jurisdiction. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act.

Ownership of interests in Regulation S Global Notes and Regulation S Global Certificates will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg, and any sale or transfer of such interests to U.S. Persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A as described in "*Description of the Notes in Global Form – Transfers and Transfer Restrictions*". Any offers, sales or deliveries of Notes or Certificates to U.S. Persons by an investor holding such Notes or Certificates in the form of Regulation S Global Note or Regulation S Global Certificate may, except as described in "*Description of the Notes in Global Form – Transfers and Transfer Restrictions*" and "*Description of the Certificates– Transfers and Transfer Restrictions*", constitute a violation of United States law.

#### **Investor Representations and Restrictions on Resale**

Each purchaser of the Notes and the Certificates (which term for the purposes of this section will be deemed to include any interests in the Notes or Certificates, as applicable, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) it understands that the Notes or Certificates, as applicable, are only being offered in a transaction that does not require registration under the Securities Act and the Notes and Certificates have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred to, for the account or benefit of, U.S. Persons except in accordance with the restrictions described below;
- (b) (i) in the case of the Rule 144A Global Notes and the Rule 144A Global Certificates, it is a QIB and is acquiring such Notes or Certificates, as applicable, for its own account or as a fiduciary or agent for others (which others must also be QIBs) for investment purposes and not for distribution in violation of the Securities Act, it is able to bear the economic risk of an investment in such Notes or Certificates, as applicable, and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes or Certificates, as applicable, and it is aware, and each beneficial owner of such Notes or Certificates, as applicable, has been advised, that the sale of such Notes or Certificates, as applicable, is being made in reliance on Rule 144A; or (ii) in the case of the Regulation S Global Note or a Regulation S Global Certificate, it is not a U.S. Person (within the meaning of Regulation S) and is acquiring such Notes or Certificates, as applicable, in an "offshore transaction" (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S;
- (c) it understands that the Issuer has not been registered under the Investment Company Act;
- (d) if it decides to resell or otherwise transfer Rule 144A Global Notes or the Rule 144A Global Certificates, as applicable, then it agrees that it will resell or transfer such Notes or Certificates, as applicable, only: (A) to the Issuer; (B) so long as such Notes or Certificates, as applicable, are eligible for resale pursuant to Rule 144A or another exemption from registration under the Securities Act, to a person whom it reasonably believes is a QIB acquiring the Rule 144A Global Notes or the Rule 144A Global Certificates, as applicable, for its own account, or as a fiduciary

or agent for others (which others must also be QIBs), to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act; or (C) to a non-U.S. Person acquiring the Notes or Certificates, as applicable, in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with all applicable securities laws of any state of the United States or other jurisdiction, **provided, that** the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;

- (e) it will, and will require each subsequent holder to, notify any purchaser of the Notes or Certificates, as applicable, from it of the resale restrictions referred to in paragraph (d) above, if then applicable;
- (f) each purchaser and subsequent transferee of any ERISA-Eligible Security will be deemed by such purchase or acquisition to have represented, warranted and agreed for so long as it holds such Note that (A) it is not and will not be, a Plan or other Benefit Plan Investor or, if it is a governmental, church or non-U.S. plan which is subject to any federal, state, local or other law that is substantially Similar Law or (B) its acquisition, holding and transfer or other disposition of such Note will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law;
- (g) each purchaser and subsequent transferee of any Notes or Certificates that are not an ERISA-Eligible Security will be deemed by such purchase or acquisition of any such Note or Certificate, as applicable, to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Note or Certificate, as applicable, through and including the date on which the purchaser or transferee disposes of such Note or Certificate, as applicable, that it is not and will not be a Plan and that in purchasing and holding such Note or Certificate, as applicable, it is not and will not be acting on behalf of a Plan or using assets of a Plan, and, if it is a governmental, church or non-U.S. plan, its acquisition, holding and transfer or other disposition of such Notes or Certificates, as applicable will not result in a violation of Similar Law;
- (h) it understands that the Notes and Certificates offered in reliance on Rule 144A will be represented by the Rule 144A Global Notes or Rule 144A Global Certificates, as applicable. Before any interest in the Rule 144A Global Note or Rule 144A Global Certificates, as applicable, may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note or Regulation S Global Certificates, as applicable, it will be required to provide a transfer agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws;
- (i) each purchaser also understands that the Notes or the Certificates, as applicable, offered in reliance on Regulation S will be represented by the Regulation S Global Notes or Regulation S Global Certificates, as applicable. Before any interest in the Regulation S Global Note or Regulation S Global Certificates, as applicable may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note or Regulation S Global Certificates, as applicable, it will be required to provide a transfer agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws; and
- (j) it understands that the Issuer, the Registrar, the Co-Arrangers, the Co-Manager and Co-Sponsor and their affiliates and others will rely upon the truth and accuracy of the acknowledgments, representations and agreements contained in this section. If it is acquiring any Notes or Certificates for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

**United Kingdom**

Each of the Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Seller 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 Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Seller 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 of the Irish Stock Exchange and admission to trading on its regulated market, no further action has been or will be taken in any jurisdiction by the Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Seller, the Co-Sponsors 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**

Each of the Co-Arrangers, Joint Lead Managers and the Co-Manager have acknowledged that any Notes that are not ERISA-Eligible Securities are not designed for, and may not be purchased or held by, any "employee benefit plan" subject to Section 406 of ERISA, or any "plan" as defined in and subject to Section 4975 of the Code, or by any person any of the assets of which are, or are deemed for purposes of ERISA or Section 4975 of the Code to be, assets of such an "employee benefit plan" or "plan" and each purchaser of such Note will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds such Note will not be, such an "employee benefit plan", "plan" or person.

Each of the Co-Arrangers and Joint Lead Managers and the Co-Manager have acknowledged, in the Subscription Agreement, that the Notes and the Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and therefore may not be offered or sold, directly or indirectly, to, or for the account or benefit of, U.S. Persons except, with respect to the Rule 144A Global Notes only, to persons that are QIBs (each for its own account or the account or benefit of other QIBs) in reliance on Rule 144A in accordance with any applicable laws of any state within the United States or any other jurisdiction, or federal securities laws. In addition, the Notes cannot be resold in the United States, or outside of the United States to U.S. Persons, except in accordance with the applicable transfer restrictions described herein.

In connection with any Regulation S Global Note, each of the Co-Arrangers, each of the Joint Lead Managers and the Co-Manager have agreed that with respect to the relevant Regulation S Global Note for which it has subscribed that it will not offer or sell the Regulation S Global Note as part of their distribution at any time or otherwise within the United States or to, or for the account or benefit of, U.S. Persons, except in accordance with Rule 903 or 904 of Regulation S. Each Co-Arranger, the Co-Manager and each Joint Lead Manager has further agreed that it will have sent to each affiliate or person receiving a selling commission, fee or other remuneration that purchases Regulation S Global Note from it (other than resales pursuant to Rule 144A in compliance with the applicable transfer restrictions described herein) a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Global Note within the United States or to, or for the account or benefit of, U.S. Persons.

In addition, an offer or sale of the Notes within the United States by the Co-Arrangers, any Joint Lead Managers, or the Co-Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than to QIBs in compliance with Rule 144A or pursuant to another exemption from the registration requirements under the Securities Act.

In connection with any Rule 144A Global Notes, each of the Co-Arranger and each Joint Lead Managers or the Co-Manager have agreed that with respect to the relevant Rule 144A Global Notes for which it has

subscribed, it will directly or through its U.S. broker-dealer affiliates arrange for the offer and resale of Notes only to QIBs in reliance on Rule 144A and each purchaser of Notes is hereby notified that the Co-Arrangers, the Co-Sponsors, the Co-Managers and the Joint Lead Managers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Rule 144A Global Notes is £250,000. To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as restricted securities within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

The Issuer, the Co-Arrangers and the Joint Lead Managers, the Co-Sponsors and the Co-Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. Person, other than any QIB to whom an offer has been made directly by the Co-Arrangers, a Joint Lead Manager, the Co-Sponsors and the Co-Managers or, in each case, its U.S. broker-dealer affiliate. Distribution of this Prospectus to any U.S. Person, other than a QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised and prohibited, and any disclosure without the prior written consent of the Issuer of any of its contents to any U.S. Person, other than a QIB and those persons, if any, retained to advise such QIB, is prohibited.

Each of the Co-Arrangers, Joint Lead Managers, the Co-Sponsors and the Co-Managers have acknowledged that Regulation S Global Note may not be purchased or held by any Benefit Plan Investor (as defined in the Plan Asset Regulation, as modified by Section 3(42) of ERISA) and each purchaser of any such Note will be deemed to have represented, warranted and agreed, for so long as it holds such Note that it is not and will not be, such a Benefit Plan Investor.

#### **Ireland**

Each of the Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Seller 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 of Ireland; 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 of Ireland.

#### **European Economic Area**

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Co-Arrangers, the Issuer, the Joint Lead Managers, the Co-Manager and the Seller 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, the Co-Manager 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.

#### **Prohibition of Sales to EEA Retail Investors**

The Joint Lead Managers and the Co-Manager have each represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) from the date of application of the PRIIPs Regulation, a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) from the date of application of the PRIIPs Regulation, a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospective Directive; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes.

#### **General**

Other than admission of the Notes and the Certificates to the official list of the Irish Stock Exchange, no action has been taken by the Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Seller, the Co-Sponsors and the Issuer that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Co-Arrangers, the Joint Lead Managers, the Co-Manager, the Seller and the Issuer has undertaken that it will not, directly or indirectly, offer or sell any Notes or Certificates 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 or the Certificates 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.

#### **Legends on Global Notes and Global Certificates**

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Regulation S Global Note and Regulation S Global Certificate (*mutatis mutandis*) will bear a legend substantially as set forth below:

NEITHER THIS [NOTE][CERTIFICATE] NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR

THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "**INVESTMENT COMPANY**" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

ANY TRANSFER OF THIS [NOTE][CERTIFICATE] MAY ONLY BE MADE: (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR (B) TO OR FOR THE ACCOUNT OR BENEFIT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")). ANY PURPORTED TRANSFER OF THIS [NOTE][CERTIFICATE] THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

TRANSFERS OF THIS [NOTE][CERTIFICATE] SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE COMMON DEPOSITARY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS [NOTE][CERTIFICATE] SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ANY APPLICABLE REGULATIONS.

[INSERT FOR NON ERISA ELIGIBLE [NOTES][CERTIFICATES]]

BY ITS ACQUISITION AND HOLDING OF THIS [NOTE][CERTIFICATE] EACH HOLDER OF THIS [NOTE][CERTIFICATE] OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS [NOTE][CERTIFICATE] WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "**EMPLOYEE BENEFIT PLAN**" WHICH IS SUBJECT TO SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") OR A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (II) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR OTHER LAW OF THE UNITED STATES OR OTHER JURISDICTION THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (III) AN ENTITY ("**PLAN ASSET ENTITY**") WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE, OR ANY SIMILAR LAW TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY; OR (B) IT IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR PLAN ASSET ENTITY, THAT IS NOT SUBJECT TO ERISA OR SECTION 4975 OF THE CODE AND IS SUBJECT TO SIMILAR LAW, AND THE ACQUISITION, HOLDING AND DISPOSITION OF THIS [NOTE][CERTIFICATE] OR ANY INTEREST HEREIN DOES NOT AND WILL NOT VIOLATE ANY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS [NOTE][CERTIFICATE] THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

[INSERT FOR ERISA ELIGIBLE NOTES]

EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (II) AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (III) AN ENTITY ("**PLAN ASSET ENTITY**") WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY; OR (B) THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Rule 144A Global Note and each Rule 144A Global Certificate (*mutatis mutandis*) will bear a legend substantially as set forth below:

NEITHER THIS [NOTE][CERTIFICATE] NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "**INVESTMENT COMPANY**" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

THE HOLDER OF THIS [NOTE][CERTIFICATE] AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS [NOTE][CERTIFICATE] MAY BE (A) OFFERED AND SOLD ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, AND (B) RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, ACTING FOR THEIR OWN ACCOUNT, OR FOR THE ACCOUNT OR BENEFIT OF ONE OR MORE QIBS, IN RELIANCE ON RULE 144A OR ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, OR (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS [NOTE][CERTIFICATE] FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. ANY PURPORTED TRANSFER OF THIS [NOTE][CERTIFICATE] THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

UNLESS THIS [NOTE][CERTIFICATE] IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG (THE COMMON DEPOSITARY) TO THE REGISTRAR OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY [NOTE][CERTIFICATE] ISSUED IS REGISTERED IN THE NAME OF SUCH ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON DEPOSITARY OR SUCH OTHER REPRESENTATIVE OF THE COMMON DEPOSITARY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO SUCH ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

TRANSFERS OF THIS [NOTE][CERTIFICATE] SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO SUCH NOMINEES OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS [NOTE][CERTIFICATE] SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ANY APPLICABLE REGULATIONS.

[INSERT FOR NON ERISA ELIGIBLE [NOTES][CERTIFICATES]]

BY ITS ACQUISITION AND HOLDING OF THIS [NOTE][CERTIFICATE], EACH HOLDER OF THIS [NOTE][CERTIFICATE] OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS [NOTE][CERTIFICATE] WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN

"**EMPLOYEE BENEFIT PLAN**" WHICH IS SUBJECT TO SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") OR A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (II) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR OTHER LAW OF THE UNITED STATES OR OTHER JURISDICTION THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (III) AN ENTITY ("**PLAN ASSET ENTITY**") WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE, OR ANY SIMILAR LAW TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY; OR (B) IT IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR PLAN ASSET ENTITY, THAT IS NOT SUBJECT TO ERISA OR SECTION 4975 OF THE CODE AND IS SUBJECT TO SIMILAR LAW, AND THE ACQUISITION, HOLDING AND DISPOSITION OF THIS [NOTE][CERTIFICATE] OR ANY INTEREST HEREIN DOES NOT AND WILL NOT VIOLATE ANY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS [NOTE][CERTIFICATE] THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

[INSERT FOR ERISA ELIGIBLE NOTES]

EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (II) AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (III) AN ENTITY ("**PLAN ASSET ENTITY**") WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY; OR (B) THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THE [NOTES][CERTIFICATES] MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND AND NOT OTHERWISE DEFINED HEREIN, HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

Because of the foregoing restrictions, purchasers of Notes or the Certificates, as applicable, are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

## LISTING AND GENERAL INFORMATION

- (a) It is expected that the admission of the Notes to the official list of the Irish Stock Exchange and the admission of the Notes to trading on its regulated market will be granted on or about 21 February 2017.
- (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 the date of their respective incorporation 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 Issuer are KPMG LLP which is a member of the Institute of Chartered Accountants in England and Wales. 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) For so long as the Notes are admitted to the official list of the Irish Stock Exchange, the Issuer shall maintain a Paying Agent in the United Kingdom.
- (e) The financial year end of the Issuer is 31 December. The first statutory accounts of the Issuer will be prepared for the period ending 31 December 2017.
- (f) The Issuer does not publish interim accounts.
- (g) Since 23 December 2016 (being the date of incorporation), 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.
- (h) Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
- (i) The issue of the Notes and the Certificates was authorised pursuant to a resolution of the board of directors of the Issuer passed on or about 13 February 2017.
- (j) The following Notes and Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

Class	Regulation S ISIN	Regulation S Common Code	Rule 144A ISIN	Rule 144A Common Code
<b>Notes</b>				
A1 .....	XS1564404934	156440493	XS1564445374	156444537
A2 .....	XS1564405402	156440540	XS1564445531	156444553
B .....	XS1564405824	156440582	XS1564445887	156444588
C .....	XS1564406046	156440604	XS1564446000	156444600
D .....	XS1564406129	156440612	XS1564446182	156444618
E .....	XS1564406475	156440647	XS1564446349	156444634
Z .....	XS1564406715	156440671	XS1564446422	156444642
<b>Certificates</b>				
SDC.....	XS1567162190	156716219	XS1567182115	156718211
DC1.....	XS1567162356	156716235	XS1567182388	156718238
DC2.....	XS1567164642	156716464	XS1567182545	156718254

- (k) 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.

- (l) The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, among other things, 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 CHL and the Rating Agencies. In addition, loan level information will be provided on a monthly 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 Certificates or the Mortgage Loans.
- (m) The Issuer confirms that the Mortgage Loans backing the issue of the Notes and the 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 Certificates. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
- (n) The total expenses to be paid in relation to admission of the Notes to the official list of the Irish Stock Exchange and trading on the regulated market of the Irish Stock Exchange are estimated to be approximately €6,500.

## GLOSSARY

"Account Bank Agreement"	means the agreement so named dated on or about the Closing Date between the Issuer, the Legal Title Holder, the Seller, the Cash Manager, the Issuer Account Bank and the Trustee.
"Accrued Interest"	means as at any date of determination 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 such date of determination) which has accrued (but is not yet due and payable) from and including the Monthly Payment Date immediately prior to such date of determination to and including that date of determination.
"Additional Interest"	means the interest which accrues on Deferred Required Interest and Deferred Net WAC Additional Amounts pursuant to Condition 8 ( <i>Interest</i> ).
"Agency Agreement"	means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee.
"Agents"	means the Agent Bank, the Paying Agents and the Registrar (or any successors duly appointed) and " <b>Agent</b> " means any one of them.
"Aggregate Expense Fee Rate"	means 0.25 per cent. per annum.
"Aggregate Trustee Amount"	means the sum of all prior Senior Trustee Fees paid during any preceding Interest Payment Date in the current Trustee Year.
"AIFMD"	means the Alternative Investment Fund Managers Directive.
"AIFMR"	means Regulation (European Union) No 231/2013.
"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.
"Applicable Compensation Fee Cap"	means, in relation to a party or parties, (A) the Compensation Fee Cap less the Senior Trustee Fee multiplied by (B) the Relevant Percentage of that party or parties.
"Applicable Servicer Compensation Cap"	means, in relation to a Party, (A) the Servicer Compensation Cap multiplied by (B) the SFC Relevant Percentage of that party.
"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 of determination 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 <ul style="list-style-type: none"><li>(a) Sterling gilt-edged securities; and</li><li>(b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),</li></ul>

**provided that** in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and either:

- (i) such investments (A) have a maturity date of 60 days (or 30 days in relation to Fitch) or less and mature before the next following Interest Payment Date or within 60 days (or 30 days in relation to Fitch), whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 60 days, whichever is sooner, and (C) are rated at least AA (low) or R-1 (middle) by DBRS, P-1 by Moody's (and A2 (long term) by Moody's if the investments have a long-term rating) F1 by Fitch (or A by Fitch if the investments have a long-term rating) and A-1 by S&P; or
- (ii) such investments (A) have a maturity date of 90 days (or more than 30 days, but no more than 365 days in relation to Fitch) or less and mature before the next following Interest Payment Date or within 90 days (or more than 30 days, but no more than 365 days in relation to Fitch), whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 90 days, whichever is sooner, and (C) are rated at least AA (low) or R-1 (middle) by DBRS, P-1 by Moody's (and A2 (long term) by Moody's if the investments have a long-term rating), F1+ by Fitch (or AA- by Fitch if the investments have a long-term rating) and A-1+ by S&P,

**provided that**, for the avoidance of doubt, where such investments would be in a money market fund or would result in the recharacterisation of the Notes or any transaction as a "re-securitisation" or a "synthetic securitisation" as defined in Articles 4(63) and 242(11), respectively, of Regulation (European Union) No 575/2013 (as amended and/or supplemented from time to time), such investments shall not qualify as "**Authorised Investments**".

