SILK ROAD FINANCE NUMBER FOUR PLC

(Incorporated in England and Wales with limited liability, registered number 10190004)

Class of Notes	Initial Principal Amount	Issue Price	Interest rate (payable before the Step-Up Date)	Interest Rate (payable from and including the Step-Up Date)	Ratings Moody's /Fitch	Final Maturity Date
Class A.....	£1,271,830,000.00	100.00%	0.50% margin above Three-Month Sterling LIBOR	1.00% margin above Three-Month Sterling LIBOR	Aaa(sf) / AAA(sf)	22 March 2060
Class B VFN	£200,000,000.00	100.00%	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR	Unrated	22 March 2060
Class Z VFN.....	£100,000,000.00	100.00%	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR	Unrated	22 March 2060

The Step-Up Date is the Interest Payment Date occurring in March 2022.

"**Issue Date**"..... The Issuer will issue the Notes in the classes set out above on or about 2 June 2017 (the "**Closing Date**").

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

"**Underlying Assets**" ..... The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans originated by Platform Funding Limited ("**PFL**") and The Co-operative Bank p.l.c. ("**The Co-operative Bank**", "**Co-op**" or the "**Bank**" and together with PFL the "**Originators**") sold by The Co-operative Bank p.l.c. (in its capacity as the seller the "**Seller**") and secured over residential properties located in England and Wales and Scotland (the "**Portfolio**") which will be purchased by the Issuer on the Closing Date, and, in the case of Further Advances, on the relevant Advance Date. PFL is a wholly-owned subsidiary of the Bank and transferred its legal and beneficial interest in the Portfolio to the Bank on 1 April 2016.

See the sections entitled "*Transaction Overview – Portfolio and Servicing*", "*The Loans*" and "*Characteristics of the Portfolio*" for further details.

"**Credit Enhancement for the Class A Notes**".....

- the subordination of the VFNs;
- the availability of the General Reserve Fund; and
- excess Available Revenue Receipts.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details.

"**Liquidity Support**".....

- The availability of the General Reserve Fund on and from the Closing Date.
- The application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts.
- Interest due and payable on the Class A Notes outstanding will not be deferred. Interest due and payable on the Class B VFN and the Class Z VFN may be deferred in accordance with the Conditions.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" *and* "*Credit Structure*" for further details.

"**Redemption Provisions**" ..... Information on any optional and mandatory redemption of the Notes is summarised on page 55 (*Transaction Overview – Summary of the Terms and Conditions of the Notes*) and set out in full in Condition 7 (*Redemption*) of the terms and conditions of the Notes (the "**Conditions**").

"**Credit Rating Agencies**" ..... Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Ltd. ("**Fitch**" and together with Moody's the "**Rating Agencies**"). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (the "**CRA Regulation**").

"**Credit Ratings**"..... Ratings are expected to be assigned to the Class A Notes as set out above on or before the Closing Date. The VFNs will not be rated. The assignment of a rating to each Class of Notes is not a recommendation to invest in such Class of Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

"**Listing**" ..... This document comprises a prospectus (the "**Prospectus**") for the purpose of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**") and its relevant implementing measures in England and Wales. This Prospectus has been approved by the Financial Conduct Authority (the "**FCA**") as competent authority under the Prospectus Directive.