**"Availability Period"**

means the period from and including the Closing Date to and including the date which is the earliest of:

- (a) the date falling 364 days after the Closing Date, subject to any extension made under the terms of the Liquidity Facility Agreement;
- (b) the Class A Redemption Date;
- (c) the Final Maturity Date; and
- (d) the date on which the Commitment is cancelled in full.



**"Available Principal Receipts"**

means for any Interest Payment Date (without double counting):

- (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 (8) and/or (10) and/or (12) and/or (14) and/or (16) and/or (18) and/or (20) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date; and
- (c) any amount to be applied as Available Principal Receipts in accordance with Condition 8.14(c)(i),

*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 any Interest Payment Date (without double counting):

- (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 8.14(c)(i) on the relevant Interest Payment Date);
- (b) interest payable to the Issuer on the Deposit Account (including in respect of any Liquidity Standby Drawings credited to the Deposit Account) and income from any Authorised Investments received during the three immediately preceding Collection Periods;
- (c) (A) prior to the LF Cancellation Date, any Liquidity Drawing (where for the avoidance of doubt, "Liquidity Drawing" does not include any Liquidity Standby Drawing) and (B) on and from the FORD, the Liquidity Reserve Fund Actual Amount, but only to the extent necessary (after applying all other Available Revenue Receipts and any Principal Addition Amounts to do so (assuming for the purpose of this paragraph (c) that this paragraph (c) had not applied)) to make payments in the Pre-Enforcement Revenue Priority of Payments to the extent there is a shortfall to meet items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments. If the LF Cancellation Date has not yet occurred (but the FORD has) the Liquidity Reserve Fund Actual Amount will be applied first before any Liquidity Drawing is made;
- (d) Principal Addition Amounts to be applied as Available Revenue Receipts (prior to the application of Liquidity Drawings and the Liquidity Reserve Fund Actual Amount in accordance with paragraph (c) above and amounts standing to the credit of the Excess Cashflow Reserve Fund in accordance with paragraph (e) below) to pay any PAA Deficit:

- (e) amounts standing to the credit of the Excess Cashflow Reserve Fund up to (and including) the earlier of the Class E Redemption Date and the Final Maturity Date, but only to the extent necessary (after applying all other Available Revenue Receipts and any Principal Addition Amounts to do so (assuming for the purpose of this paragraph (e) that this paragraph (e) had not applied)) to pay items (11), (13), (15) and (17) of the Pre-Enforcement Revenue Priority of Payments;
- (f) any amounts standing to the credit of the SDC Ledger;
- (g) any amount applied as Available Revenue Receipts in accordance with Condition 8.14(c)(ii); and
- (h) other net income of the Issuer received during the three immediately preceding Collection Periods (other than any Principal Receipts),

*less:*

- (i) Permitted Withdrawals.

**"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 Servicing Agreement"**

means the agreement so named dated on or about the Closing Date between the Back-Up Servicer, the Servicer, the Seller, the Legal Title Holder, the Back-Up Servicer Facilitator, 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.

<b>"Borrower"</b>	means, in relation to a Mortgage Loan, the individual or individuals, or a corporate 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.
<b>"Breach of Duty"</b>	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).
<b>"Buildings Insurance Policies"</b>	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 <b>"Buildings Insurance Policy"</b> .
<b>"BUS Post-SFC Amount"</b>	means the applicable BUS Original Amount less the applicable BUS Excess Amount (on the basis that only the Applicable Servicer Compensation Cap applied and ignoring the Applicable Compensation Fee Excess Amount of the Back-Up Servicer).
<b>"Business Day"</b>	means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London.
<b>"Calculated Principal Receipts"</b>	means, in respect of any Determination Period, the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period.
<b>"Calculated Revenue Receipts"</b>	means, in respect of any Determination Period, as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period.
<b>"Calculation Date"</b>	means, in relation to an Interest Payment Date, the third Business Day prior to such Interest Payment Date.
<b>"Capital Balance"</b>	means in respect of a Mortgage Loan at any date the principal balance of that Mortgage Loan.
<b>"Capitalised Arrears"</b>	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.

<b>"Capitalised Expenses"</b>	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.
<b>"Carryforward Interest"</b>	means for any Interest Payment Date and for each Class of Notes (other than the Class Z Notes) will equal, for any Interest Payment Date, the amount, if any, by which (1) the sum of (x) Net WAC Additional Amounts for that Class for that Interest Payment Date and (y) any unpaid Carryforward Interest from previous Interest Payment Dates exceeds (2) the amount distributed in respect of Net WAC Additional Amounts on that Class on that Interest Payment Date.
<b>"Cash Management Agreement"</b>	means the 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).
<b>"Certificate Conditions"</b>	means, in relation to the Certificates, the terms and conditions to be endorsed on the Certificates in, or substantially in, the form set out in Schedule 4 ( <i>Form of Definitive Certificate</i> ) to the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Certificate Condition shall be construed accordingly.
<b>"Certificate of Title"</b>	means a solicitor's or licensed conveyancer's report or certificate of title obtained by or on behalf of CHL in respect of each Property substantially in the form of the <i>pro-forma</i> set out in the Standard Documentation.
<b>"Certificate Payment"</b>	means each of the SDC Payment and DC1 Payment.
<b>"Certificate Payment Amount"</b>	means, for a Class of Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Certificate Payment in respect of the relevant Class for that date, divided by the number of Certificates of the relevant Class then in issue.
<b>"Certificates Event of Default"</b>	means any one of the events specified in Certificate Condition 11 ( <i>Certificates Events of Default</i> ).
<b>"Charged Accounts"</b>	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.
<b>"Charged Property"</b>	means all the property of the Issuer which is subject to the Security.
<b>"Charges"</b>	means the security granted (by way of deposit) by the Borrowers, in favour of the Legal Title Holder, in respect of any Life Policies for the payment of the Mortgage Loans.
<b>"CHL Standard Variable Rate"</b>	means a variable rate of interest set by CHL from time to time.
<b>"Class"</b>	means a respective class of Notes or Certificates.
<b>"Class A Redemption Date"</b>	means the date on which the Class A Notes are redeemed in full.

<b>"Class A1 Global Note"</b>	means the Rule 144A or Regulation S global note (as the context may require) in fully registered form without interest coupons or principal receipts attached, representing the Class A1 Notes.
<b>"Class A1 Noteholders"</b>	means the persons who for the time being are the holders of the Class A1 Notes.
<b>"Class A1 Principal Deficiency Sub-Ledger"</b>	means the sub-ledger of the Principal Deficiency Ledger relating to the Class A1 Notes.
<b>"Class A2 Global Note"</b>	means the Rule 144A or Regulation S global note (as the context may require) in fully registered form without interest coupons or principal receipts attached, representing the Class A2 Notes.
<b>"Class A2 Noteholders"</b>	means the persons who for the time being are the holders of the Class A2 Notes.
<b>"Class A2 Principal Deficiency Sub-Ledger"</b>	means the sub-ledger of the Principal Deficiency Ledger relating to the Class A2 Notes.
<b>"Class A2 Trigger"</b>	means on any Interest Payment Date either: <ul style="list-style-type: none"> <li>(A) the cumulative aggregate Current Balance as at the time of repossession of all Mortgage Loans in the Mortgage Portfolio whose property has been repossessed since the Cut-off Date becomes greater than 30 per cent. of the Current Balance as at the Cut-off Date of all Mortgage Loans in the Mortgage Portfolio; or</li> <li>(B) a debit entry subsists on the Class A2 Principal Deficiency Ledger that has not been otherwise eliminated in accordance with the applicable Priority of Payments.</li> </ul>
<b>"Class B Global Note"</b>	means the Rule 144A or Regulation S global note (as the context may require) in fully registered form without interest coupons or principal receipts attached, representing the Class B Notes.
<b>"Class B Net WAC Additional Amount"</b>	means the Net WAC Additional Amount where determined for the Class B Notes.
<b>"Class B Noteholders"</b>	means the persons who for the time being are the holders of the Class B Notes.
<b>"Class B Principal Deficiency Sub-Ledger"</b>	means the sub-ledger of the Principal Deficiency Ledger relating to the Class B Notes.
<b>"Class C Global Note"</b>	means the Rule 144A or Regulation S global note (as the context may require) in fully registered form without interest coupons or principal receipts attached, representing the Class C Notes.
<b>"Class C Net WAC Additional Amount"</b>	means the Net WAC Additional Amount where determined for the Class C Notes.
<b>"Class C Noteholders"</b>	means the persons who for the time being are the holders of the Class C Notes.
<b>"Class C Principal Deficiency Sub-Ledger"</b>	means the sub-ledger of the Principal Deficiency Ledger relating to the Class C Notes.
<b>"Class D Global Note"</b>	means the Rule 144A or Regulation S global note (as the context may require) in fully registered form without interest coupons or principal receipts attached, representing the Class D Notes.

<b>"Class D Net WAC Additional Amount"</b>	means the Net WAC Additional Amount where determined for the Class D Notes.
<b>"Class D Noteholders"</b>	means the persons who for the time being are the holders of the Class D Notes.
<b>"Class D Principal Deficiency Sub-Ledger"</b>	means the sub-ledger of the Principal Deficiency Ledger relating to the Class D Notes.
<b>"Class E Global Note"</b>	means the Rule 144A or Regulation S global note (as the context may require) in fully registered form without interest coupons or principal receipts attached, representing the Class E Notes.
<b>"Class E Net WAC Additional Amount"</b>	means the Net WAC Additional Amount where determined for the Class E Notes.
<b>"Class E Noteholders"</b>	means the persons who for the time being are the holders of the Class E Notes.
<b>"Class E Principal Deficiency Sub-Ledger"</b>	means the sub-ledger of the Principal Deficiency Ledger relating to the Class E Notes.
<b>"Class E Redemption Date"</b>	means the date on which the Class E Notes are redeemed in full.
<b>"Class Z Global Note"</b>	means the Rule 144A or Regulation S global note (as the context may require) in fully registered form without interest coupons or principal receipts attached, representing the Class Z Notes.
<b>"Class Z Noteholders"</b>	means the persons who for the time being are the holders of the Class Z Notes.
<b>"Class Z Principal Deficiency Sub-Ledger"</b>	means the sub-ledger of the Principal Deficiency Ledger relating to the Class Z Notes.
<b>"Clearing Systems"</b>	means Clearstream, Luxembourg and Euroclear.
<b>"Closing Date"</b>	means 21 February 2017, or such other date as the Issuer, the Co-Sponsors, the Joint Lead Managers, the Co-Manager and the Seller may agree.
<b>"Code"</b>	means the U.S. Internal Revenue Code (1986).
<b>"Collection Account"</b>	means an account in the name of the Legal Title Holder held with the Collection Account Bank pursuant to the Collection Account Agreement.
<b>"Collection Account Agreement"</b>	means the agreement so named dated on or about the Closing Date between the Legal Title Holder, the Issuer, the Servicer, the Collection Account Bank and the Trustee.
<b>"Collection Account Bank Rating"</b>	means: <ul style="list-style-type: none"> <li>(a) in the case of DBRS, a long term, unsecured, unsubordinated and unguaranteed debt rating of BBB(low); and</li> <li>(b) in the case of S&amp;P, a long-term, unsecured, unsubordinated and unguaranteed debt rating of BBB+; and</li> <li>(c) in the case of Moody's, a long-term, unsecured and unsubordinated debt rating of at least Baa3, and</li> </ul>

- (d) in the case of Fitch and only for as long as any of the Class A Notes are outstanding, a short-term issuer default rating of at least F1 (if a short term rating is assigned by Fitch) or a long-term issuer default rating of at least BBB+,

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 Legal Title Holder and the Collection Account Bank whereby the Legal Title Holder 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 Legal Title Holder.

**"Collection Period"**

means each period from (and including) the first day in a calendar month (or, in the case of the first Collection Period, from (but excluding) the Cut-off Date) to (and including) the last day of that same calendar month (or in the case of the first Collection Period, the last day of February 2017).

**"Commitment"**

means the commitment of the Liquidity Facility Provider to the extent not cancelled, transferred or reduced under the Liquidity Facility Agreement, on the date of the Liquidity Facility Agreement and on each Interest Payment Date thereafter an amount equal to the Liquidity Facility Required Amount.

**"Compensation Fee Cap"**

means, on each Interest Payment Date, (a) the sum of the product of (i) 1/12<sup>th</sup> of the Aggregate Expense Fee Rate, *multiplied by* (ii) the aggregate Current Balance of the Mortgage Loans as of the first day of each respective Collection Period (in the case of the First Interest Payment Date, the Closing Date), calculated for each of the three (3) Collection Periods preceding the relevant Interest Payment Date, *plus* (b) on or prior to the FORD any amounts standing to the credit of the SDC Ledger (prior to the application of Available Revenue Receipts on such date in accordance with the Pre-Enforcement Revenue Priority of Payments).

**"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 5 (*Terms and Conditions of the Notes*) to 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.

**"Controlling Person"**

means a person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of an entity or that provides investment advice for a fee (direct or indirect) with respect to such assets (or any "affiliate" of such a person (as defined in the Plan Asset Regulation)).

**"Corporate Services Agreement"**

means the agreement so named dated on or about the Closing Date between, amongst others, the Corporate Services Provider, the Issuer and the Seller.

**"Coupons"**

means the interest coupons related to the Notes in definitive form.

**"CRR"**

means the Capital Requirements Regulation (EU) No. 575/2013.

<b>"Current Balance"</b>	<p>means, for each Mortgage Loan, 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:</p> <ul style="list-style-type: none"> <li>(a) the original principal amount advanced to the relevant Borrower (including any Further Advance or Flexible Drawing) advanced on or before the given date due to the relevant Borrower and secured or intended to be secured by the related Mortgage;</li> <li>(b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Legal Title Holder's normal charging practices and any applicable regulatory obligation (including, without limitation, any Capitalised Arrears and Capitalised Expenses) and added to the amounts secured or intended to be secured by the related Mortgage; and</li> <li>(c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Legal Title Holder's normal charging practices and any applicable regulatory obligations but which is secured or intended to be secured by the related Mortgage,</li> </ul> <p>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.</p>
<b>"Current Interest"</b>	<p>means, with respect to any Class of Notes and any Interest Payment Date, the amount equal to (A) the product of (i) the actual number of days in the relevant Interest Period; (ii) the applicable Note Rate in relation to such Class of Notes for such Interest Payment Date; and (iii) the Principal Amount Outstanding of such Class of Notes immediately prior to such Interest Payment Date; divided by (B) 365.</p>
<b>"Cut-off Date"</b>	<p>means 31 January 2017.</p>
<b>"Day Count Fraction"</b>	<p>means, in respect of an Interest Period, the actual number of days in such period divided by 365.</p>
<b>"DBRS"</b>	<p>means DBRS Ratings Limited and any successor to its rating business.</p>
<b>"DC1 Payment"</b>	<p>means, on any date of determination:</p> <ul style="list-style-type: none"> <li>(i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date from the Closing Date, the amount by which (a) Available Revenue Receipts exceeds the amounts required to satisfy items (1) to (22) (inclusive) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date and (b) Available Principal Receipts exceeds the amounts required to satisfy items (1) to (10) (inclusive) of the Pre-Enforcement Principal Priority of Payments on that</li> </ul>



	Interest Payment Date;
	(ii) following the delivery of an Enforcement Notice, for any 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 (1) to (14) of the Post-Enforcement Priority of Payments on that date; and
	(iii) following the earlier of the Final Rated Notes Redemption Date and the Final Maturity Date, all amounts standing to the credit of the Excess Cashflow Reserve Fund to the extent available following application in priority.
<b>"Deed of Charge"</b>	means the deed so named entered into on or about the Closing Date between, amongst others, the Issuer and the Trustee.
<b>"Deed Poll"</b>	means the deed poll dated the Closing Date executed by the Issuer in favour of the Mortgage Portfolio Option Holder and the Market Sale Option Holder from time to time.
<b>"Deferred Net WAC Additional Amounts"</b>	shall mean any Net WAC Additional Amounts deferred pursuant to Condition 8.13(a) ( <i>Subordination by Deferral - Interest</i> ).
<b>"Deferred Required Interest"</b>	shall mean any interest deferred pursuant to Condition 8.13(a) ( <i>Subordination by Deferral - Interest</i> ).
<b>"Definitive Certificate"</b>	means any individual note certificate issued to a Certificateholder in respect of its holding of the Certificates in, or substantially in, the form set out in the Trust Deed.
<b>"Definitive Note"</b>	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.
<b>"Deposit Account"</b>	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.
<b>"Determination Period"</b>	means a Collection Period in respect of which the Cash Manager does not receive a Servicer Report.
<b>"Direct Debit Liability Amount"</b>	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.
<b>"Downgrade Event"</b>	occurs if, at any time, the Liquidity Facility Provider fails to maintain any of the LF Provider Ratings.
<b>"Drawings Date"</b>	means the date that the Flexible Drawing is made by the Legal Title Holder or the Servicer to the relevant Borrower.
<b>"Electronic Consent"</b>	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, standard security, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

**"Enforcement Notice"**

means a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default*) and/or Certificate Condition 11 (*Certificates Events of Default*) which declares the Notes or, as applicable, the Certificates to be immediately due and payable.

**"English Mortgage"**

means a first ranking legal charge over freehold or leasehold Properties located in England and Wales which is security for a Mortgage Loan.

**"English Mortgage Loan"**

means a Mortgage Loan in relation to Properties located in England and Wales.

**"English Property"**

means a Property located in England and Wales.

**"ERISA"**

means the U.S. Employee Retirement Income Security Act (1974).

**"Event of Default"**

means any one of the events specified in Condition 13 (*Events of Default*).

**"Excess Cashflow Reserve Fund"**

means the excess cashflow reserve fund established from the First Interest Payment Date and funded through the application of Available Revenue Receipts on each Interest Payment Date in accordance with item (22) of the Pre-Enforcement Revenue Priority of Payments and which will be available to pay interest due and payable in respect of the Mezzanine Floating Rate Notes in accordance with items (11), (13), (15) and (17) (after applying as Principal Additional Amounts towards any PAA deficit on such Interest Payment Date).

In addition, (i) on the FORD, any amounts available in accordance with item (3)(ii) of the Pre-Enforcement Ledgers Priority of Payments exceeding the Liquidity Reserve Target; (ii) on each Interest Payment Date on and following the FORD, any Excess Liquidity Amounts in accordance with item (5) of the Pre-Enforcement Ledgers Priority of Payments and (iii) any amounts in accordance with item (4) of the Pre-Enforcement Ledgers Priority of Payments which would have otherwise been payable to the Class SDC Certificateholders, will instead each be credited to the Excess Cashflow Reserve Fund. On the earlier of the Final Rated Notes Redemption Date and the Final Maturity Date, all amounts standing to the credit of the Excess Cashflow Reserve Fund will be applied to (i) *first*, cover shortfalls in amounts available to pay Net WAC Additional Amounts; and (2) *second*, will form DC1 Payment amounts.

**"Excess Cashflow Reserve Fund Ledger"**

means the ledger so named to be set up by the Cash Manager on the Deposit Account in accordance with the terms of the Cash Management Agreement.

<b>"Excess Liquidity Amount"</b>	means, on any Interest Payment Date, the amount (if positive) by which the amount credited to the Liquidity Reserve Fund Ledger, together with the Liquidity Reserve Fund Actual Amount recorded in the Liquidity Reserve Fund Ledger as at the last Interest Payment Date, exceeds the Liquidity Reserve Target.
<b>"Exchange Act"</b>	means the U.S. Securities Exchange Act of 1934, as amended.
<b>"Exchange Date"</b>	means the first day following the expiry of forty days after the Closing Date.
<b>"Exercise Notice"</b>	means a notice to be delivered by the Mortgage Portfolio Option Holder or Market Sale Option Holder, as applicable, in accordance with the Deed Poll to exercise the Mortgage Portfolio Call Option.
<b>"Extension Refusal"</b>	means the refusal by the Liquidity Facility Provider to grant an extension of the Liquidity Facility under the terms of the Liquidity Facility Agreement or the failure by the Liquidity Facility Provider to deliver a notice to the Issuer in relation to such extension in accordance with the terms of the Liquidity Facility Agreement.
<b>"Extraordinary Resolution"</b>	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 (as the case may be) in the case of the Noteholders, of not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding or, in the case of the Certificateholders, of not less than 75 per cent. by number of the Certificates then in issue.
<b>"FATCA"</b>	means 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.
<b>"FATCA withholding"</b>	means an agreement to deduct or withhold described in Section 1471(b) of 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.
<b>"Final Discharge Date"</b>	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.
<b>"Final Maturity Date"</b>	means the Interest Payment Date falling in May 2045.
<b>"Final Rated Notes Redemption Date"</b>	means the date on which all Rated Notes are redeemed in full.
<b>"First Interest Payment Date"</b>	means the Interest Payment Date falling in May 2017.
<b>"Fitch"</b>	means Fitch Ratings Limited and any successor to its rating business.
<b>"Flexible Drawing"</b>	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).
<b>"Flexible Drawings Conditions"</b>	has the meaning given to it in the section " <i>Sale of the Mortgage Portfolio under the Mortgage Sale Agreement</i> " in this Prospectus.
<b>"Flexible Mortgage Loan"</b>	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.
<b>"Floating Rate Note Percentage"</b>	means, in relation to any Interest Payment Date, a fraction, expressed as a percentage (i) the numerator of which is the aggregate Principal Amount Outstanding of the Rated Notes on the first day of the Interest Period related to such Interest Payment Date and (ii) the denominator of which is the aggregate Current Balance of the Mortgage Loans as at the first day of the Quarterly Collection Period ending immediately prior to the relevant Interest Payment Date.
<b>"Floating Rate of Interest"</b>	means the Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such Class, subject to a minimum of zero.
<b>"FORD"</b>	means the first optional redemption date which is, the Interest Payment Date falling in February 2020.
<b>"Form ABS-15G Report"</b>	means a report submitted by FirstKey on Form ABS-15G containing the findings and conclusions of a report generated by a third party to provide due diligence services obtained by any of the Seller, the Joint Lead Managers or the Issuer within the meaning of Rule 15Ga-2 and Rule 17g-10 of the Exchange Act, as applicable, and meeting all other requirements of Rule 15Ga-2.
<b>"FSMA"</b>	means the Financial Services and Markets Act 2000 (as amended).
<b>"Further Advance"</b>	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 CHL 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.
<b>"Global Notes"</b>	means the Class A1 Global Note, the Class A2 Global Note, the Class B Global Note, the Class C Global Note, the Class D Global Note, the Class E Global Note and the Class Z Global Note.
<b>"Guarantee"</b>	means a guarantee provided in support of the obligations of a Borrower under a Mortgage Loan.
<b>"Guarantor"</b>	means an individual who has provided a Guarantee in support of the obligations of a Borrower under a Mortgage Loan.
<b>"HMRC"</b>	means Her Majesty's Revenue and Customs.
<b>"Incorporated Terms Memorandum"</b>	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.
<b>"Initial Advance"</b>	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).

**"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 the following events:
  - (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;
  - (ii) an encumbrancer or other security holder (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, diligence, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); and
- (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 Notes outstanding) 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.

<b>"Insurance Policies"</b>	means the Buildings Insurance Policies and the Contingency Policies relating to the Mortgage Loans from time to time.
<b>"Interest Amount"</b>	<p>means in respect of a Note for any Interest Period the amount of interest calculated (under Condition 8.4 (<i>Calculation of Interest Amount</i>)) on the related Interest Determination Date in respect of such Note for such Interest Period by:</p> <p>(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</p> <p>(b) then multiplying the amount so calculated in paragraph (a) by the relevant Day Count Fraction,</p> <p>and rounding the resultant figure to the nearest Minimum Amount.</p> <p>For the avoidance of any doubt, the Class Z Notes will not receive any Interest Amounts.</p>
<b>"Interest Determination Date"</b>	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 <b>"related Interest Determination Date"</b> means the Interest Determination Date which falls on the first day of such Interest Period.
<b>"Interest Determination Ratio"</b>	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.
<b>"Interest Only Mortgage Loan"</b>	means a Mortgage Loan in relation to which the principal amount is not repayable before maturity.
<b>"Interest Payment Date"</b>	means the 20 <sup>th</sup> of each of February, May, August and November, commencing on the First Interest Payment Date, <b>provided that</b> 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.
<b>"Interest Period"</b>	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 <b>"Related Interest Period"</b> means the Interest Period in which such Interest Determination Date falls.
<b>"Interim SDC Sub-Ledger"</b>	means the ledger maintained by the Cash Manager on behalf of the Issuer which shall will record as a credit items made available in accordance with item (5) of the Pre-Enforcement Revenue Priority of Payments on a given Interest Payment Date, and debit (on that same Interest Payment Date) such amount from the Interim SDC Sub-Ledger in accordance with the Pre-Enforcement Ledgers Priority of Payments.

<b>"Investment Company Act"</b>	means the Investment Company Act of 1940, as amended.
<b>"Investor Report"</b>	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.
<b>"Irish Permanent Mortgage Loans"</b>	means Mortgage Loans originated by Irish Permanent plc.
<b>"Issuer Account Bank Rating"</b>	means in respect of the Issuer Account Bank: <ul style="list-style-type: none"> <li>(a) in the case of DBRS, a long term unsecured, unsubordinated and unguaranteed debt rating of at least A by DBRS;</li> <li>(b) in the case of S&amp;P, a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A+ by S&amp;P;</li> <li>(c) in the case of Moody's, a long-term, unsecured, unguaranteed and unsubordinated debt rating of at least A3 by Moody's; and</li> <li>(d) in the case of Fitch (and only for as long as the Class A Notes remain outstanding), a short-term issuer default rating of at least F1 (if a short-term issuer default rating is assigned by Fitch) or a long-term deposit rating or (if none is assigned) a long-term issuer default rating of at least A,</li> </ul> or (in each case) such other credit rating as would not adversely affect the then current ratings of the Rated Notes.
<b>"Issuer Accounts"</b>	means the Deposit Account and any additional bank accounts in the name of the Issuer established or to be established pursuant to the Account Bank Agreement.
<b>"Issuer Covenants"</b>	means the covenants of the Issuer set out in Schedule 9 ( <i>Issuer Covenants</i> ) of the Incorporated Terms Memorandum.
<b>"Issuer Jurisdiction"</b>	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 ( <i>Substitution of Issuer</i> )) is incorporated and/or subject to taxation.
<b>"Issuer Profit Amount"</b>	means (i) £7,000 on each Interest Payment Date falling after the Closing Date up to (and including) the Interest Payment Date falling in November 2017 and (ii) £250 on each Interest Payment Date thereafter, in each case to be credited to the Deposit Account and to be retained by the Issuer as profit in respect of the business of the Issuer.
<b>"Issuer Profit Ledger"</b>	means the ledger maintained by the Cash Manager on behalf of the Issuer which shall record as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Revenue Priority of Payments and as a debit any amount used to discharge any tax liability of the Issuer.
<b>"Land Registry"</b>	means: <ul style="list-style-type: none"> <li>(a) in relation to Properties situated in England and Wales, the Land Registry of England and Wales;</li> <li>(b) in relation to Properties in Scotland, the Registers of Scotland;</li> </ul>

or

- (c) in relation to Properties situated in Northern Ireland, the Land Registry of Northern Ireland or the Registry of Deeds for Northern Ireland.

**"Latest Valuation"** means, with respect to a Property, the original valuation or, if applicable, the most recent indexed valuation carried out with respect to such Property.

**"Legal Title Holder"** Capital Home Loans Limited.

**"Legal Title Holder Power of Attorney"** means the power of attorney granted by the Legal Title Holder in favour of the Issuer and the Trustee on the Closing Date in substantially the same form as that set out in the Mortgage Sale Agreement.

**"LF Cancellation Date"** means the earlier of:

- (a) LRF Date;
- (b) expiry of the Availability Period; and
- (c) Class A Redemption Date.

**"LF Provider Ratings"** means:

- (a) a long-term critical obligations rating of at least A by DBRS or, if a critical obligations rating is not available on the Liquidity Facility Provider, an issuer and senior debt rating of at least A by DBRS;
- (b) a short-term unsecured, unguaranteed and unsubordinated debt rating of at least A-1 by S&P (if a short-term unsecured, unguaranteed and unsubordinated debt rating is assigned by S&P) and a long-term unsecured, unguaranteed and unsubordinated debt rating of at least A by S&P, or should the Liquidity Facility Provider not benefit from a short-term unsecured, unguaranteed and unsubordinated debt rating of at least A-1 from S&P, a long-term unsecured, unguaranteed and unsubordinated debt rating of at least A+ by S&P;
- (c) a short-term issuer default rating of at least F1 by Fitch or a long-term issuer default rating of at least A by Fitch; and
- (d) a long-term unsecured, unguaranteed and unsubordinated debt rating of at least A3 by Moody's.

**"LFP Excess Amount"** has the meaning given to it in item (4) of the Pre-Enforcement Revenue Priority of Payments.

**"LFP Related Provisions"** means: (i) items (1) to (6) of the Pre-Enforcement Revenue Priority of Payments; (ii) items (1) and (2) of the Pre-Enforcement Principal Priority of Payments; (iii) items (1) to (3) of the Post-Enforcement Priority of Payments; (iv) item (3)(i) of the Pre-Enforcement Ledgers Priority of Payments; or (v) the date of payment of amounts due under any Priority of Payments, a change of which is prejudicial to the Liquidity Facility Provider, or which would have the effect of or which relates to an increase in the amount of commitments under the Liquidity Facility or a reduction in the amount of any payment of principal, interest, fees or commission payable to the Liquidity Facility



	Provider.
"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 Documents"	means: <ul style="list-style-type: none"> <li>(a) the Liquidity Facility Agreement;</li> <li>(b) the Liquidity Facility Fee Letter;</li> <li>(c) a Transfer Certificate; and</li> <li>(d) any other document designated as such by the Liquidity Facility Provider, the Trustee and the Issuer.</li> </ul>
"Liquidity Drawing"	means a drawing by the Issuer under the Liquidity Facility, following a determination by the Cash Manager that (after applying any Principal Addition Amounts to cure any PAA Deficit and first taking into account (on and from the FORD) any Liquidity Reserve Fund Actual Amounts) there would be a shortfall in Available Revenue Receipts to pay items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments, such drawing being an amount equal to such shortfall for application by the Issuer to pay items (1) to (9) disregarding items (5) and (8) and item (4) (other than fees and expenses of Liquidity Facility Provider) of the Pre-Enforcement Revenue Priority of Payments.
"Liquidity Facility"	means the 364-day committed liquidity facility made available by the Liquidity Facility Provider to the Issuer pursuant to the terms of the Liquidity Facility Agreement.
"Liquidity Facility Agreement"	means the agreement so named between, <i>inter alia</i> , the Liquidity Facility Provider, the Issuer and the Cash Manager dated on or about the Closing Date.
"Liquidity Facility Event of Default"	means an event of default as specified under the Liquidity Facility Agreement.
"Liquidity Facility Fee Letter"	means the letter dated on or about the Closing Date between the Issuer and the Liquidity Facility Provider relating to the fees payable under the Liquidity Facility Agreement.
"Liquidity Facility Required Amount"	means the excess of (i) the Liquidity Reserve Target over (ii) the aggregate of all amounts credited to the Liquidity Reserve Fund Ledger on the current Interest Payment Date and all prior Interest Payment Dates (disregarding any debit entries made to the Liquidity Reserve Fund Ledger on or prior to such Interest Payment Date), <b>provided that</b> if the Liquidity Facility Required Amount is less than zero, it shall be deemed to be zero.

<b>"Liquidity Facility Undrawn Amount"</b>	means the excess of (i) Liquidity Facility Required Amount over (ii) the amount drawn under the Liquidity Facility.
<b>"Liquidity Reserve Fund"</b>	means a fund which comprises any Liquidity Reserve Fund Actual Amounts.
<b>"Liquidity Reserve Fund Actual Amount"</b>	means: <ul style="list-style-type: none"> <li>(a) on any Interest Payment Date on and from the Closing Date to but excluding the FORD, zero;</li> <li>(b) on the FORD, the lesser of (A) the Liquidity Reserve Target; and (B) the amount available to be credited to the Liquidity Reserve Fund on that date in accordance with (1) <i>first</i>, the Pre-Enforcement Ledgers Priority of Payments and (2) <i>second</i>, item (2) of the Pre-Enforcement Principal Priority of Payments; and</li> <li>(c) on each Interest Payment Date following the FORD, the lesser of (A) the Liquidity Reserve Target; and (B) the amount already standing to the credit of the Liquidity Reserve Fund plus (i) the amount available to be credited to the Liquidity Reserve Fund on that date in accordance with item (19) of the Pre-Enforcement Revenue Priority of Payments and (ii) subsequently (if required) the amount available to be credited to the Liquidity Reserve Fund on that date in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments.</li> </ul>
<b>"Liquidity Reserve Fund Ledger"</b>	means the ledger so named to be set up by the Cash Manager on the Deposit Account in accordance with the terms of the Cash Management Agreement.
<b>"Liquidity Reserve Target"</b>	means: <ul style="list-style-type: none"> <li>(a) on any Interest Payment Date up to (but excluding) the Class A Redemption Date, an amount equal to the greater of: <ul style="list-style-type: none"> <li>(i) an amount equal to 1.65 per cent. of the Principal Amount Outstanding of the Class A Notes; and</li> <li>(ii) an amount equal to 1.00 per cent. of the Principal Amount Outstanding of the Class A Notes on the Closing Date; and</li> </ul> </li> <li>(b) thereafter, zero.</li> </ul> <p>For the purposes of calculating the Liquidity Reserve Target, the aggregate Principal Amount Outstanding of the Class A Notes on each Interest Payment Date, shall be determined prior to any redemption of the Class A Notes that occurs on such Interest Payment Date.</p>
<b>"Liquidity Standby Drawing"</b>	means a drawing under the Liquidity Facility requested by the Issuer following a Downgrade Event or an Extension Refusal which has occurred and is outstanding in an amount equal to the then outstanding undrawn Commitment of the Liquidity Facility.
<b>"Liquidity Standby Ledger"</b>	means the ledger so named to be set up by the Cash Manager on the Deposit Account in accordance with the terms of the Cash

Management Agreement.

**"Losses"**

means the aggregate of:

- (a) all realised losses (to the extent not already fully compensated for in accordance with the terms of the Mortgage Sale Agreement) 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 unless this is fully compensated under the provisions of the Mortgage Sale Agreement.

**"LRF Date"**

means the first Interest Payment Date on which the aggregate of all amounts credited to the Liquidity Reserve Fund Ledger on such Interest Payment Date and all prior Interest Payment Dates (disregarding any debit entries made to the Liquidity Reserve Fund Ledger on or prior to such Interest Payment Date) is equal to or greater than the Liquidity Reserve Target.

**"Market Mortgage Portfolio Purchase"**

means in the event that the Mortgage Portfolio Option Holder does not elect to exercise the Mortgage Portfolio Purchase Option, the sale of the Portfolio resulting from the Market Sale Option Holder directing a sale of the Mortgage Portfolio by directing the Issuer to appoint the Seller or its nominee as a portfolio manager to conduct such sale on behalf of the Issuer subject to the terms and conditions set out in the Deed Poll.

**"Market Sale Option"**

means an option held by the Market Sale Option Holder to direct a sale of the Mortgage Portfolio.

**"Market Sale Option Holder"**

means any holder or holders of more than 50 per cent. of the Class DC2 Certificates (or any entity or entities representing more than 50 per cent. of the Class DC2 Certificates) (for the avoidance of doubt, taking into account those Class DC2 Certificates held directly or indirectly by or on behalf of the Seller).

**"Material Adverse Effect"**

means, as the context specifies:

- (a) a material adverse effect on the validity or enforceability of any of the Transaction Documents;
- (b) in respect of a Transaction Party, a material adverse effect on:
  - (i) the business, operations, assets, property, condition (financial or otherwise) or prospects of such Transaction Party;
  - (ii) the ability of such Transaction Party to perform its obligations under any of the Transaction Documents;
  - (iii) the rights or remedies of such Transaction Party under any of the Transaction Documents;
- (c) in the context of the Assigned Rights, a material adverse effect on the interests of the Issuer or the Trustee in the Assigned Rights, or on the ability of the Issuer (or the Servicer on the Issuer's behalf) to collect under the Mortgage Loans or on the ability of the Trustee to enforce its Security; or

	(d) a material adverse effect on the validity or enforceability of any of the Notes.
<b>"Meeting"</b>	means (i) a meeting of Noteholders of any Class or Classes or (ii) a meeting of Certificateholders, in each case, whether originally convened or resumed following an adjournment.
<b>"Mezzanine Floating Rate Notes"</b>	means the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.
<b>"Minimum Amount"</b>	means £0.01.
<b>"Minimum Denomination"</b>	means, in respect of the Notes represented by the Global Notes and (if issued) the Definitive Notes, and, for so long as Euroclear and Clearstream, Luxembourg (as applicable) so permit, (a) in respect of the Rule 144A Global Notes, of £250,000 and integral multiples of £1,000 in excess thereof and (b) in respect of the Regulation S Global Notes, of £100,000 and integral multiples of £1,000 in excess thereof.
<b>"Minimum Mortgage Portfolio Sale Price"</b>	shall be equal to an amount not less than: <ul style="list-style-type: none"> <li>(a) the aggregate Principal Amount Outstanding of the Notes plus accrued and unpaid interest (including any Net WAC Additional Amount related to the holders of the Mezzanine Floating Rate Notes) thereon calculated as at the Interest Payment Date on which the Market Mortgage Portfolio Purchase is expected to be completed; <i>plus</i></li> <li>(b) any fees, costs, amounts and expenses of the Issuer payable senior to the Class DC1 Certificates in the relevant Priority of Payments; <i>less</i></li> <li>(c) any amounts standing to the credit of the Deposit Account (but disregarding any amounts standing to the credit of the Liquidity Standby Ledger and the Liquidity Reserve Fund Ledger) as at the most recent Servicer Report.</li> </ul>
<b>"Monthly Payment Date"</b>	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.
<b>"Moody's"</b>	means Moody's Investors Service Limited and any successor to its rating business.
<b>"Mortgage"</b>	means a first ranking legal charge or standard security over freehold, heritable or leasehold Properties located in England, Wales, Scotland and Northern Ireland (as applicable) which is security for a Mortgage Loan.
<b>"Mortgage Conditions"</b>	means the terms and conditions applicable to a Mortgage Loan and/or Mortgage as contained in CHL's "Mortgage Conditions" booklet applicable from time to time.
<b>"Mortgage Loan"</b>	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 Legal Title Holder 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 Legal Title Holder 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.