	Application has been made to the Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Class A Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Class A Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").
"**Eurosystem Eligibility**"	On 6 September 2012 the European Central Bank (the "**ECB**") announced the temporary expansion of the list of assets eligible as collateral in Eurosystem credit operations and, pursuant to this, the Eurosystem will accept, on a temporary basis, marketable debt instruments denominated in pounds sterling and US dollars (among other currencies) as foreign currency-denominated collateral. The Class A Notes are intended to be held in a manner which would allow Eurosystem eligibility; that is, in a manner which would allow such Notes to 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 satisfaction of the Eurosystem eligibility criteria and potential investors in the Notes should reach their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem eligible collateral. See "*Risk Factors –Eurosystem eligibility*" for further information.
"**Obligations**".....	The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity named in the Prospectus.
"**Retention Undertaking**".....	The Seller will, in accordance with Article 405 paragraph (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), Article 51 of Commission Delegated Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Managers Regulations ("**AIFMR**") and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**"), to the extent the regulations above continue to apply and in each case as they are interpreted and applied on the Closing Date (and in the case of AIFMR taking into account Article 56 of the AIFMR), retain a material net economic interest of at least 5 per cent. of the nominal value of the securitised exposures by holding an interest in the Class B VFNs and Class Z VFNs which have a more severe risk profile than those transferred to investors, as required by Article 405 of the CRR, Article 51(1) of the AIFMR and 254(2) of the Solvency II Delegated Act. Such retention requirement will be satisfied by The Co-operative Bank holding the Class B VFN and the Class Z VFN. Any change to the manner in which such interest is held will be notified to the Noteholders. The Seller, as the sponsor under the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the "**U.S. Risk Retention Rules**"), does not intend to retain at least 5 per cent. of the credit risk of the Notes for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Except with the prior written consent of The Co-operative Bank p.l.c. and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes offered and sold by the Issuer may not be purchased by, or for the account or benefit of, any Risk Retention U.S. Person. None of the Security Trustee, Note Trustee, the Arrangers or any other party (apart from the The Co-operative Bank p.l.c., as "Sponsor" for the purposes of the U.S. Risk Retention Rules) assumes any responsibility for, the Sponsor's compliance with the U.S. Risk Retention Rules. See the risk factor entitled "*U.S. Risk Retention*" for further details.
"**Significant Investor**".....	The Co-operative Bank p.l.c. ("**The Co-operative Bank**", "**Co-op**" or the "**Bank**") will, on the Closing Date, purchase all of the Class A Notes and all of the Class B VFN and all of the Class Z VFN and may, in relation to the Class A Notes, retain at a later date sell some or all of those Notes in the secondary market at variable prices (which may, in turn, affect the liquidity and price of the Notes in the secondary market). The Co-op may sell the Class A Notes in individually negotiated transactions at variable prices in the secondary market. Therefore, significant concentrations of holdings of the Notes are likely to occur.
"**Volcker Rule**".....	The Issuer is of the view that it is not now, and immediately following the issuance of the Notes and the application of the proceeds thereof it will not be, a "covered fund" as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". Although other exclusions may be available to the Issuer, this view is based on the exemption provided in Section 3 (c)(5)(C) of the Investment Company Act.
"**ERISA Considerations**".....	The Notes may not be purchased or held by any "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), which is subject thereto, or any "plan" as defined in Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") to which Section 4975 of the Code applies, or by any person any of the assets of which are, or are deemed for purposes of ERISA or Section 4975 of the Code to be, assets of such an "employee benefit plan" or "plan", or by any governmental, church or non-U.S. plan which is subject to any state, local, other federal law of the United States or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), and each purchaser of the Notes will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds the Notes will not be, such an "employee benefit plan", "plan", person or governmental, church or non-U.S. plan subject to Similar Law.

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

ARRANGERS

Bank of America Merrill Lynch **HSBC Bank plc** **NatWest Markets**

The date of this Prospectus is 31 May 2017.

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IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ORIGINATORS, THE CO-OPERATIVE BANK P.L.C., THE ARRANGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER FACILITATOR, THE BACK-UP CASH MANAGER, THE AGENT BANK, THE REGISTRAR, THE VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE CO-OPERATIVE BANK (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE ORIGINATORS, THE ARRANGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE BACK-UP SERVICER FACILITATOR, THE AGENT BANK, THE REGISTRAR, THE VFN REGISTAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, OR BY ANY PERSON OTHER THAN THE ISSUER.

THE CLASS A NOTES ARE INTENDED TO BE HELD IN A MANNER WHICH WOULD ALLOW EUROSYSTEM ELIGIBILITY. THIS MEANS THAT THE CLASS A NOTES ARE INTENDED UPON ISSUE TO BE DEPOSITED WITH A COMMON SAFEKEEPER FOR CLEARSTREAM, LUXEMBOURG AND EUROCLEAR AND DOES NOT NECESSARILY MEAN THAT THE CLASS A NOTES WILL BE RECOGNISED AS ELIGIBLE COLLATERAL FOR EUROSYSTEM MONETARY POLICY AND INTRA-DAY CREDIT OPERATIONS BY THE EUROSYSTEM ("**EUROSYSTEM ELIGIBLE COLLATERAL**") EITHER UPON ISSUE OR AT ANY OR ALL TIMES DURING THEIR LIFE. SUCH RECOGNITION WILL DEPEND UPON SATISFACTION OF THE EUROSYSTEM ELIGIBILITY CRITERIA. THE ISSUER GIVES NO REPRESENTATION, WARRANTY, CONFIRMATION OR GUARANTEE TO ANY INVESTOR IN THE CLASS A NOTES THAT THE CLASS A NOTES WILL, EITHER UPON ISSUE OR AT ANY TIME PRIOR TO REDEMPTION IN FULL, SATISFY ALL OR ANY OF THE REQUIREMENTS FOR EUROSYSTEM ELIGIBILITY AND BE RECOGNISED AS EUROSYSTEM ELIGIBLE COLLATERAL. ANY POTENTIAL INVESTOR IN THE CLASS A NOTES SHOULD MAKE THEIR OWN CONCLUSIONS AND SEEK THEIR OWN ADVICE WITH RESPECT TO WHETHER OR NOT THE CLASS A NOTES CONSTITUTE EUROSYSTEM ELIGIBLE COLLATERAL.