<b>"Mortgage Loan Files"</b>	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, <i>inter alia</i> , correspondence between the Borrower and CHL 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.
<b>"Mortgage Portfolio"</b>	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.
<b>"Mortgage Portfolio Call Option"</b>	means an option granted to the holder of the Class DC2 Certificates under the Deed Poll.
<b>"Mortgage Portfolio Option Holder"</b>	means the holder of all of the Class DC2 Certificates or an entity representing all of the Class DC2 Certificateholders (for the avoidance of doubt, including those Class DC2 Certificate held directly or indirectly by or on behalf of the Seller).
<b>"Mortgage Portfolio Purchase Option"</b>	means an option held by the Mortgage Portfolio Option Holder to require the Issuer to (i) sell and transfer to the Mortgage Portfolio Option Holder or its nominee the beneficial title to all Mortgage Loans and Related Security in the Mortgage Portfolio (ii) transfer to the Mortgage Portfolio Option Holder (or its nominee) the right to legal title to the Mortgage Portfolio Purchase Option Mortgage Loans and their Related Security; (iii) procure that the Legal Title Holder transfer legal title to the Mortgage Portfolio Option Holder or its nominee specified as such in the Exercise Notice; and (iv) serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to vest or transfer legal title in and to the Mortgage Portfolio Purchase Option Mortgage Loans in the Mortgage Portfolio Option Holder or its nominee, in each case subject to the terms of the Deed Poll.
<b>"Mortgage Portfolio Purchase Option Completion Date"</b>	means the Interest Payment Date identified as the date on which the purchase of the whole beneficial title and (if applicable) the transfer of the whole legal title to all Mortgage Loans and Related Security in the Mortgage Portfolio to the Mortgage Portfolio Option Holder or its nominee is expected to be completed pursuant to the terms of the Deed Poll;
<b>"Mortgage Portfolio Purchase Option Purchase Price"</b>	means the Purchase Price for the Mortgage Portfolio under the Mortgage Portfolio Purchase Option, such amount being an amount equal to: <ul style="list-style-type: none"> <li>(a) the aggregate Principal Amount Outstanding of the Notes plus accrued and unpaid interest (including any Net WAC Additional Amount related to the holders of the Mezzanine Floating Rate Notes) thereon calculated as of the Interest Payment Date on which the Mortgage Portfolio Purchase Option is expected to be completed; plus</li> </ul>

- (b) any fees, costs, amounts and expenses of the Issuer payable senior to the Class DC1 Certificates in the relevant Priority of Payments; less
- (c) any amounts standing to the credit of the Deposit Account (but disregarding any amounts standing to the credit of the Liquidity Standby Ledger and the Liquidity Reserve Fund Ledger) as at the most recent Servicer Report.

**"Mortgage Rate"** means, in relation to any Mortgage Loan and in relation to any Interest Payment Date, the annual rate of interest payable on such Mortgage Loan in accordance with the relevant Mortgage Conditions.

**"Mortgage Sale Agreement"** means the agreement so named dated on or about the Closing Date between the Legal Title Holder, 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 A1 Notes or, if there are no Class A1 Notes then outstanding, the Class A2 Notes or, if there are no Class A1 Notes or Class A2 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 Z Notes or if there are no Notes then outstanding, the Class SDC Certificates, or if there are no Class SDC Certificates outstanding, the Class DC1 Certificates, **provided that** solely for the purposes of the definition of the PAA Deficit and application of the Principal Addition Amounts, for as long as any Class A Notes remain outstanding, the entire Class A Notes will be treated as the Most Senior Class of Notes.

**"Net Mortgage Rate"** means, in relation to any Interest Payment Date and in relation to any Mortgage Loan, the result of (i) the applicable Mortgage Rate as at the first day of the Quarterly Collection Period in which the immediately preceding Interest Period falls minus (ii) the Aggregate Expense Fee Rate.

**"Net WAC"** means, in relation to any Interest Payment Date, the product of (A) the result, expressed as a percentage of (i) the total amount of interest accruing or to accrue (whether or not collected) on the Mortgage Loans during each Quarterly Collection Period and calculated as of the first day of the Quarterly Collection Period ending immediately prior to such Interest Payment Date at the applicable Net Mortgage Rates less any LFP Excess Amount owed by the Issuer to the Liquidity Facility Provider but unpaid, divided by (ii) the aggregate Current Balance of the Mortgage Loans as at the first day of the Quarterly Collection Period ending immediately prior to such Interest Payment Date (or in the case of the First Interest Payment Date, the Current Balance as at the Cut-off Date) and (B) the result, expressed as a percentage, of (i) 365 divided by (ii) the number of days in the relevant Interest Period.

**"Net WAC Additional Amount"** means, in relation to an Interest Payment Date and the Mezzanine Floating Rate Notes, the sum of (a) the amount, if any, by which the Current Interest for each such Class of the Mezzanine Floating Rate Notes (calculated using the applicable Floating Rate of Interest) exceeds the Current Interest for such Class of Notes (calculated using the applicable Net WAC Cap) for each such Class on such Interest Payment Date and (b) any Net WAC Additional Amount which has

	become payable but remains unpaid from prior Interest Payment Dates, together with interest accrued thereon (in accordance with Condition 8.13 ( <i>Subordination by Deferral</i> )). The Net WAC Additional Amount shall not be lower than zero.
"Net WAC Cap"	means in relation to any Interest Payment Date and the Mezzanine Floating Rate Notes, the result, expressed as a percentage of (i) the Net WAC; divided by (ii) the Floating Rate Note Percentage, and <b>provided that</b> if the Floating Rate Note Percentage is zero, the Net WAC Cap shall be equal to the Net WAC.
"New Liquidity Facility Provider"	means any person to whom the rights and obligations of the Liquidity Facility Provider under the Liquidity Facility Agreement are transferred and which is a " <b>Qualifying Lender</b> " in accordance with the terms of the Liquidity Facility Agreement and which has the LF Provider Ratings.
"Non-Responsive Rating Agency"	has the meaning given to it in Condition 23.2 ( <i>Non-Responsive Rating Agency</i> ).
"Northern Irish Mortgage"	means a first ranking legal charge over freehold or leasehold Properties located in Northern Ireland which is security for a Mortgage Loan.
"Northern Irish Mortgage Loan"	means a Mortgage Loan in relation to Properties located in Northern Ireland.
"Northern Irish Property"	means a Property located in Northern Ireland.
"Note"	means £732,500,000 Class A1 Mortgage Backed Floating Rate Note due 2045 (the " <b>Class A1 Notes</b> "), the £50,000,000 Class A2 Mortgage Backed Floating Rate Notes due 2045 (the " <b>Class A2 Notes</b> "), and together with the Class A1 Notes, the " <b>Class A Notes</b> "), the £52,500,000 Class B Mortgage Backed Floating Rate Notes due 2045 (the " <b>Class B Notes</b> "), the £37,500,000 Class C Mortgage Backed Floating Rate Notes due 2045 (the " <b>Class C Notes</b> "), the £37,500,000 Class D Mortgage Backed Floating Rate Notes due 2045 (the " <b>Class D Notes</b> "), the £22,500,000 Class E Mortgage Backed Floating Rate Notes due 2045 (the " <b>Class E Notes</b> "), the Class A Notes, Class B Notes, Class C Notes, the Class D Notes and the Class E Notes being the Rated Notes), the £67,500,000 Class Z Mortgage Backed Notes due 2045 (the " <b>Class Z Notes</b> ") (and together, the " <b>Notes</b> ").
"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 <b>provided always that</b> 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 each Class of Notes other than the Class Z Notes, the Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such Class and with respect to the Class Z Notes, zero per cent.
"Noteholder"	means the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the

	Class Z Noteholders or, where the context otherwise requires, the holders of Notes of a particular Class or Classes, as the case may be.
<b>"Notices Condition"</b>	means, in the case of the Notes, Condition 22 ( <i>Notices</i> ) and, in the case of the Certificates, Certificate Condition 20 ( <i>Notices</i> ).
<b>"Notices Details"</b>	means, in relation to any Party, the provisions set out in Schedule 9 ( <i>Notice Details</i> ) to the Incorporated Terms Memorandum.
<b>"Optional Redemption Exercise Date"</b>	means an Interest Payment Date on which a Mortgage Portfolio Call Option has occurred.
<b>"Ordinary Resolution"</b>	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 50.1 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 (as the case may be) in the case of the Noteholders, of not less than 50.1 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding or, in the case of the Certificateholders, of not less than 50.1 per cent. by number of the Certificates then in issue.
<b>"Originator"</b>	means in relation to the Mortgage Loans other than the Irish Permanent Mortgage Loans, CHL, and in relation to the Irish Permanent Mortgage Loans, Irish Permanent plc.
<b>"Outstanding"</b>	means: <ul style="list-style-type: none"> <li>(a) in relation to the Notes, all the Notes other than: <ul style="list-style-type: none"> <li>(i) those which have been redeemed in full and cancelled in accordance with the Conditions;</li> <li>(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;</li> <li>(iii) those which have been redeemed or surrendered for cancellation as provided in Condition 9 (<i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i>) and notice of the cancellation of which has been given to the Trustee;</li> <li>(iv) those which have become void under the Conditions;</li> <li>(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</li> <li>(vi) any Global Note, to the extent that it shall have been exchanged for the related Definitive Notes pursuant to</li> </ul> </li> </ul>



the provisions contained therein and the Conditions,

**provided that** for each of the following purposes, namely:

- (vii) the right to attend and vote at any meeting of Noteholders;
- (viii) 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 a New Trustee*) of the Trust Deed and Condition 13 (*Events of Default*), Condition 14 (*Enforcement*), Condition 16 (*Meetings of Noteholders and Certificateholders*) and Condition 17 (*Modification and Waiver*) and the Provisions for Meetings of Noteholders and Certificateholders; and
- (ix) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any holding company of the Seller or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Class of Notes (the "**Relevant Class of Notes**") shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

- (b) in relation to the Certificates, all the Certificates issued from time to time other than:
  - (i) those Certificates which have become void or in respect of which claims have become prescribed, in each case under Certificate Condition 16 (*Prescription*);
  - (ii) those mutilated or defaced Certificates which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Certificate Condition 17 (*Replacement of the Certificates*);
  - (iii) for the purpose only of ascertaining the number of Certificates outstanding and without prejudice to the status for any other purpose of the relevant instrument those Certificates which are alleged to have been lost, stolen or destroyed and in respect of which

replacements have been issued pursuant to Certificate Condition 17 (*Replacement of the Certificates*) with respect to the Certificates; and

- (iv) any Global Certificate to the extent that it shall have been exchanged for another Global Certificate in respect of the 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 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 Certificate Condition 11 (*Certificates Events of Default*), Certificate Condition 12 (*Enforcement*), Certificate Condition 14 (*Meetings of Certificateholders*) and 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,
- (viii) those Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner (the "**Relevant Certificates**"), shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any holding company of the Seller or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Relevant Certificates are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case the Relevant Certificates shall be deemed to remain outstanding, save that if there is any Certificates ranking *pari passu* with, or junior to, the Relevant Certificates and one or more Relevant Persons are not the beneficial owners of all such Certificates, then the Relevant Certificates shall be deemed not to remain outstanding.

**"PAA Deficit"**

means a deficit (but disregarding for these purposes, items (c) and (d) of the definition of Available Revenue Receipts, available to pay:

- (a) if the Class A Notes are the Most Senior Class:
  - (i) if the Class A2 Trigger has not been breached, for these purposes only, for so long as any Class A Notes remain outstanding, the entirety of the Class A Notes shall be treated as the Most Senior Class: items (1) to

- (9) but disregarding items (5) and (8) of the Pre-Enforcement Revenue Priority of Payments until all amounts payable thereunder are paid in full; and
- (ii) if the Class A2 Trigger has been breached:
- (A) for as long as any Class A1 Notes remain outstanding: *first*, items (1) to (7) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments until all amounts payable thereunder are paid in full;
- (B) following full redemption of the Class A1 Notes and for as long as any Class A2 Notes remain outstanding, items (1) to (9) but disregarding item (5) and (8) of the Pre-Enforcement Revenue Priority of Payments until all amounts payable thereunder are paid in full;
- (b) if the Class B Notes are the Most Senior Class, items (1) to (6) and (11) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments;
- (c) if the Class C Notes are the Most Senior Class, items (1) to (6) and (13) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments;
- (d) if the Class D Notes are the Most Senior Class, items (1) to (6) and (15) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payments; and
- (e) if the Class E Notes are the Most Senior Class, items (1) to (6) and (17) but disregarding item (5) of the Pre-Enforcement Revenue Priority of Payment.
- "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 and the Certificates under the Agency Agreement.
- "Perfection Trigger Event"** means any of the events in the subsection entitled "*Perfection Trigger Events*" in the section entitled "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement*".
- "Permitted Withdrawals"** means:
- (a) 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 Legal Title Holder's Policies and the Servicing Agreement;
- (b) 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;

	(c)	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
	(d)	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 Legal Title Holder for the provision of a service to that Borrower or the Legal Title Holder.
<b>"Portfolio Reference Date"</b>		means 31 December 2016.
<b>"Portfolio Selection Date"</b>		means a date between 9 February 2017 and 21 February 2017.
<b>"Post-Enforcement Priority of Payments"</b>		has the meaning as set out on page 145 of this Prospectus.
<b>"Pre-Enforcement Ledgers Priority of Payments"</b>		has the meaning as set out on page 143 of this Prospectus.
<b>"Pre-Enforcement Principal Priority of Payments"</b>		has the meaning set out on page 144 of this Prospectus.
<b>"Pre-Enforcement Revenue Priority of Payments"</b>		has the meaning set out on page 140 of this Prospectus.
<b>"PRIIPs Regulation"</b>		means Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014.
<b>"Principal Addition Amount"</b>		means, in respect of any Interest Payment Date prior to the redemption in full of the Rated Notes, the amount of Available Principal Receipts to be applied by the Issuer in accordance with item (1) of the Pre-Enforcement Principal Priority of Payments to cure a PAA Deficit.
<b>"Principal Amount Outstanding"</b>		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.
<b>"Principal Deficiency Ledger"</b>		means the Principal Deficiency Ledger comprising the Class A1 Principal Deficiency Sub-Ledger (relating to the Class A1 Notes), the Class A2 Principal Deficiency Sub-Ledger (relating to the Class A2 Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to the Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to the Class D Notes), the Class E Principal Deficiency Sub-Ledger (relating to the Class E Notes) and the Class Z Principal Deficiency Sub-Ledger (relating to the Class Z Notes) maintained by the Cash Manager on behalf of the Issuer which records on it all

deficiencies arising from, without duplication (i) Losses allocated to the Notes; (ii) Principal Addition Amounts; and (iii) any Available Principal Receipts applied in accordance with item (2) of the Pre-Enforcement Principal Priority of Payments.

**"Principal Deficiency Sub-Ledger"**

means any of the Class A1 Principal Deficiency Sub-Ledger, the Class A2 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 Z Principal Deficiency Sub-Ledger.

**"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 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.

**"Priority of Payments" or "Priorities of Payments"**

means the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments, the Pre-Enforcement Ledgers Priority of Payments, and the Post-Enforcement Priority of Payments.

**"Prior Trustee Year Compensation Amounts"**

means, in relation to an Interest Payment Date, all Trustee Excess Amounts that as of such Interest Payment Date (i) accrued on any Interest Payment Date in a prior Trustee Year and (ii) have not otherwise been paid in accordance with the Pre-Enforcement Revenue 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.
<b>"Product Switch Conditions"</b>	has the meaning given to it in the section " <i>Sale of the Mortgage Portfolio under the Mortgage Sale Agreement</i> " in this Prospectus.
<b>"Property"</b>	means English Property, Northern Irish Property or Scottish Property, as the case may be.
<b>"Prospectus Directive"</b>	means 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.
<b>"Provisional Mortgage Portfolio"</b>	means, as at to the Portfolio Reference Date, a portfolio comprised of 13,534 Mortgage Loan Accounts with an aggregate Current Balance of £1,646,474,305.
<b>"Prudent Mortgage Lender"</b>	means the manner of a reasonably prudent mortgage lender lending to borrowers in England and Wales, Scotland and Northern Ireland where the Mortgage Loan is secured over residential property.
<b>"Prudent Mortgage Servicer"</b>	means a reasonably prudent residential mortgage servicer who is servicing residential mortgage loans and their collateral security in respect of residential property in England, Wales, Northern Ireland or Scotland and which have a in all material respects the same or similar characteristics to the Portfolio.
<b>"Purchase Price"</b>	means an amount equal to £968,563,137.50.
<b>"QIBs"</b>	means a "qualified institutional buyer" within the meaning of Rule 144A.
<b>"Quarterly Collection Date"</b>	means the first day of February, May, August and November with the first Quarterly Collection Date being the first day of February 2017.
<b>"Quarterly Collection Period"</b>	the period from and including a Quarterly Collection Date to but excluding the following Quarterly Collection Date.
<b>"RAC"</b>	means any written confirmation or affirmation (in any form acceptable to the Trustee) from the relevant Rating Agencies.
<b>"Rate of Interest"</b>	means: <ul style="list-style-type: none"> <li>(a) in the case of the Class A Notes, the Floating Rate of Interest;</li> <li>(b) the rate of interest payable on each Class of the Mezzanine Floating Rate Notes will be the lower of (x) the Floating Rate of Interest and (y) the Net WAC Cap; and</li> <li>(c) no interest will be payable on the Class Z Notes.</li> </ul>
<b>"Rated Carryforward Interest"</b>	means for any Interest Payment Date and each Class of Mezzanine Floating Rate Notes the amount, if any, by which (1) the sum of (x) Required Interest for that Class for that Interest Payment Date and (y) any unpaid Rated Carryforward Interest from previous Interest Payment Dates exceeds (2) the amount distributed in respect of Required Interest on that Class of Mezzanine Floating Rate Notes on that Interest Payment Date.
<b>"Rated Noteholders"</b>	means the holders of the Mezzanine Floating Rate Notes together with the holders of the Class A Notes.

<b>"Rated Notes"</b>	means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.
<b>"Rating Agencies"</b>	means: <ul style="list-style-type: none"> <li>(a) only for as long as any of the Class A Notes are outstanding, DBRS, Fitch, Moody's and S&amp;P; and</li> <li>(b) when no Class A Notes are outstanding, DBRS, Moody's and S&amp;P,</li> </ul> and, in each case, <b>"Rating Agency"</b> means any of them.
<b>"Realisation"</b>	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.
<b>"Receiver"</b>	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 the Deed of Charge.
<b>"Reconciliation Amount"</b>	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.
<b>"Reference Banks"</b>	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.
<b>"Reference Rate"</b>	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: <ul style="list-style-type: none"> <li>(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;</li> <li>(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</li> <li>(c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Reserve Reference Rate.</li> </ul>
<b>"Registers of Scotland"</b>	means the General Register of Sasines or Land Register of Scotland.
<b>"Registries of Northern Ireland"</b>	means the Land Registry of Northern Ireland and/or (as the context requires) the Registry of Deeds for Northern Ireland.
<b>"Regulation S"</b>	means Regulation S under the Securities Act.
<b>"Regulation S Global"</b>	means the Global Certificates issued pursuant to Regulation S.

**Certificate"**

**"Regulation S Global Notes"** means the Class A Global Note, the Class B Global Note, the Class C Global Note, the Class D Global Note, the Class E Global Note and the Class Z Global Note of the Regulation S Global Notes.

**"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, ranking agreements and postponements (including, without limitation, MH/CP Documentation and 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 CHL 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 for each Class of Notes, the margin per annum up to and excluding the FORD (the "**Margin**") and thereafter the Step-Up Margin per annum, as set out below:

- (a) for the Class A1 Notes, 0.85 per cent. per annum up to and excluding the FORD and thereafter 1.50 per cent. per annum;
- (b) for the Class A2 Notes, 0.95 per cent. per annum up to and excluding the FORD and thereafter 1.75 per cent. per annum;
- (c) for the Class B Notes, 1.00 per cent. per annum up to and excluding the FORD and thereafter 2.50 per cent. per annum;
- (d) for the Class C Notes, 1.10 per cent. per annum up to and excluding the FORD and thereafter 3.25 per cent. per annum;
- (e) for the Class D Notes, 1.30 per cent. per annum up to and excluding the FORD and thereafter 4.50 per cent. per annum; and
- (f) for the Class E Notes, 0.50 per cent. per annum up to and excluding the FORD and thereafter 4.00 per cent. per annum.



<b>"Relevant Percentage"</b>	means, in relation to a party, (A) the Service Providers Amount payable to that party or parties divided by (B) the aggregate of each Service Providers Amount.
<b>"Relevant Period"</b>	means, in relation to each Interest Determination Date, the length in months of the related Interest Period.
<b>"Repayment Mortgage Loans"</b>	means 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.
<b>"Replacement Cash Management Agreement"</b>	means the replacement cash management agreement to be 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.
<b>"Replacement Servicing Agreement"</b>	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 Legal Title Holder, the Back-Up Servicer Facilitator and the Trustee.
<b>"Representative Amount"</b>	means £10,000,000.
<b>"Required Interest"</b>	means, in relation to an Interest Payment Date and any Class of Mezzanine Floating Rate Notes, an amount equal to the Current Interest for such Class of Mezzanine Floating Rate Notes minus amounts arising under sub-paragraph (a) of the definition of Net WAC Additional Amount (if any) for such Class of Mezzanine Floating Rate Notes.
<b>"Required Risk Retention Interest"</b>	shall have the meaning given to it in the section entitled " <i>Certain Regulatory Disclosures - U.S. Credit Risk Retention Requirements</i> " on page 75 of this Prospectus.
<b>"Reserve Reference Rate"</b>	means on any Interest Determination Date: <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul>
<b>"Reserved Matter"</b>	means any proposal: <ul style="list-style-type: none"> <li>(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 Certificates including, without limitation, any Certificate 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 Certificates (including, without limitation, any Certificate Payment Amount) or to alter the method of calculating the amount of any payment in respect of</li> </ul>

the Notes of any Class or the Certificates (including, without limitation the Certificate Payment Amount);

- (b) (except in accordance with Condition 21 (*Substitution of Issuer*) or Certificate Condition 19 (Substitution of the Issuer) and clause 15 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any Class or the Certificates for, or the conversion of such Notes or Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes or the Certificates are payable;
- (d) to alter the Priority of Payments in respect of the Notes or the 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.

**"Retention Holder"** means Cerberus European Residential Holdings B.V. in its capacity as the retention holder for the purposes of the CRR.

**"Retention Notes"** means 100 per cent. of the Principal Amount Outstanding of the Class Z Notes, the Class E Notes, the Class D Notes and £21,800,000 of the Class C Notes.

**"Revenue Ledger"** means the ledger maintained by the Cash Manager on behalf of the Issuer which records all Revenue Receipts and proceeds of all Liquidity Drawings 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 Legal Title Holder 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;
- (e) in respect of the exercise of the Mortgage Portfolio Purchase Option or a Market Mortgage Portfolio Purchase, amounts received from a third party purchaser or amounts received

from the Mortgage Portfolio Option Holder, as applicable, to be applied as Revenue Receipts including accrued interest, fees, costs and expenses for the Issuer and other amounts to be applied as revenue to effect a redemption in full of the Notes pursuant to Condition 9.4 (*Optional Redemption in whole for taxation reasons*), Condition 9.3 (*Optional Redemption in whole*) or Condition 9.6 (*Mandatory Redemption of the Notes following the exercise of Mortgage Portfolio Purchase Option or Market Mortgage Portfolio Purchase*); and

- (f) any early repayment charges which have been paid by the Borrower in respect of the Mortgage Loans.

<b>"Risk Retention Regulatory Change Event"</b>	means any change in or the adoption of any new law, rule or regulation which as a matter of law has a binding effect on the Retention Holder after the Closing Date which would impose a positive obligation on it to subscribe for any Notes over and above those required to be maintained by it under its risk retention undertaking.
<b>"Risk Retention Regulatory Change Option"</b>	means the option of the Retention Holder in the Mortgage Sale Agreement to acquire all but not some of the Mortgage Portfolio following a Risk Retention Regulatory Change Event.
<b>"Rounded Arithmetic Mean"</b>	means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards).
<b>"Rule 144A "</b>	means Rule 144A under the Securities Act.
<b>"Rule 144A Global Certificate"</b>	means the Global Certificates issued pursuant to Rule 144A.
<b>"Rule 144A Global Notes "</b>	means the Class A Global Note, the Class B Global Note, the Class C Global Note, the Class D Global Note and the Class E Global Note of the Rule 144A Global Notes.
<b>"S&amp;P"</b>	means Standard & Poor's Credit Market Services Europe Limited and any successor to its rating business.
<b>"Scottish Declaration of Trust"</b>	means, in relation to the Scottish Mortgage Loans and their Related Security in the Mortgage Portfolio, a declaration of trust made in favour of the Seller by the Legal Title Holder dated the Closing Date.
<b>"Scottish Mortgage"</b>	means a first ranking standard security over a Scottish Property securing a Scottish Mortgage Loan.
<b>"Scottish Mortgage Loan"</b>	means a loan secured in Scotland by a first ranking standard security over a Scottish Property.
<b>"Scottish Property"</b>	means a Property situated in Scotland.
<b>"Scottish Trust Transfer"</b>	means an assignation by the Seller in favour of the Issuer of the Seller's interest in the Scottish Mortgage Loans and their Related Security (comprising the Seller's beneficial interest under the Scottish Declaration of Trust), entered into pursuant to the Mortgage Sale Agreement.
<b>"Screen"</b>	means Bloomberg Screen LIBOR01; or  (a) such other page as may replace Bloomberg 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).

**"SDC Interim Transferred Amount"**

means, on each Interest Payment Date, the amount by which the Compensation Fee Cap exceeds the amounts required to satisfy items (1) to (4) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date.

**"SDC Ledger"**

means the ledger maintained by the Cash Manager on behalf of the Issuer which shall record as a credit any amounts credited to the SDC Ledger in accordance with the Pre-Enforcement Ledgers Priority of Payments on any Interest Payment Date from (and including) the Closing Date to and including the FORD, and be debited as contemplated under items (1) to (5) of the Pre-Enforcement Ledgers Priority of Payments.

**"SDC Payment"**

means, on any date of determination:

- (a) prior to the delivery of an Enforcement Notice:
- (i) in respect of each Interest Payment Date from the Closing Date to (and including) the FORD: (I) if a redemption of the Notes in full occurs on such Interest Payment Date the amount available for payment under item (2) of the Pre-Enforcement Ledgers Priority of Payments; or (II) if a redemption of the Notes occurs on that Interest Date, zero;
  - (ii) in respect of each Interest Payment Date after the FORD, zero; and
- (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, an amount equal to the amount standing to the credit of the SDC Ledger on the date on which the Enforcement Notice is served less the aggregate of all amounts applied on any prior date in accordance with item (6) of the Post-Enforcement Priority of Payments.

**"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 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 Liquidity Facility

	Provider, 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.
"Securities Act"	means the U.S. Securities Act of 1933, as amended.
"Security"	means the security granted by the Issuer to the Trustee under and pursuant to the Deed of Charge (including, but not limited to, the Scottish Trust Security) in favour of the Secured Creditors.
"Seller"	means Cerberus European Residential Holdings B.V.
"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 the Mortgage Sale Agreement.
"Senior Expenses"	means each of the Senior Trustee Fee, the Agent Amount, the Cash Manager Amount, the BUCM Amount, the Account Banks Amount, the CSP Amount and the BUSF Amount due and payable under item (1) of the Pre-Enforcement Revenue Priority of Payments.
"Senior Trustee Fee"	shall have the meaning given to it in item (1)(i) of the Pre-Enforcement Revenue Priority of Payment on page 142 of this Prospectus.
"Service Providers Amount"	means each of the Agent Amount, the Cash Manager Amount, the BUCM Amount, the Account Banks Amount, the CSP Amount, the BUSF Amount, the Servicer Post-SFC Amount and the BUS Post-SFC Amount and VAT payable (if any) to each of them.
"Servicer Compensation Cap"	means, on each Interest Payment Date, the excess of (i) the Compensation Fee Cap over (ii) $\frac{3}{12}$ <sup>ths</sup> of the scheduled per annum Senior Expenses.
"Servicer Post-SFC Amount"	means the applicable Servicer Original Amount less the applicable Servicer Excess Amount (on the basis that only the Applicable Servicer Compensation Cap applied and ignoring the Applicable Compensation Fee Cap of the Servicer).
"Services"	means the services to be provided by the Servicer set out in the Servicing Agreement including in Schedule 1 ( <i>The Services</i> ) thereto.
"Servicing Agreement"	means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, CHL 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).
"SFC Relevant Percentage"	means: <ul style="list-style-type: none"> <li>(a) in relation to the Back-Up Servicer, (A) the BUS Original Amount divided by (B) the aggregate of the BUS Original Amount and the Servicer Original Amount; and</li> <li>(b) in relation to the Servicer, (A) the Servicer Original Amount divided by (B) the aggregate of the BUS Original Amount and the Servicer Original Amount.</li> </ul>
"Solvency II Delegated Act"	means the Commission Delegated Regulation (European Union) 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).
"Specified Office"	means, in relation to any Agent: <ul style="list-style-type: none"> <li>(a) the office specified against its name in the Notices Details; or</li> <li>(b) such other office as such Agent may specify in accordance with the provisions of the Agency Agreement.</li> </ul>
"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 the relevant Originator, a list of which is set out in the Mortgage Sale Agreement.
"Standard Security"	means a standard security as defined in Part II of the Conveyancing and Feudal Reform (Scotland) Act 1970.
"Standard Variable Rate Mortgage Loans"	means the Mortgage Loans which are subject to the CHL Standard Variable Rate.
"Subordinated Servicing Fees"	means in any three Collection Periods, the amount by which the fees payable to the Servicer and Back-Up Servicer in those three Collection Periods exceed the Servicer Compensation Cap for the same three Collection Periods.
"Substitute Life Policies"	means any substitute Life Policy which replaces a Life Policy taken out by a Borrower (if any) as may be determined in accordance with the provisions 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.
"Surplus SDC Amounts"	means the surplus after deducting amounts from item (1)(i) of the Pre-Enforcement Ledgers Priority of Payments.
"Switch Date"	means the relevant date of the granting of the Product Switch.
"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 " <b>Taxes</b> ", " <b>taxation</b> ", " <b>taxable</b> " 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 for or on account of Tax.
"Tracker Mortgage Loans"	means the Mortgage Loans which are Bank of England-linked mortgages where the applicable rate of interest is calculated by reference to the Bank of England base rate or, where the applicable rate of interest is calculated by reference to a combination of the Bank of England base rate and the appropriate loan to value ratio.
"Transaction Documents"	means the 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 Legal Title Holder Power of Attorney, the Seller Power of Attorney, the Trust Deed, the Back-Up Servicing Agreement, the Back-Up Cash Management Agreement, the Liquidity Facility Agreement, the Deed Poll, the Scottish Declaration of Trust, each Scottish Transfer, the Scottish Trust Transfer, the Scottish Trust Security, each Scottish Sub-Security 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 Certificates and any other document designated as such (other than the Subscription Agreement).

<b>"Transaction Party"</b>	means any person who is a party to a Transaction Document and <b>"Transaction Parties"</b> means some or all of them.
<b>"Transfer Certificate"</b>	means a certificate, substantially in the form scheduled to the Liquidity Facility Agreement, with such amendments as the Liquidity Facility Provider may approve or reasonably require or any other form agreed between the Liquidity Facility Provider, the Issuer and the Trustee.
<b>"Trust Deed"</b>	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.
<b>"Trust Documents"</b>	means the Trust Deed and the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable).
<b>"Trustee Differential Amount"</b>	means £250,000 less the Aggregate Trustee Amount, <b>provided, however,</b> the Trustee Differential Amount shall not be less than zero.
<b>"Trustee Excess Amount"</b>	shall be the amount, if any, by which the Trustee Original Amount exceeds the Trustee Differential Amount.
<b>"Trustee Year"</b>	means each period from (and including) the Interest Payment Date falling in May in a calendar year to (and including) the Interest Payment Date falling in February in the subsequent calendar year, with the first Trustee Year beginning on the First Interest Payment Date.
<b>"TSC Regulations"</b>	means the Taxation of Securitisation Companies Regulations 2006.
<b>"U.S. Credit Risk Retention Requirements"</b>	shall have the meaning given to it in the section entitled " <i>U.S. Risk Retention</i> " on page iv of this Prospectus.
<b>"U.S. Person"</b>	means a " <b>U.S. person</b> " as such term is defined under Regulation S under the Securities Act.
<b>"Valuation Report"</b>	means the valuation report or reports for mortgage purposes, obtained by the relevant Originator 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 CHL.
<b>"Volcker Rule"</b>	means the Section 13 of the Bank Holding Company Act of 1956, as amended, and the regulations adopted thereunder.
<b>"Written Resolution"</b>	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 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 Certificates.



**ANNEX A**  
**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 £1,646,474,305 as at 31 December 2016 (being the Portfolio Reference Date).

The Mortgage Loans included in the Provisional Mortgage Portfolio were previously owned by the Seller, 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 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 Closing 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 £1,646,474,305 as at the Portfolio Reference 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:

**Overview**

Portfolio Reference Date.....	31/12/2016
Total Current Balance (£) .....	1,646,474,305
Number of Borrowers .....	15,193
Number of Mortgage Loan Accounts.....	13,534
Average Loan Balance (£) .....	121,655
Maximum Loan Balance (£) .....	1,415,317
Weighted Average Original LTV (%).....	82.63
Weighted Average Indexed Current LTV (%) .....	70.00
Weighted Average Current Interest Rate (%).....	1.56
Weighted Average Seasoning (Months).....	119
Weighted Average Remaining Term (Months) .....	153
BBR (%) .....	99.49
SVR (%) .....	0.51
Interest Only (%) .....	97.57
Current Loans (%) .....	98.63
30-59 Days in Arrears (%).....	0.75
60-89 Days in Arrears (%).....	0.07
90+ Days in Arrears (%).....	0.55

**Account Status as at the Portfolio Reference Date**

The following table shows the account status of the Mortgage Loans as at the Portfolio Reference Date.

Account Status	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Performing .....	13,356	1,623,906,021	98.63	1.553	1.304	121,586	153	119	82.60	69.88
Arrears .....	110	13,593,845	0.83	1.854	1.615	123,580	127	120	84.48	77.08
Default or Foreclosure .....	68	8,974,438	0.55	1.973	1.744	131,977	132	120	84.89	82.31
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

ANNEX A

STATISTICAL INFORMATION ON THE PROVISIONAL MORTGAGE PORTFOLIO

***Current Balances as at the Portfolio Reference Date***

The following table shows the range of outstanding Current Balances (including capitalised interest and capitalised fees) of the Mortgage Loans as at the Portfolio Reference Date.

<b>Current Balance</b>	<b>Number of Loans</b>	<b>Total Current Balance (£)</b>	<b>Total Current Balance (%)</b>	<b>Weighted Average Current Interest Rate (%)</b>	<b>Weighted Average Margin Rate (%)</b>	<b>Avg. Loan Size (£)</b>	<b>Weighted Average Remaining Term (months)</b>	<b>Weighted Average Loan Age (months)</b>	<b>Weighted Average Original Loan to Value (%)</b>	<b>Weighted Average Indexed Loan to Value (%)</b>
<= 50,000.....	1,351	37,757,671	2.29	1.701	1.468	27,948	135	135	76.33	58.49
50,001 to 70,000.....	1,794	109,612,768	6.66	1.549	1.301	61,100	145	123	82.93	77.29
70,001 to 90,000.....	2,363	187,644,319	11.40	1.567	1.319	79,409	145	121	82.23	77.70
90,001 to 110,000.....	2,238	223,660,321	13.58	1.554	1.304	99,938	151	119	81.99	75.65
110,001 to 130,000.....	1,519	181,363,052	11.02	1.567	1.319	119,396	150	119	82.66	71.89
130,001 to 150,000.....	1,100	154,027,271	9.35	1.543	1.294	140,025	156	119	82.86	68.92
150,001 to 170,000.....	804	127,816,289	7.76	1.566	1.316	158,975	156	118	83.31	68.65
170,001 to 190,000.....	536	96,166,916	5.84	1.556	1.306	179,416	158	118	83.42	66.36
190,001 to 210,000.....	382	76,161,384	4.63	1.561	1.313	199,375	157	118	83.53	66.71
210,001 >=.....	1,447	452,264,313	27.47	1.544	1.295	312,553	157	117	82.95	64.53
<b>Total.....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

***Original Balances***

The following table shows the range of Original Balances of the Mortgage Loans.