The Class A Notes will be represented on issue by a global note certificate in registered form (a "**Global Note**"). The Class B VFN and the Class Z VFN will each be issued in dematerialised registered form and no certificate evidencing entitlement to the Class B VFN or the Class Z VFN will be issued. The Class A Notes may be issued in definitive registered form under certain circumstances.

The Issuer will also maintain a register, to be kept on the Issuer's behalf by the VFN Registrar, in which the Class B VFN and the Class Z VFN will be registered in the name of the Class B VFN Holder and the Class Z VFN Holder respectively. Transfers of all or any portion of the interest in the Class B VFN and/or the Class Z VFN may be made only through the register maintained by the Issuer.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ORIGINATORS OR THE ARRANGERS 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 UK LISTING AUTHORITY, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE ARRANGERS WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

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

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

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE CO-OPERATIVE BANK P.L.C. AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE U.S. RISK RETENTION RULES, THE NOTES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "U.S. PERSON" IN REGULATION S. EACH PURCHASER OF NOTES, INCLUDING BENEFICIAL INTERESTS THEREIN, WILL BE DEEMED, AND IN CERTAIN CIRCUMSTANCES WILL BE REQUIRED, TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) IS NOT A RISK RETENTION U.S. PERSON (UNLESS IT HAS OBTAINED THE PRIOR WRITTEN CONSENT OF THE CO-OPERATIVE BANK P.L.C.), (2) IS ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE, AND (3) IS NOT ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES.

THE SELLER, AS THE SPONSOR UNDER THE U.S. RISK RETENTION RULES, DOES NOT INTEND TO RETAIN AT LEAST 5 PER CENT. OF THE CREDIT RISK OF THE NOTES FOR THE PURPOSES OF THE U.S. RISK RETENTION RULES, BUT RATHER INTENDS TO RELY ON AN EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES REGARDING NON-U.S. TRANSACTIONS. SEE "*U.S. RISK RETENTION*".

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

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

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

REPRODUCED (AND IS CLEARLY SOURCED WHERE IT APPEARS IN THIS PROSPECTUS) AND, AS FAR AS THE ISSUER IS AWARE AND IS ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE CO-OPERATIVE BANK P.L.C. ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE CO-OPERATIVE BANK P.L.C.*", "*PLATFORM FUNDING LIMITED*", "*CERTAIN REGULATORY DISCLOSURES*", "*THE LOANS*" AND "*CHARACTERISTICS OF THE PORTFOLIO*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CO-OPERATIVE BANK P.L.C. (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CO-OPERATIVE BANK AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OTHER THAN AS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

PLATFORM FUNDING LIMITED ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*PLATFORM FUNDING LIMITED*", CITIBANK, N.A., LONDON BRANCH ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*CITI ACCOUNT BANK*", INTERTRUST MANAGEMENT LIMITED ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*INTERTRUST MANAGEMENT LIMITED*", WESTERN MORTGAGE SERVICES LIMITED ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED, "*WESTERN MORTGAGE SERVICES LIMITED*", HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE NOTE TRUSTEE AND SECURITY TRUSTEE*" AND BNP PARIBAS SECURITIES SERVICES ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*BNPP ACCOUNT BANK*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF CITIBANK, N.A., LONDON BRANCH, INTERTRUST MANAGEMENT LIMITED, WESTERN MORTGAGE SERVICES LIMITED, HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED AND BNP PARIBAS SECURITIES SERVICES (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

THE CO-OPERATIVE BANK P.L.C. ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*CERTAIN REGULATORY DISCLOSURES*".

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CO-OPERATIVE BANK P.L.C., PLATFORM FUNDING LIMITED, CITIBANK, N.A., LONDON BRANCH, INTERTRUST MANAGEMENT LIMITED, WESTERN MORTGAGE SERVICES LIMITED, HSBC BANK PLC, HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED AND BNP PARIBAS SECURITIES SERVICES AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE ORIGINATORS, THE ARRANGERS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER

OR THE SELLER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE ARRANGERS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE NOTE TRUSTEE OR THE SECURITY TRUSTEE OR THE ARRANGERS MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

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

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

WITH RESPECT TO THE CLASS B VFN AND THE CLASS Z VFN, NO PROSPECTUS IS REQUIRED TO BE PUBLISHED FOR ANY PURPOSE UNDER THE PROSPECTUS DIRECTIVE AND THE UKLA HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE CLASS B VFN OR THE CLASS Z VFN.

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

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

Forward-Looking Statements and Statistical Information

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "**may**", "**will**", "**could**", "**believes**", "**expects**", "**anticipates**", "**continues**", "**intends**", "**plans**" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future

performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer.

This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**") which have been prepared in reliance on information provided by the Issuer. Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic.

None of the Note Trustee, the Security Trustee or the Arrangers has attempted to verify any forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements or Statistical Information. None of the Issuer, the Note Trustee, the Security Trustee or the Arrangers 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.