<b>Original Balance</b>	<b>Number of Loans</b>	<b>Total Current Balance (£)</b>	<b>Total Current Balance (%)</b>	<b>Weighted Average Current Interest Rate (%)</b>	<b>Weighted Average Margin Rate (%)</b>	<b>Avg. Loan Size (£)</b>	<b>Weighted Average Remaining Term (months)</b>	<b>Weighted Average Loan Age (months)</b>	<b>Weighted Average Original Loan to Value (%)</b>	<b>Weighted Average Indexed Loan to Value (%)</b>
<= 50,000.....	1,165	31,968,012	1.94	1.719	1.486	27,440	135	133	76.09	64.85
50,001 to 70,000.....	1,897	113,654,599	6.90	1.571	1.324	59,913	144	123	82.70	77.81
70,001 to 90,000.....	2,521	199,789,315	12.13	1.568	1.319	79,250	146	121	82.41	77.78
90,001 to 110,000.....	2,238	224,427,230	13.63	1.558	1.309	100,280	151	119	81.88	75.29
110,001 to 130,000.....	1,468	176,340,019	10.71	1.567	1.319	120,123	151	119	82.70	71.45
130,001 to 150,000.....	1,182	166,488,897	10.11	1.543	1.294	140,854	156	119	82.83	68.66
150,001 to 170,000.....	756	121,338,107	7.37	1.554	1.304	160,500	158	118	83.45	68.11
170,001 to 190,000.....	508	91,994,446	5.59	1.561	1.313	181,091	156	118	83.36	65.96
190,001 to 210,000.....	373	74,719,119	4.54	1.542	1.293	200,319	159	117	83.76	66.42
210,001 >=.....	1,426	445,754,561	27.07	1.542	1.293	312,591	157	117	82.88	64.11
<b>Total.....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

***Indexed Current Loan to Value Ratios (ICLTVs)***

The following table shows the range of ICLTVs of the Mortgage Loans calculated by dividing the aggregate Current Balance of all Mortgage Loans (including capitalised interest and capitalised fees) as at the Portfolio Reference Date by the latest valuation amount of the Property securing the Mortgage Loans indexed using the regional quarterly non-seasonally adjusted Lloyds House Price Index from the date of the latest valuation (or 1 January 1983, whichever is later) until 31 December 2016.

<b>Indexed LTV (%)</b>	<b>Number of Loans</b>	<b>Total Current Balance (£)</b>	<b>Total Current Balance (%)</b>	<b>Weighted Average Current Interest Rate (%)</b>	<b>Weighted Average Margin Rate (%)</b>	<b>Avg. Loan Size (£)</b>	<b>Weighted Average Remaining Term (months)</b>	<b>Weighted Average Loan Age (months)</b>	<b>Weighted Average Original Loan to Value (%)</b>	<b>Weighted Average Indexed Loan to Value (%)</b>
<= 48.000.....	1,347	149,091,286	9.06	1.415	1.170	110,684	151	132	70.38	40.23
48.001 to 54.000.....	900	149,314,055	9.07	1.371	1.121	165,905	159	124	79.44	51.07
54.001 to 60.000.....	1,274	196,410,503	11.93	1.457	1.208	154,168	165	120	81.05	57.29
60.001 to 66.000.....	1,196	178,536,509	10.84	1.526	1.277	149,278	163	118	83.10	62.91
66.001 to 72.000.....	1,333	176,822,524	10.74	1.553	1.305	132,650	156	119	83.78	68.71
72.001 to 78.000.....	1,729	196,596,598	11.94	1.517	1.269	113,705	156	121	84.10	74.98
78.001 to 84.000.....	2,067	222,464,040	13.51	1.553	1.304	107,627	148	116	84.55	81.36
84.001 to 90.000.....	2,120	223,049,291	13.55	1.761	1.512	105,212	139	114	86.84	86.92
90.001 to 96.000.....	1,046	103,420,411	6.28	1.811	1.563	98,872	141	113	86.94	92.38
96.001 >=.....	522	50,769,087	3.08	1.805	1.557	97,259	135	113	86.99	102.79
<b>Total.....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

The weighted average ICLTV as at the Portfolio Reference Date of the Mortgage Loans is 70.00%.

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**Original Loan to Value Ratios (OLTVs)**

The following table shows the range of OLTVs of the Mortgage Loans calculated by dividing the Original Balance of the Mortgage Loans by the valuation amount of the Property securing the Mortgage Loans as at the origination date.

Original LTV (%)	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
<= 70.000	1,307	136,246,111	8.28	1.419	1.172	104,243	153	121	61.20	50.92
70.001 to 72.000	207	23,515,875	1.43	1.380	1.131	113,603	159	123	71.04	56.96
72.001 to 74.000	271	35,131,474	2.13	1.422	1.174	129,636	159	122	73.04	58.48
74.001 to 76.000	477	63,413,707	3.85	1.402	1.154	132,943	161	124	74.97	57.32
76.001 to 78.000	374	46,358,437	2.82	1.404	1.155	123,953	158	121	77.09	64.49
78.001 to 80.000	705	86,657,145	5.26	1.401	1.153	122,918	155	124	79.40	63.47
80.001 to 82.000	635	75,628,187	4.59	1.448	1.198	119,100	156	121	81.04	66.91
82.001 to 84.000	746	92,485,247	5.62	1.473	1.223	123,975	152	120	83.05	70.70
84.001 to 86.000	5,565	677,653,581	41.16	1.489	1.241	121,771	153	120	84.96	71.64
86.001 >=	3,247	409,384,541	24.86	1.853	1.604	126,081	148	114	90.08	79.77
<b>Total</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

The weighted average OLTV of the Mortgage Loans is 82.63%.

**Months in Arrears as at the Portfolio Reference Date<sup>(1)</sup>**

The following table shows the range of Months in Arrears of the Mortgage Loans as at the Portfolio Reference Date.

Months in Arrears <sup>(2)</sup>	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Current Loans	13,356	1,623,906,021	98.63	1.553	1.304	121,586	153	119	82.60	69.88
1.000 to 1.999	101	12,372,007	0.75	1.814	1.572	122,495	124	119	84.48	78.31
2.000 to 2.999	9	1,221,839	0.07	2.253	2.057	135,760	155	129	84.47	64.55
3.000 to 5.999	22	2,734,108	0.17	1.968	1.739	124,278	150	118	83.72	78.39
Greater than or equal to 6.000	46	6,240,330	0.38	1.976	1.746	135,659	124	121	85.40	84.03
<b>Total</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.304</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

<sup>(1)</sup> Months in Arrears are calculated in accordance with standard market practice in the UK. A loan is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds one the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed, hence the term Months in Arrears. A borrower that has missed payments that in the aggregate equal or exceed two monthly payments (but for which the aggregate of missed payments is less than three monthly payments) would be classified as being between two Months in Arrears, and so on.

<sup>(2)</sup> The calculations have been performed at the borrower level and is a weighted average across of all main accounts of each Borrower.

**Geographical Distribution of Properties**

The following table shows the distribution of geographic region of Properties securing the Mortgage Loans throughout the United Kingdom as at the Portfolio Reference Date.

Geographic Region	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Greater London	1,784	376,745,571	22.88	1.511	1.262	211,180	165	118	81.24	52.88
South East England	1,850	283,114,182	17.20	1.495	1.246	153,035	157	119	82.78	61.02
North West England	2,552	255,455,708	15.52	1.612	1.363	100,100	146	117	84.43	81.93
Yorkshire & Humber	1,630	170,463,411	10.35	1.621	1.372	104,579	150	117	83.97	80.09
South West England	786	106,610,285	6.48	1.488	1.238	135,636	150	121	82.14	69.57
West Midlands	909	97,746,589	5.94	1.505	1.255	107,532	158	120	82.90	76.39
East Midlands	851	94,198,212	5.72	1.575	1.325	110,691	153	118	84.72	79.14
Northern Ireland	1,328	86,863,977	5.28	1.648	1.407	65,410	130	131	75.86	74.81
North East England	953	80,345,607	4.88	1.675	1.428	84,308	133	117	84.75	90.88
Wales	547	55,259,081	3.36	1.656	1.408	101,022	141	118	83.57	85.92
East of England	327	38,983,690	2.37	1.514	1.264	119,216	157	117	82.28	65.88
Scotland	17	687,991	0.04	2.219	2.015	40,470	86	177	77.00	38.85
<b>Total</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

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*Seasoning as at the Portfolio Reference Date*

The following table shows the range of the number of months since the completion dates of the Mortgage Loans as at the Portfolio Reference Date.

Range of Mortgage Loan age (months)	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
<= 106.....	1,980	278,181,465	16.90	1.673	1.424	140,496	161	104	81.74	70.56
107 to 110.....	1,752	251,527,077	15.28	1.736	1.487	143,566	156	108	84.44	75.18
111 to 114.....	1,786	229,765,716	13.96	1.685	1.435	128,648	152	113	85.19	77.95
115 to 118.....	1,389	161,727,989	9.82	1.601	1.351	116,435	151	116	84.32	76.02
119 to 122.....	1,277	147,685,876	8.97	1.419	1.172	115,651	148	121	82.84	71.71
123 to 126.....	1,394	159,184,760	9.67	1.271	1.021	114,193	150	125	80.99	66.57
127 to 130.....	1,144	128,704,924	7.82	1.372	1.122	112,504	151	128	81.26	64.12
131 to 134.....	983	111,107,875	6.75	1.442	1.193	113,029	157	132	81.70	64.03
135 to 138.....	468	52,330,744	3.18	1.441	1.192	111,818	146	136	80.55	61.01
139>=.....	1,361	126,257,880	7.67	1.525	1.281	92,768	140	151	79.02	53.61
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

The weighted average seasoning as at the Portfolio Reference Date of the Mortgage Loans is 119 months.

*Remaining Term as at the Portfolio Reference Date*

The following table shows range of the number of months until the maturity dates of the Mortgage Loans as at the Portfolio Reference Date.

Remaining Term (months)	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
<= 70.....	1,207	121,917,215	7.40	1.814	1.573	101,008	41	117	85.21	80.75
71 to 90.....	458	54,237,532	3.29	1.607	1.359	118,423	77	114	82.84	76.20
91 to 110.....	506	50,820,663	3.09	1.442	1.197	100,436	102	130	80.90	68.15
111 to 130.....	2,145	242,146,461	14.71	1.484	1.235	112,889	121	122	82.51	70.73
131 to 150.....	1,294	168,609,269	10.24	1.539	1.289	130,301	137	117	82.17	67.97
151 to 170.....	2,163	238,982,302	14.51	1.458	1.208	110,487	163	133	81.02	62.36
171 to 190.....	3,725	467,088,944	28.37	1.504	1.254	125,393	181	118	83.02	71.06
191 to 210.....	1,699	263,194,707	15.99	1.714	1.464	154,912	194	106	82.61	69.50
211 to 230.....	75	6,390,855	0.39	1.511	1.263	85,211	222	130	80.98	68.93
231 >=.....	262	33,086,358	2.01	1.598	1.349	126,284	263	118	85.04	72.60
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

The weighted average remaining term as at the Portfolio Reference Date of the Mortgage Loans is 153 months.

*Original Term*

The following table shows range of the original number of months until the maturity dates of the Mortgage Loans.

Original Term (months)	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
<= 190.....	1,332	147,731,122	8.97	1.797	1.554	110,909	47	113	84.95	81.85
191 to 200.....	91	12,430,940	0.76	1.442	1.193	136,604	77	115	83.43	71.33
201 to 210.....	128	14,245,319	0.87	1.480	1.230	111,292	87	117	83.90	78.82
211 to 220.....	164	17,157,185	1.04	1.486	1.242	104,617	98	118	82.38	71.29
221 to 230.....	228	23,611,987	1.43	1.468	1.219	103,561	113	115	82.46	72.33
231 to 240.....	2,688	326,853,942	19.85	1.525	1.276	121,597	123	117	82.64	72.09
241 to 250.....	25	890,805	0.05	1.382	1.133	35,632	122	123	73.25	58.62
251 to 260.....	205	24,175,683	1.47	1.283	1.033	117,930	129	123	80.66	65.83
261 to 270.....	294	33,236,440	2.02	1.487	1.238	113,049	141	123	82.44	67.20
271 >=.....	8,379	1,046,140,881	63.54	1.548	1.299	124,853	181	121	82.33	67.66
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

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**Repayment Type**

The following table shows the repayment type of the Mortgage Loans as at the Portfolio Reference Date.

Repayment Type	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Interest Only.....	12,911	1,606,514,561	97.57	1.556	1.307	124,430	153	119	82.70	70.34
Repayment .....	494	22,712,116	1.38	1.512	1.272	45,976	162	131	76.69	43.89
Part & Part.....	129	17,247,628	1.05	1.756	1.509	133,703	152	118	83.62	73.26
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

**Interest Rate Type**

The following table shows the interest rate type of the Mortgage Loans as at the Portfolio Reference Date.

Reference Index	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
BBR .....	13,378	1,638,015,732	99.49	1.541	1.291	122,441	153	119	82.65	70.05
SVR.....	156	8,458,572	0.51	4.823	4.823	54,222	74	139	78.01	60.86
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

**Current Interest Rates**

The following table shows range of Current Interest rates for the Mortgage Loans as at the Portfolio Reference Date.

Current Interest Rate (%)	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
<= 0.700.....	1	141,280	0.01	0.000	0.000	141,280	128	112	90.00	67.79
0.701 to 0.900.....	1,721	215,812,029	13.11	0.740	0.490	125,399	154	121	79.25	64.04
0.901 to 1.100.....	252	27,731,897	1.68	1.000	0.750	110,047	149	132	78.16	57.74
1.101 to 1.300.....	510	68,776,351	4.18	1.220	0.970	134,856	144	128	82.38	66.56
1.301 to 1.500.....	5,524	628,772,560	38.19	1.487	1.237	113,826	152	124	80.93	65.29
1.501 to 1.700.....	210	43,235,189	2.63	1.620	1.370	205,882	163	109	86.02	73.62
1.701 to 1.900.....	3,552	453,231,535	27.53	1.870	1.620	127,599	159	113	84.72	75.15
1.901 to 2.100.....	1,587	196,771,842	11.95	1.984	1.734	123,990	144	111	87.10	82.18
2.101 to 2.300.....	6	833,693	0.05	2.240	1.990	138,949	153	108	77.22	65.70
2.301 >=.....	171	11,167,928	0.68	4.370	4.298	65,310	90	133	79.33	64.98
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

The weighted average Current Interest rate as at the Portfolio Reference Date of the Mortgage Loans is 1.558 per cent.

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### Margin Rate

The following table shows range of Margin rates for the Mortgage Loans as at the Portfolio Reference Date.

Margin Rate (%)	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
<= 0.500.....	1,717	215,511,840	13.09	0.740	0.490	125,517	154	120	79.26	64.07
0.501 to 0.700.....	4	349,037	0.02	0.850	0.600	87,259	102	157	74.89	41.89
0.701 to 0.900.....	347	41,693,276	2.53	1.046	0.797	120,154	150	124	78.05	62.22
0.901 to 1.100.....	453	58,899,296	3.58	1.247	0.997	130,021	143	131	83.28	65.75
1.101 to 1.300.....	5,502	627,759,073	38.13	1.488	1.238	114,097	152	124	80.98	65.32
1.301 to 1.500.....	758	114,735,716	6.97	1.700	1.450	151,366	162	116	82.40	71.64
1.501 to 1.700.....	3,508	434,744,384	26.40	1.901	1.651	123,929	157	111	85.26	77.07
1.701 to 1.900.....	1,067	140,660,663	8.54	2.002	1.752	131,828	145	112	88.55	81.39
1.901 to 2.100.....	7	953,091	0.06	2.210	1.991	136,156	135	110	78.82	68.61
2.101 >=.....	171	11,167,928	0.68	4.370	4.298	65,310	90	133	79.33	64.98
<b>Total.....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

The weighted average Margin rate as at the Portfolio Reference Date of the Mortgage Loans is 1.309 per cent.

### Bankruptcy or Individual Voluntary Arrangements (IVA) as at the Portfolio Reference Date

The following table shows the Mortgage Loans that belong in the "Bankruptcy of Individual Voluntary Arrangements" category as at the Portfolio Reference Date.

Bankruptcy or Individual Voluntary Arrangements (IVA)	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
N .....	13,225	1,602,732,638	97.34	1.554	1.306	121,190	153	119	82.57	69.86
Y .....	309	43,741,667	2.66	1.680	1.432	141,559	135	120	84.69	75.41
<b>Total.....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

### Property Type

The following table shows the types of properties secured by the Loans as at the Portfolio Reference Date.

Property Type	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Residential (House, detached or semi-detached) .....	8,585	964,280,664	58.57	1.569	1.321	112,322	151	119	83.04	72.55
Residential (Flat/Apartment).....	4,386	606,990,575	36.87	1.540	1.291	138,393	155	119	82.23	67.06
Other .....	563	75,203,066	4.57	1.552	1.304	133,576	150	121	80.53	61.04
<b>Total.....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

### Years Current

The following table shows the years current as at the Portfolio Reference Date.

Years Current	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Currently in Arrears.....	178	22,568,283	1.37	1.901	1.666	126,788	129	120	84.64	79.16
Less than 1 year(s) Current .....	271	35,824,056	2.18	1.712	1.466	132,192	147	119	85.44	73.89
Less than 2 year(s) Current .....	224	28,221,927	1.71	1.719	1.474	125,991	154	119	83.25	73.13
Less than 3 year(s) Current .....	180	22,066,162	1.34	1.724	1.476	122,590	156	118	84.20	73.35

## STATISTICAL INFORMATION ON THE PROVISIONAL MORTGAGE PORTFOLIO

Years Current	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Less than 4 year(s)										
Current .....	150	22,056,108	1.34	1.719	1.471	147,041	152	121	85.93	72.85
Less than 5 year(s)										
Current .....	155	23,190,154	1.41	1.712	1.463	149,614	145	119	85.24	73.49
Less than 6 year(s)										
Current .....	106	16,388,014	1.00	1.677	1.427	154,604	148	119	85.83	74.53
Less than 7 year(s)										
Current .....	126	19,783,816	1.20	1.829	1.580	157,014	141	116	86.10	75.43
Less than 8 year(s)										
Current .....	218	31,390,025	1.91	1.635	1.385	143,991	156	119	84.45	74.98
Less than 9 year(s)										
Current .....	72	9,264,917	0.56	1.595	1.348	128,679	152	128	83.94	67.10
Less than 10 year(s)										
Current .....	22	3,344,717	0.20	1.559	1.310	152,033	159	133	83.22	66.39
Less than 11 year(s)										
Current .....	10	525,668	0.03	1.689	1.451	52,567	147	159	82.83	51.65
Less than 12 year(s)										
Current .....	1	34,193	0.00	1.240	0.990	34,193	155	145	89.68	43.14
Less than 13 year(s)										
Current .....	7	291,670	0.02	2.437	2.256	41,667	97	186	78.01	31.00
Less than 14 year(s)										
Current .....	2	32,035	0.00	1.110	0.860	16,018	122	178	94.46	45.85
Less than 15 year(s)										
Current .....	1	43,039	0.00	5.050	5.050	43,039	110	190	68.93	26.86
Less than 16 year(s)										
Current .....	2	102,689	0.01	3.477	3.367	51,344	34	206	76.89	34.57
Less than 17 year(s)										
Current .....	1	51,173	0.00	5.050	5.050	51,173	84	216	92.41	40.80
Never In Arrears .....	11,808	1,411,295,657	85.72	1.530	1.281	119,520	153	119	82.26	69.35
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

*Mortgage Loan Purpose*

The following table shows the purpose of the Mortgage Loans in the Provisional Mortgage Portfolio.

Mortgage Loan Purpose	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Purchase .....	7,308	841,732,006	51.12	1.615	1.367	115,180	154	119	84.57	72.76
Remortgage .....	5,545	782,412,081	47.52	1.498	1.249	141,102	152	119	80.64	67.07
Equity Release .....	681	22,330,218	1.36	1.484	1.236	32,790	137	121	78.73	68.79
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

*Borrower Type*

The following table shows the Borrower Type of the Mortgage Loans in the Provisional Mortgage Portfolio.

Borrower Type	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Individual .....	11,585	1,399,264,668	84.99	1.582	1.333	120,782	152	119	82.93	70.38
Company .....	1,949	247,209,637	15.01	1.422	1.172	126,839	157	117	80.92	67.89
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

*Occupancy Type*

The following table shows the Occupancy Type of the properties securing the Loans in the Provisional Mortgage Portfolio.

Occupancy Type	Number of Loans	Total Current Balance (£)	Total Current Balance (%)	Weighted Average Current Interest Rate (%)	Weighted Average Margin Rate (%)	Avg. Loan Size (£)	Weighted Average Remaining Term (months)	Weighted Average Loan Age (months)	Weighted Average Original Loan to Value (%)	Weighted Average Indexed Loan to Value (%)
Owner Occupied .....	780	117,664,451	7.15	1.545	1.299	150,852	145	124	87.59	70.87
Buy To Let .....	12,754	1,528,809,854	92.85	1.559	1.310	119,869	153	119	82.24	69.94
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>

ANNEX A

STATISTICAL INFORMATION ON THE PROVISIONAL MORTGAGE PORTFOLIO

***Mixed Residential & Commercial Property Loan***

The following table shows the Loans in the Provisional Mortgage Portfolio that are secured by properties that are part residential and part commercial.

<b>Mixed Residential &amp; Commercial Property Loan</b>	<b>Number of Loans</b>	<b>Total Current Balance (£)</b>	<b>Total Current Balance (%)</b>	<b>Weighted Average Current Interest Rate (%)</b>	<b>Weighted Average Margin Rate (%)</b>	<b>Avg. Loan Size (£)</b>	<b>Weighted Average Remaining Term (months)</b>	<b>Weighted Average Loan Age (months)</b>	<b>Weighted Average Original Loan to Value (%)</b>	<b>Weighted Average Indexed Loan to Value (%)</b>
N .....	13,511	1,639,812,373	99.60	1.556	1.308	121,369	153	119	82.69	70.07
Y .....	23	6,661,932	0.40	1.876	1.626	289,649	110	106	67.92	54.25
<b>Total .....</b>	<b>13,534</b>	<b>1,646,474,305</b>	<b>100.00</b>	<b>1.558</b>	<b>1.309</b>	<b>121,655</b>	<b>153</b>	<b>119</b>	<b>82.63</b>	<b>70.00</b>



**ANNEX B**  
**HISTORICAL PERFORMANCE OF THE WIDER MORTGAGE PORTFOLIO**

The Seller was provided with information by the Originators with regard to the historical performance of approximately £7,238,478,969 mortgage loans originated by the Originators (the "**Wider Portfolio**"). A summary of this data is provided in the following tables, for which the Originators accept no responsibility.

The information consists of CPR, CDR, Loss Severity, Months in Arrears (for both the Wider Portfolio and The Mortgage Portfolio) and no assurance can be made as to the performance of a particular pool of loans, whether similar to the information shown below for loans originated during any particular period or otherwise.

**CPR**

The table below sets out on a quarterly basis the annualised constant prepayment rate ("**CPR**") for the Wider Portfolio. CPR means the annualised ratio of the prepayment balance of loans to the closing balance of all loans in the relevant quarter.

<b>Quarter</b>	<b>CPR</b>
2002-Q2.....	11.44%
2002-Q3.....	18.44%
2002-Q4.....	14.96%
2003-Q1.....	13.59%
2003-Q2.....	15.61%
2003-Q3.....	17.63%
2003-Q4.....	15.71%
2004-Q1.....	14.35%
2004-Q2.....	17.93%
2004-Q3.....	18.33%
2004-Q4.....	14.44%
2005-Q1.....	10.91%
2005-Q2.....	13.22%
2005-Q3.....	14.66%
2005-Q4.....	16.10%
2006-Q1.....	13.37%
2006-Q2.....	14.83%
2006-Q3.....	15.21%
2006-Q4.....	14.28%
2007-Q1.....	11.94%
2007-Q2.....	19.29%
2007-Q3.....	20.25%
2007-Q4.....	16.32%
2008-Q1.....	11.26%

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HISTORICAL PERFORMANCE OF THE WIDER MORTGAGE PORTFOLIO

Quarter	CPR
2008-Q2.....	7.75%
2008-Q3.....	3.08%
2008-Q4.....	3.59%
2009-Q1.....	1.49%
2009-Q2.....	1.18%
2009-Q3.....	1.72%
2009-Q4.....	1.82%
2010-Q1.....	1.49%
2010-Q2.....	1.83%
2010-Q3.....	2.24%
2010-Q4.....	1.65%
2011-Q1.....	1.96%
2011-Q2.....	2.27%
2011-Q3.....	1.89%
2011-Q4.....	2.18%
2012-Q1.....	1.64%
2012-Q2.....	1.31%
2012-Q3.....	2.09%
2012-Q4.....	1.83%
2013-Q1.....	1.70%
2013-Q2.....	1.85%
2013-Q3.....	2.55%
2013-Q4.....	2.96%
2014-Q1.....	2.94%
2014-Q2.....	3.32%
2014-Q3.....	4.12%
2014-Q4.....	3.50%
2015-Q1.....	3.54%
2015-Q2.....	4.09%
2015-Q3.....	4.74%
2015-Q4.....	5.27%
2016-Q1.....	5.83%
2016-Q2.....	5.43%
2016-Q3.....	4.51%

ANNEX B  
HISTORICAL PERFORMANCE OF THE WIDER MORTGAGE PORTFOLIO

**CDR**

The table below sets out on a quarterly basis the annualised constant default rate ("**CDR**") for the Wider Portfolio by vintage during the relevant quarter. CDR means the annualised ratio of the balance of loans that are either in litigation or are in a greater than or equal to 3 months in arrears status to the closing balance of all loans in the relevant quarter.

Quarter	2002	2003	2004	2005	2006	2007	2008
2003-Q1	0.00%						
2003-Q2	0.20%						
2003-Q3	0.45%						
2003-Q4	0.32%						
2004-Q1	0.82%	0.26%					
2004-Q2	0.46%	0.00%					
2004-Q3	0.06%	0.21%					
2004-Q4	0.00%	0.20%					
2005-Q1	0.53%	0.93%	0.12%				
2005-Q2	0.61%	0.62%	0.64%				
2005-Q3	0.31%	0.10%	0.76%				
2005-Q4	0.45%	1.26%	0.94%				
2006-Q1	0.77%	0.78%	1.24%	0.25%			
2006-Q2	0.86%	0.29%	0.70%	0.44%			
2006-Q3	2.65%	1.29%	1.10%	0.48%			
2006-Q4	0.59%	1.42%	1.18%	0.47%			
2007-Q1	0.30%	0.89%	0.98%	0.61%	0.48%		
2007-Q2	0.74%	1.31%	0.42%	0.29%	0.18%		
2007-Q3	0.44%	1.16%	0.40%	0.64%	0.61%		
2007-Q4	0.58%	0.27%	0.64%	1.00%	0.31%		
2008-Q1	0.36%	1.13%	1.41%	1.38%	0.38%	0.63%	
2008-Q2	0.00%	1.97%	2.06%	2.63%	0.63%	1.16%	
2008-Q3	0.11%	0.23%	0.81%	1.76%	0.33%	2.08%	
2008-Q4	2.11%	1.21%	0.70%	2.20%	2.34%	3.28%	
2009-Q1	1.49%	5.45%	5.28%	7.41%	7.22%	7.78%	2.25%
2009-Q2	0.53%	1.38%	1.87%	2.54%	1.22%	2.73%	1.67%
2009-Q3	0.00%	0.00%	0.43%	0.41%	0.23%	4.65%	1.52%
2009-Q4	1.45%	0.20%	0.11%	0.24%	0.15%	1.66%	1.18%
2010-Q1	0.20%	0.46%	0.29%	0.85%	0.12%	1.23%	1.42%
2010-Q2	1.86%	0.78%	0.59%	0.91%	0.29%	0.90%	1.07%
2010-Q3	0.00%	0.45%	0.73%	0.61%	0.22%	1.62%	0.38%
2010-Q4	0.00%	0.17%	0.00%	0.36%	0.31%	0.93%	0.51%
2011-Q1	0.00%	0.39%	0.70%	0.13%	0.05%	0.88%	0.38%
2011-Q2	0.00%	0.66%	1.37%	1.34%	0.23%	1.15%	0.22%
2011-Q3	0.00%	0.38%	0.69%	0.94%	0.29%	1.07%	0.57%
2011-Q4	1.66%	0.34%	0.84%	1.07%	0.89%	1.03%	0.26%
2012-Q1	0.34%	0.29%	0.09%	0.96%	0.75%	1.32%	0.73%
2012-Q2	0.00%	0.79%	0.41%	1.03%	0.89%	0.62%	0.53%
2012-Q3	0.00%	0.00%	1.19%	0.79%	0.46%	1.30%	0.35%
2012-Q4	0.00%	0.51%	0.97%	0.98%	0.64%	1.28%	0.76%
2013-Q1	0.55%	0.23%	0.41%	0.66%	0.87%	0.90%	0.59%
2013-Q2	0.87%	0.23%	0.86%	0.27%	0.73%	1.05%	0.62%
2013-Q3	0.00%	0.44%	0.61%	0.18%	0.67%	0.84%	0.43%
2013-Q4	0.00%	0.15%	0.32%	0.35%	0.97%	1.18%	0.43%
2014-Q1	3.68%	0.00%	0.73%	0.50%	0.48%	1.02%	0.72%
2014-Q2	1.13%	0.67%	0.77%	1.17%	0.36%	1.20%	1.53%
2014-Q3	0.78%	0.68%	0.53%	0.39%	0.83%	1.47%	0.63%
2014-Q4	0.86%	0.35%	0.86%	0.37%	0.66%	1.53%	1.03%
2015-Q1	0.00%	0.37%	0.57%	0.83%	1.19%	0.75%	0.48%
2015-Q2	0.00%	0.77%	0.00%	0.49%	0.48%	1.01%	0.58%
2015-Q3	0.00%	0.00%	0.65%	0.45%	0.29%	0.70%	0.86%
2015-Q4	0.00%	0.00%	0.38%	0.36%	0.60%	0.26%	0.40%
2016-Q1	0.00%	0.60%	0.00%	0.32%	0.32%	0.52%	0.27%
2016-Q2	0.70%	0.38%	0.00%	0.54%	0.31%	0.54%	0.36%
2016-Q3	0.13%	0.71%	0.32%	0.89%	0.32%	0.48%	0.55%

**Loss Severity**

The table below sets out the annual loss severity ("**Loss Severity**") for the Wider Portfolio by vintage during the relevant year. Loss Severity is calculated, for any mortgage loan relating to a repossessed property, as the ratio of losses in the relevant year to the balance of the loan after repossession and prior to sale.

ANNEX B

HISTORICAL PERFORMANCE OF THE WIDER MORTGAGE PORTFOLIO

Quarter	2002	2003	2004	2005	2006	2007	2008
2009-Q3	-	-	40.06%	53.61%	41.66%	26.75%	-
2009-Q4	9.98%	9.47%	16.65%	17.12%	45.70%	29.57%	44.02%
2010-Q1	0.00%	-	22.70%	33.73%	19.35%	40.94%	15.18%
2010-Q2	0.85%	9.84%	44.10%	22.47%	14.16%	35.04%	-
2010-Q3	0.00%	-	18.35%	48.37%	50.16%	18.50%	35.93%
2010-Q4	3.14%	0.00%	48.67%	55.50%	50.87%	26.86%	29.01%
2011-Q1	0.00%	0.00%	35.52%	34.63%	54.06%	35.18%	51.28%
2011-Q2	2.21%	4.66%	17.76%	41.09%	13.87%	65.74%	45.99%
2011-Q3	25.30%	6.34%	0.00%	24.67%	13.18%	43.94%	30.40%
2011-Q4	0.00%	2.31%	21.62%	33.35%	47.99%	40.09%	37.81%
2012-Q1	-	12.51%	30.83%	23.86%	38.25%	34.42%	46.06%
2012-Q2	11.86%	2.05%	16.94%	33.12%	27.57%	32.28%	26.80%
2012-Q3	-	55.48%	25.99%	28.26%	41.66%	32.86%	18.60%
2012-Q4	0.16%	13.72%	18.00%	36.04%	26.23%	32.84%	43.38%
2013-Q1	37.19%	12.42%	26.78%	35.35%	22.69%	38.68%	37.14%
2013-Q2	-	-	10.96%	49.50%	56.00%	41.67%	41.17%
2013-Q3	0.00%	38.95%	27.01%	21.40%	31.84%	37.33%	31.02%
2013-Q4	-	17.75%	39.98%	22.97%	33.44%	35.88%	20.15%
2014-Q1	0.00%	26.90%	37.07%	31.23%	37.39%	36.91%	36.48%
2014-Q2	-	11.78%	35.61%	17.37%	26.63%	28.30%	13.10%
2014-Q3	3.72%	14.24%	30.01%	24.01%	26.66%	33.12%	27.70%
2014-Q4	-	9.61%	29.56%	31.76%	28.80%	30.90%	24.03%
2015-Q1	7.79%	-	12.13%	23.27%	31.69%	18.26%	26.45%
2015-Q2	0.00%	24.80%	46.43%	20.90%	14.20%	26.69%	21.27%
2015-Q3	22.20%	0.00%	3.65%	15.19%	12.79%	19.27%	17.39%
2015-Q4	0.00%	-	19.65%	12.90%	30.33%	22.22%	17.58%
2016-Q1	-	8.11%	0.00%	14.05%	46.69%	28.95%	9.05%
2016-Q2	0.00%	9.40%	7.68%	17.14%	17.82%	19.50%	14.35%
2016-Q3	0.00%	0.54%	-	10.42%	17.66%	18.35%	6.73%

**Months in Arrears – Wider Portfolio**

The table below sets out, on a quarterly basis, the ratio of the outstanding balance of all loans in the Wider Portfolio, in respect of each origination vintage, that are 3 or more months in arrears, over by the total balance of all loans in the given quarter for the relevant origination vintage.

Quarter	2002	2003	2004	2005	2006	2007	2008
2003-Q1	0.12%						
2003-Q2	0.21%						
2003-Q3	0.29%						
2003-Q4	0.38%						
2004-Q1	0.72%	0.10%					
2004-Q2	0.65%	0.15%					
2004-Q3	0.48%	0.24%					
2004-Q4	0.53%	0.52%					
2005-Q1	0.78%	0.91%	0.29%				
2005-Q2	0.56%	0.57%	0.50%				
2005-Q3	0.63%	1.10%	0.73%				
2005-Q4	1.27%	1.24%	0.95%				
2006-Q1	1.65%	1.35%	1.21%	0.22%			
2006-Q2	1.91%	1.37%	1.50%	0.37%			
2006-Q3	1.47%	1.22%	1.64%	0.49%			
2006-Q4	1.36%	1.18%	1.67%	0.63%			
2007-Q1	1.23%	1.38%	1.55%	0.92%	0.36%		
2007-Q2	0.91%	2.23%	1.49%	0.74%	0.53%		
2007-Q3	0.57%	1.68%	1.41%	1.00%	0.56%		
2007-Q4	0.80%	1.68%	1.39%	1.33%	0.62%		
2008-Q1	0.65%	1.85%	2.04%	1.82%	0.69%	0.56%	
2008-Q2	0.69%	1.82%	2.15%	1.96%	1.02%	1.27%	
2008-Q3	0.82%	1.88%	2.02%	2.71%	1.56%	2.16%	
2008-Q4	1.36%	2.82%	2.98%	4.06%	2.70%	3.90%	
2009-Q1	1.70%	3.46%	4.45%	5.60%	4.32%	5.78%	1.72%
2009-Q2	1.36%	2.22%	2.69%	4.20%	2.82%	5.42%	2.19%
2009-Q3	1.22%	2.35%	2.21%	3.55%	2.28%	5.56%	2.28%
2009-Q4	1.15%	1.80%	1.84%	3.32%	2.10%	5.27%	2.11%
2010-Q1	1.38%	2.42%	1.53%	3.27%	2.08%	4.81%	2.52%
2010-Q2	0.65%	1.85%	1.62%	2.99%	1.96%	4.49%	2.19%
2010-Q3	0.45%	1.66%	1.77%	2.82%	1.79%	4.65%	1.98%
2010-Q4	0.46%	1.35%	1.81%	2.62%	1.58%	4.56%	2.10%
2011-Q1	0.17%	1.56%	1.89%	2.65%	1.41%	4.29%	2.20%
2011-Q2	0.18%	1.43%	2.11%	2.70%	1.44%	4.21%	1.92%

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HISTORICAL PERFORMANCE OF THE WIDER MORTGAGE PORTFOLIO

Quarter	2002	2003	2004	2005	2006	2007	2008
2011-Q3.....	0.37%	0.94%	1.92%	2.46%	1.45%	3.93%	1.91%
2011-Q4.....	0.59%	1.01%	1.92%	2.69%	1.61%	3.77%	1.73%
2012-Q1.....	0.67%	0.93%	1.75%	2.66%	1.51%	3.39%	1.50%
2012-Q2.....	0.61%	0.99%	1.77%	2.34%	1.53%	3.34%	1.42%
2012-Q3.....	0.61%	0.72%	1.47%	2.23%	1.47%	2.92%	1.31%
2012-Q4.....	0.67%	0.91%	1.81%	2.07%	1.36%	2.80%	1.09%
2013-Q1.....	0.63%	0.97%	1.77%	1.68%	1.30%	2.76%	1.12%
2013-Q2.....	1.20%	0.81%	1.65%	1.53%	1.02%	2.46%	1.11%
2013-Q3.....	0.95%	0.77%	1.45%	1.49%	0.87%	2.45%	1.07%
2013-Q4.....	0.94%	0.59%	1.27%	1.52%	0.91%	2.38%	1.22%
2014-Q1.....	0.72%	0.52%	1.07%	1.29%	0.80%	2.03%	1.10%
2014-Q2.....	0.93%	0.70%	1.12%	1.20%	0.61%	2.06%	1.10%
2014-Q3.....	0.97%	0.56%	0.83%	1.18%	0.66%	1.84%	0.94%
2014-Q4.....	0.73%	0.70%	1.02%	0.78%	0.64%	1.34%	0.77%
2015-Q1.....	0.54%	0.90%	0.87%	0.88%	0.46%	1.34%	0.76%
2015-Q2.....	0.42%	0.64%	0.67%	0.85%	0.44%	1.27%	0.61%
2015-Q3.....	0.57%	0.67%	0.71%	0.79%	0.53%	1.09%	0.48%
2015-Q4.....	0.26%	0.42%	0.53%	0.74%	0.52%	1.01%	0.47%
2016-Q1.....	0.53%	0.29%	0.53%	0.74%	0.43%	0.74%	0.42%
2016-Q2.....	0.57%	0.45%	0.50%	0.93%	0.22%	0.61%	0.48%
2016-Q3.....	0.41%	0.37%	0.40%	0.78%	0.31%	0.64%	0.57%

**Months in Arrears – Mortgage Portfolio**

The table below sets out, on a quarterly basis, the ratio of the outstanding balance of all loans in the Mortgage Portfolio, in respect of each origination vintage, that are 3 or more months in arrears, over by the original balance of all loans for the relevant origination vintage.