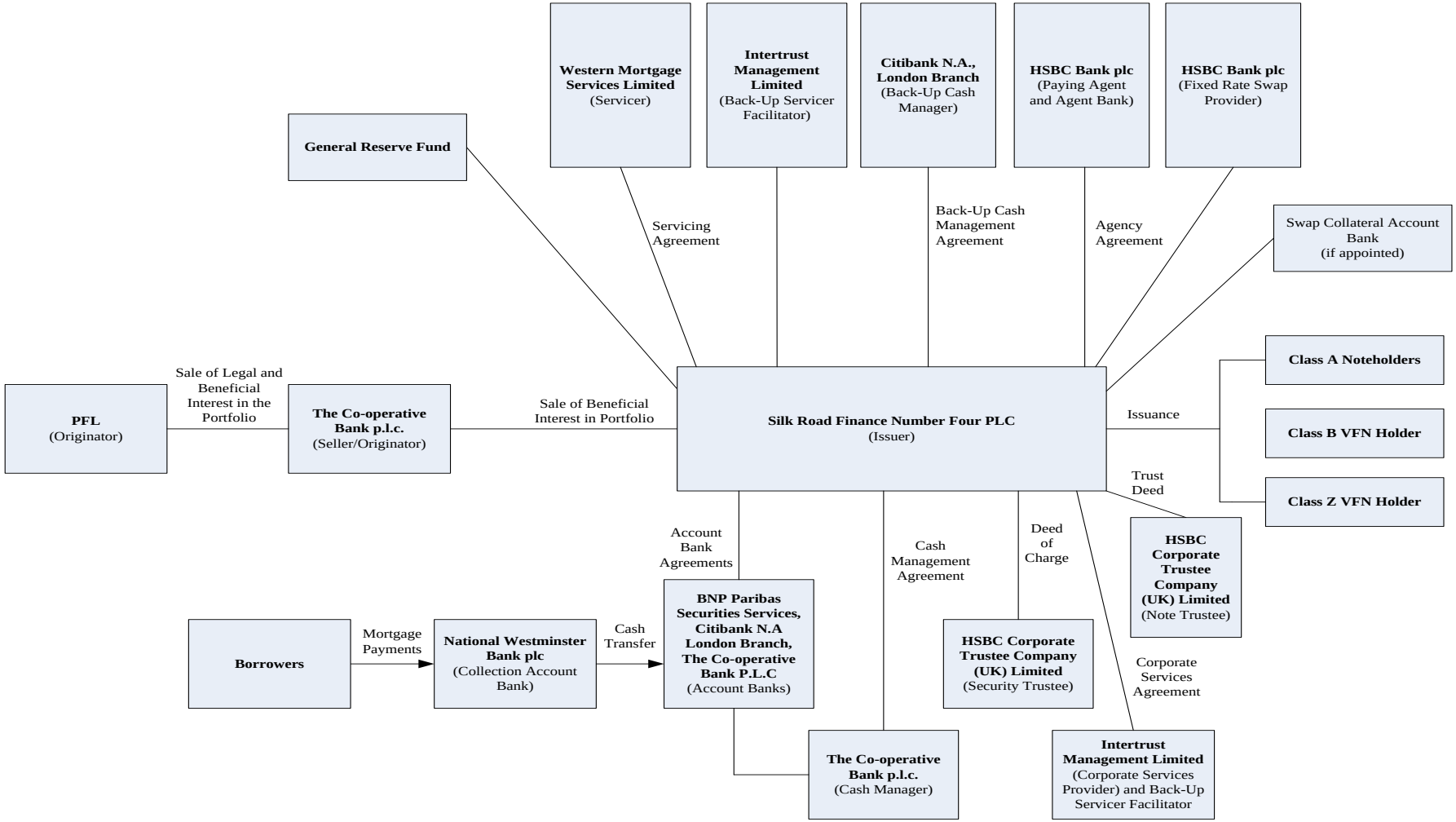
PRIIPs Regulation

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

STRUCTURE DIAGRAMS

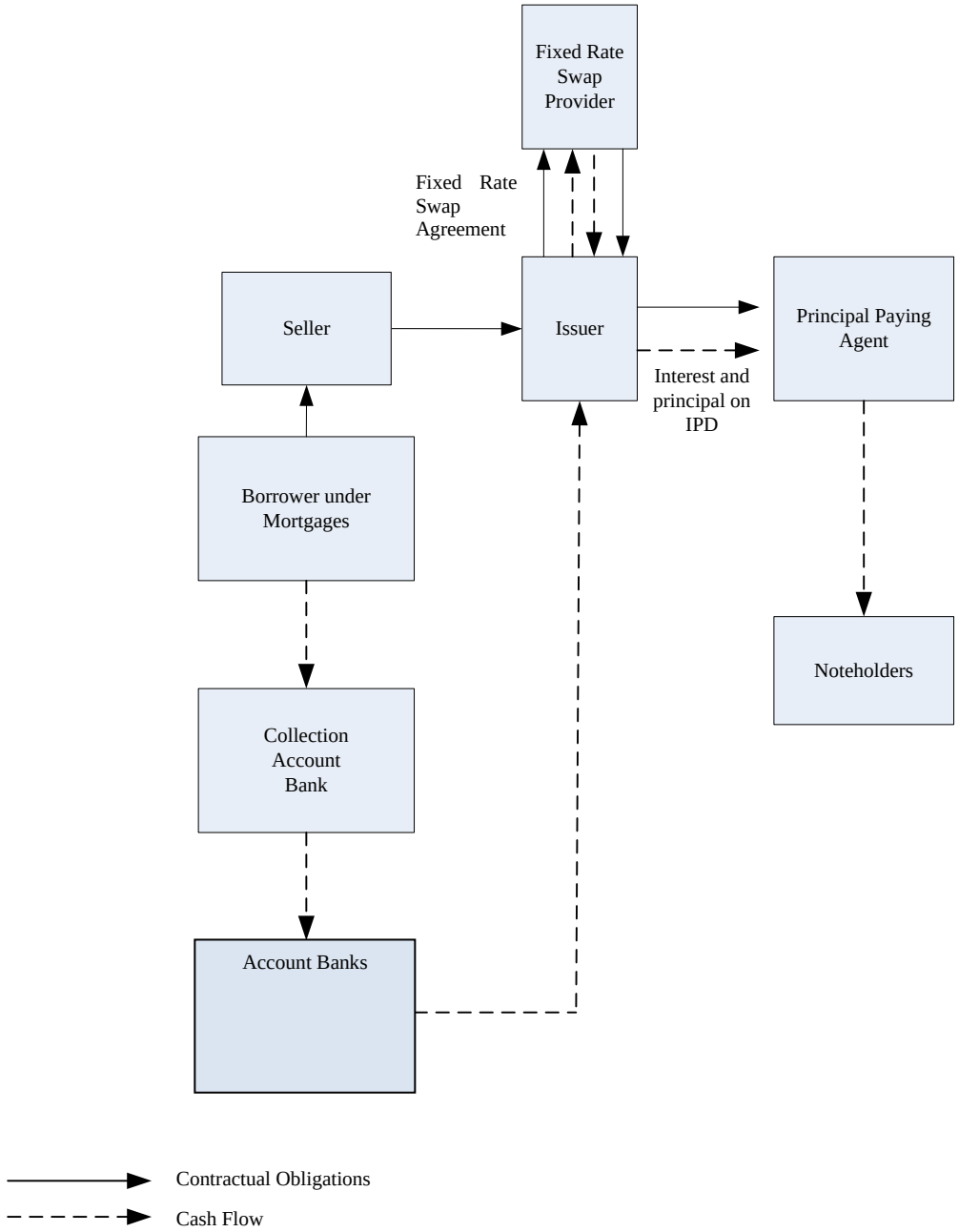
DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