Quarter	2002	2003	2004	2005	2006	2007	2008
2004-Q1.....	1.47%	0.00%					
2004-Q2.....	0.74%	0.00%					
2004-Q3.....	0.52%	0.00%					
2004-Q4.....	0.52%	1.80%					
2005-Q1.....	0.67%	0.00%	0.60%				
2005-Q2.....	1.03%	0.00%	0.38%				
2005-Q3.....	0.88%	0.00%	0.19%				
2005-Q4.....	0.37%	0.00%	1.02%				
2006-Q1.....	1.11%	0.00%	0.96%	0.12%			
2006-Q2.....	0.77%	0.00%	0.82%	0.12%			
2006-Q3.....	0.56%	0.00%	0.51%	0.22%			
2006-Q4.....	0.55%	0.89%	0.80%	0.10%			
2007-Q1.....	1.43%	0.89%	1.36%	0.16%	0.00%		
2007-Q2.....	1.84%	0.89%	1.65%	0.37%	0.00%		
2007-Q3.....	0.77%	0.89%	1.09%	0.21%	0.03%		
2007-Q4.....	0.40%	0.89%	1.46%	0.44%	0.03%		
2008-Q1.....	0.40%	0.89%	1.82%	0.71%	0.25%	0.00%	
2008-Q2.....	0.18%	0.00%	1.21%	0.92%	0.18%	0.25%	
2008-Q3.....	0.32%	0.00%	1.01%	1.02%	0.50%	0.48%	
2008-Q4.....	0.78%	0.91%	2.14%	1.73%	0.99%	1.25%	
2009-Q1.....	1.50%	2.27%	6.58%	3.27%	2.00%	2.74%	0.85%
2009-Q2.....	1.16%	0.23%	2.91%	1.47%	1.32%	2.40%	0.72%
2009-Q3.....	0.39%	1.05%	2.59%	1.08%	0.93%	2.74%	1.00%
2009-Q4.....	0.81%	0.23%	2.52%	1.05%	0.81%	2.39%	0.56%
2010-Q1.....	0.81%	0.00%	1.56%	1.06%	0.68%	1.94%	0.56%
2010-Q2.....	0.39%	0.00%	1.86%	1.13%	0.64%	1.78%	0.61%
2010-Q3.....	0.39%	0.23%	1.86%	1.61%	0.69%	1.49%	0.55%
2010-Q4.....	0.39%	0.00%	2.12%	1.25%	0.44%	1.66%	0.57%
2011-Q1.....	0.18%	0.00%	1.85%	1.06%	0.54%	1.48%	0.60%
2011-Q2.....	0.93%	0.00%	2.36%	1.65%	0.48%	1.51%	0.38%
2011-Q3.....	1.14%	0.89%	2.36%	1.20%	0.54%	1.40%	0.39%
2011-Q4.....	1.71%	1.12%	3.25%	1.24%	0.63%	1.48%	0.37%
2012-Q1.....	2.22%	1.80%	2.79%	1.31%	0.60%	1.45%	0.38%
2012-Q2.....	2.48%	1.12%	2.79%	0.99%	0.69%	1.43%	0.61%
2012-Q3.....	1.94%	1.12%	2.09%	0.87%	0.56%	1.26%	0.52%
2012-Q4.....	2.07%	0.89%	2.09%	1.14%	0.55%	1.27%	0.39%
2013-Q1.....	2.33%	0.89%	2.09%	1.13%	0.58%	1.17%	0.50%
2013-Q2.....	2.33%	0.89%	2.18%	0.86%	0.35%	0.97%	0.45%
2013-Q3.....	2.19%	0.89%	1.66%	0.99%	0.24%	0.87%	0.42%
2013-Q4.....	2.52%	0.89%	1.40%	0.92%	0.46%	0.82%	0.37%
2014-Q1.....	1.94%	0.89%	1.79%	0.67%	0.36%	0.72%	0.33%
2014-Q2.....	1.66%	0.89%	1.79%	0.75%	0.26%	0.60%	0.34%

ANNEX B

HISTORICAL PERFORMANCE OF THE WIDER MORTGAGE PORTFOLIO

<b>Quarter</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
2014-Q3.....	2.01%	0.89%	1.79%	0.59%	0.26%	0.67%	0.34%
2014-Q4.....	2.14%	0.89%	2.20%	0.56%	0.40%	0.56%	0.25%
2015-Q1.....	1.99%	0.89%	2.06%	0.64%	0.21%	0.78%	0.28%
2015-Q2.....	1.77%	0.89%	2.06%	0.64%	0.22%	0.86%	0.25%
2015-Q3.....	1.67%	0.89%	2.17%	0.54%	0.25%	0.61%	0.18%
2015-Q4.....	0.89%	0.00%	2.72%	0.39%	0.21%	0.57%	0.14%
2016-Q1.....	1.62%	0.00%	2.46%	0.39%	0.17%	0.35%	0.21%
2016-Q2.....	2.07%	0.94%	2.00%	0.39%	0.09%	0.36%	0.38%
2016-Q3.....	2.14%	0.94%	1.68%	0.49%	0.27%	0.40%	0.49%

**ANNEX C**  
**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). No assurance can be given that the Mortgage Loans in the Mortgage Portfolio are or will be representative of the performance of the UK housing market For information relating to the loans contained in the Provisional Mortgage Portfolio (from which the Mortgage Portfolio will be selected), see further the section entitled "*Statistical Information on the Provisional Mortgage Portfolio*".

**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.

<b>Year</b>	<b>Number of BTL Mortgages outstanding (at end of period)</b>	<b>&gt; 3 months arrears rate (excluding ROR) at end of period</b>	<b>&gt; 3 months arrears rate (including ROR) at end of period</b>	<b>Possession Rate</b>
2007 .....	1,025,500	0.73%	0.78%	0.20%
2008 .....	1,168,800	2.31%	2.99%	0.26%
2009 .....	1,246,900	2.01%	2.99%	0.38%
2010 .....	1,309,400	1.67%	2.42%	0.35%
2011 .....	1,387,800	1.37%	1.78%	0.44%
2012 .....	1,449,000	1.14%	1.37%	0.48%
2013 .....	1,528,200	0.92%	1.08%	0.37%
2014 .....	1,654,400	0.69%	0.79%	0.30%
2015 .....	1,785,200	0.58%	0.63%	0.17%

Source: Council of Mortgage Lenders.

**2. Quarterly House Price Index**

<b>Date</b>	<b>UK Retail Price Index</b>		<b>Nationwide House Price Index</b>	
	<b>Index</b>	<b>% annual change</b>	<b>Index</b>	<b>% annual change</b>
31 March 1996 .....	150.9	2.8%	102.5	0.6%
30 June 1996 .....	152.8	2.2%	105.8	2.7%
30 September 1996 .....	153.1	2.1%	107.7	5.2%
31 December 1996 .....	154.0	2.6%	110.1	8.3%
31 March 1997 .....	154.9	2.7%	111.3	8.6%
30 June 1997 .....	156.9	2.7%	116.5	10.1%
30 September 1997 .....	158.4	3.5%	121.2	12.5%
31 December 1997 .....	159.7	3.7%	123.3	12.1%
31 March 1998 .....	160.2	3.4%	125.5	12.7%
30 June 1998 .....	163.2	4.0%	130.1	11.7%
30 September 1998 .....	163.7	3.3%	132.4	9.2%
31 December 1998 .....	164.4	2.9%	132.3	7.3%
31 March 1999 .....	163.7	2.2%	134.6	7.3%
30 June 1999 .....	165.5	1.4%	139.7	7.3%
30 September 1999 .....	165.6	1.2%	144.4	9.0%
31 December 1999 .....	166.8	1.5%	148.9	12.6%
31 March 2000 .....	167.5	2.3%	155.0	15.1%
30 June 2000 .....	170.6	3.1%	162.0	16.0%
30 September 2000 .....	170.9	3.2%	161.5	11.8%
31 December 2000 .....	172.0	3.1%	162.8	9.4%
31 March 2001 .....	171.8	2.6%	167.5	8.1%
30 June 2001 .....	173.9	1.9%	174.8	7.9%
30 September 2001 .....	174.0	1.8%	181.6	12.5%

ANNEX C

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

Date	UK Retail Price Index		Nationwide House Price Index	
	Index	% annual change	Index	% annual change
31 December 2001 .....	173.8	1.0%	184.6	13.4%
31 March 2002 .....	173.9	1.2%	190.2	13.6%
30 June 2002 .....	176.0	1.2%	206.5	18.1%
30 September 2002.....	176.6	1.5%	221.1	21.7%
31 December 2002 .....	178.2	2.5%	231.3	25.3%
31 March 2003 .....	179.2	3.0%	239.3	25.8%
30 June 2003 .....	181.3	3.0%	250.1	21.1%
30 September 2003.....	181.8	2.9%	258.9	17.1%
31 December 2003 .....	182.9	2.6%	267.1	15.5%
31 March 2004 .....	183.8	2.6%	277.3	15.9%
30 June 2004 .....	186.3	2.8%	296.2	18.4%
30 September 2004.....	187.4	3.1%	306.2	18.3%
31 December 2004 .....	189.2	3.4%	304.1	13.9%
31 March 2005 .....	189.7	3.2%	304.8	9.9%
30 June 2005 .....	191.9	3.0%	314.2	6.1%
30 September 2005.....	192.6	2.8%	314.4	2.7%
31 December 2005 .....	193.7	2.4%	314.0	3.2%
31 March 2006 .....	194.2	2.4%	319.8	4.9%
30 June 2006 .....	197.6	3.0%	329.2	4.8%
30 September 2006.....	199.3	3.5%	336.1	6.9%
31 December 2006 .....	201.4	4.0%	343.2	9.3%
31 March 2007 .....	203.0	4.5%	350.2	9.5%
30 June 2007 .....	206.3	4.4%	362.7	10.2%
30 September 2007.....	207.1	3.9%	367.3	9.3%
31 December 2007 .....	209.8	4.2%	367.0	6.9%
31 March 2008 .....	211.1	4.0%	357.8	2.2%
30 June 2008 .....	215.3	4.4%	348.1	-4.0%
30 September 2008.....	217.4	5.0%	329.5	-10.3%
31 December 2008 .....	215.5	2.7%	312.9	-14.7%
31 March 2009 .....	210.9	-0.1%	298.7	-16.5%
30 June 2009 .....	212.6	-1.3%	307.3	-11.7%
30 September 2009.....	214.4	-1.4%	319.5	-3.0%
31 December 2009 .....	216.9	0.6%	323.4	3.4%
31 March 2010 .....	219.3	4.0%	324.9	8.8%
30 June 2010 .....	223.5	5.1%	336.6	9.5%
30 September 2010.....	224.5	4.7%	333.9	4.5%
31 December 2010 .....	227.0	4.7%	325.1	0.5%
31 March 2011 .....	230.9	5.3%	323.9	-0.3%
30 June 2011 .....	234.9	5.1%	332.7	-1.2%
30 September 2011.....	236.2	5.2%	332.3	-0.5%
31 December 2011 .....	238.6	5.1%	328.7	1.1%
31 March 2012 .....	239.6	3.8%	324.6	0.2%
30 June 2012 .....	242.2	3.1%	329.1	-1.1%
30 September 2012.....	243.1	2.9%	327.0	-1.6%
31 December 2012 .....	246.0	3.1%	325.0	-1.1%
31 March 2013 .....	247.4	3.3%	325.3	0.2%
30 June 2013 .....	249.7	3.1%	333.7	1.4%
30 September 2013.....	250.9	3.2%	341.0	4.3%
31 December 2013 .....	252.5	2.6%	348.0	7.1%
31 March 2014 .....	253.9	2.6%	355.3	9.2%
30 June 2014 .....	256.0	2.5%	372.1	11.5%
30 September 2014.....	256.9	2.4%	376.7	10.5%
31 December 2014 .....	257.4	1.9%	377.0	8.3%
31 March 2015 .....	256.4	1.0%	376.2	5.9%
30 June 2015 .....	258.5	1.0%	387.5	4.1%
30 September 2015.....	259.3	0.9%	390.5	3.7%
31 December 2015 .....	260.0	1.0%	393.1	4.3%
31 March 2016 .....	260.0	1.4%	396.1	5.3%
30 June 2016 .....	262.2	1.4%	407.4	5.1%
30 September 2016.....	264.2	1.9%	411.6	5.4%
31 December 2016 .....	265.8	2.2%	410.8	4.5%

Source: Office for National Statistics, Nationwide Building Society.

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.



ANNEX C

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society, which is available on its website, <http://www.nationwide.co.uk/hpi/>, but which is not incorporated by reference into this Prospectus. The Issuer confirms that all information in this Prospectus in respect of the Nationwide 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, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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**ANNEX D**  
**FAIR VALUE CURVES**

Set out below are curves that were material for calculating the ranges of fair value of the Notes and the Certificates set out under "*Certain Regulatory Disclosures - U.S. Credit Risk Retention Requirements*" above.

Date	Low			High		
	CPR	CDR	SEV	CPR	CDR	SEV
01/02/2017.....	4.590	1.023	21.120	5.100	0.837	17.280
01/03/2017.....	4.594	0.993	20.939	5.104	0.812	17.132
01/04/2017.....	4.598	0.963	20.758	5.108	0.788	16.984
01/05/2017.....	4.601	0.933	20.577	5.113	0.763	16.836
01/06/2017.....	4.605	0.902	20.397	5.117	0.738	16.688
01/07/2017.....	4.609	0.872	20.216	5.121	0.714	16.540
01/08/2017.....	4.613	0.842	20.035	5.125	0.689	16.392
01/09/2017.....	4.617	0.812	19.854	5.130	0.664	16.244
01/10/2017.....	4.621	0.782	19.673	5.134	0.640	16.096
01/11/2017.....	4.624	0.752	19.492	5.138	0.615	15.948
01/12/2017.....	4.628	0.722	19.312	5.142	0.590	15.800
01/01/2018.....	4.632	0.692	19.131	5.147	0.566	15.652
01/02/2018.....	4.636	0.661	18.950	5.151	0.541	15.504
01/03/2018.....	4.640	0.631	18.769	5.155	0.517	15.356
01/04/2018.....	4.643	0.601	18.588	5.159	0.492	15.208
01/05/2018.....	4.647	0.571	18.407	5.164	0.467	15.061
01/06/2018.....	4.651	0.541	18.226	5.168	0.443	14.913
01/07/2018.....	4.655	0.511	18.046	5.172	0.418	14.765
01/08/2018.....	4.659	0.481	17.865	5.176	0.393	14.617
01/09/2018.....	4.662	0.451	17.684	5.181	0.369	14.469
01/10/2018.....	4.666	0.420	17.503	5.185	0.344	14.321
01/11/2018.....	4.670	0.390	17.322	5.189	0.319	14.173
01/12/2018.....	4.674	0.360	17.141	5.193	0.295	14.025
01/01/2019.....	4.678	0.330	16.961	5.197	0.270	13.877
01/02/2019.....	4.682	0.330	16.780	5.202	0.270	13.729
01/03/2019.....	4.685	0.330	16.599	5.206	0.270	13.581
01/04/2019.....	4.689	0.330	16.418	5.210	0.270	13.433
01/05/2019.....	4.693	0.330	16.237	5.214	0.270	13.285
01/06/2019.....	4.697	0.330	16.056	5.219	0.270	13.137
01/07/2019.....	4.701	0.330	15.875	5.223	0.270	12.989
01/08/2019.....	4.704	0.330	15.695	5.227	0.270	12.841
01/09/2019.....	4.708	0.330	15.514	5.231	0.270	12.693
01/10/2019.....	4.712	0.330	15.333	5.236	0.270	12.545
01/11/2019.....	4.716	0.330	15.152	5.240	0.270	12.397
01/12/2019.....	4.720	0.330	14.971	5.244	0.270	12.249
01/01/2020.....	4.723	0.330	14.790	5.248	0.270	12.101
01/02/2020.....	4.727	0.330	14.609	5.253	0.270	11.953
01/03/2020.....	4.731	0.330	14.429	5.257	0.270	11.805
01/04/2020.....	4.735	0.330	14.248	5.261	0.270	11.657
01/05/2020.....	4.739	0.330	14.067	5.265	0.270	11.509
01/06/2020.....	4.743	0.330	13.886	5.269	0.270	11.361
01/07/2020.....	4.746	0.330	13.705	5.274	0.270	11.213
01/08/2020.....	4.750	0.330	13.524	5.278	0.270	11.065
01/09/2020.....	4.754	0.330	13.344	5.282	0.270	10.917
01/10/2020.....	4.758	0.330	13.163	5.286	0.270	10.769
01/11/2020.....	4.762	0.330	12.982	5.291	0.270	10.622
01/12/2020.....	4.765	0.330	12.801	5.295	0.270	10.474
01/01/2021.....	4.769	0.330	12.620	5.299	0.270	10.326
01/02/2021.....	4.773	0.330	12.439	5.303	0.270	10.178
01/03/2021.....	4.777	0.330	12.258	5.308	0.270	10.030
01/04/2021.....	4.781	0.330	12.078	5.312	0.270	9.882
01/05/2021.....	4.784	0.330	11.897	5.316	0.270	9.734
01/06/2021.....	4.788	0.330	11.716	5.320	0.270	9.586
01/07/2021.....	4.792	0.330	11.535	5.325	0.270	9.438
01/08/2021.....	4.796	0.330	11.354	5.329	0.270	9.290
01/09/2021.....	4.800	0.330	11.173	5.333	0.270	9.142
01/10/2021.....	4.804	0.330	10.993	5.337	0.270	8.994
01/11/2021.....	4.807	0.330	10.812	5.342	0.270	8.846
01/12/2021.....	4.811	0.330	10.631	5.346	0.270	8.698
01/01/2022.....	4.815	0.330	10.450	5.350	0.270	8.550

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