Figure 1 – Transaction Structure



DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS

Figure 2 – Cashflow Structure



OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

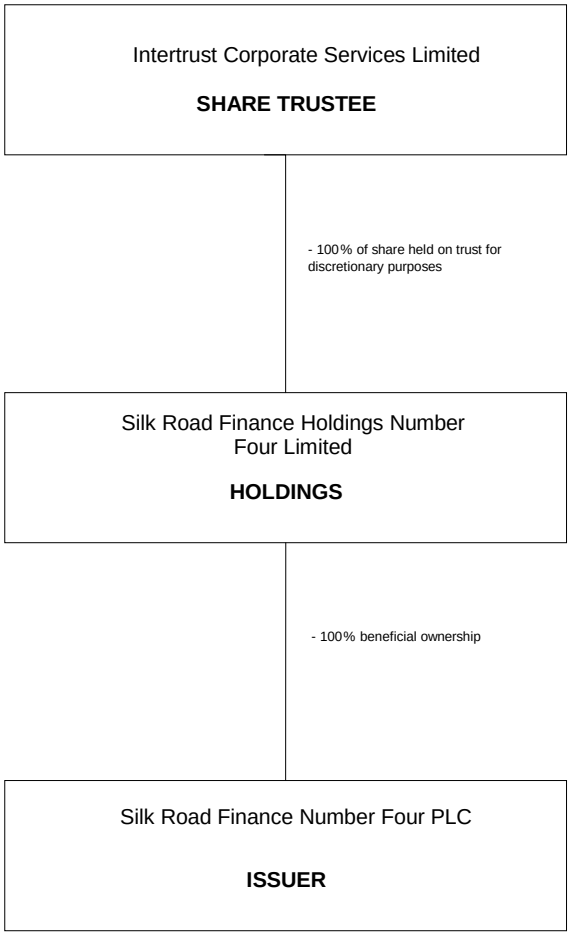


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

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

TRANSACTION OVERVIEW – TRANSACTION PARTIES

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

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

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

Party	Name	Address	Document under which appointed/Further Information
Issuer	Silk Road Finance Number Four PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled "*The Issuer*" for further information.
Holdings	Silk Road Finance Holdings Number Four Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled "*Holdings*" for further information.
Seller	The Co-operative Bank p.l.c.	1 Balloon Street Manchester M60 4EP	See the section entitled "*The Co-operative Bank p.l.c.*" for further information.
Servicer	Western Mortgage Services Limited	17 Rochester Row, London SW1P 1QT	Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" for further information.
Back-up Servicer Facilitator	Intertrust Management Limited	35 Great St. Helen's, London EC3A 6AP	Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" for further information.
Cash Manager	The Co-operative Bank p.l.c.	1 Balloon Street Manchester M60 4EP	Cash Management Agreement by, *inter alios*, the Issuer. See the section entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" for further information.
Back-up Cash Manager	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Back-up Cash Management Agreement by, *inter alios*, the Issuer. See the section entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" for further information.
Fixed Rate Swap Provider	HSBC Bank plc	8 Canada Square, London E14 5HQ	Fixed Rate Swap Agreement by the Issuer. See the section entitled "Credit Structure – Interest Rate Risk for the Notes – Fixed Rate Swap Agreement" for further information.

Party	Name	Address	Document under which appointed/Further Information
Account Banks	The Co-operative Bank p.l.c.	1 Balloon Street Manchester M60 4EP	The Co-op Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled "*Summary of the Key Transaction Documents – The Bank Account Agreement*" for further information.
	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	The Citi Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled "*Summary of the Key Transaction Documents – The Bank Account Agreement*" for further information.
	BNP Paribas Securities Services	10 Harewood Avenue, London, NW1 6AA	The BNPP Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled "*Summary of the Key Transaction Documents – The Bank Account Agreement*" for further information.
Security Trustee	HSBC Corporate Trustee Company (UK) Limited	8 Canada Square, London E14 5HQ	Deed of Charge. See the "*Terms and Conditions of the Notes*" for further information.
Note Trustee	HSBC Corporate Trustee Company (UK) Limited	8 Canada Square, London E14 5HQ	Trust Deed. See the "*Terms and Conditions of the Notes*" for further information.
Principal Paying Agent and Agent Bank	HSBC Bank plc	8 Canada Square, London E14 5HQ	Agency Agreement by the Issuer. See the "*Terms and Conditions of the Notes*" for further information.
Registrar	HSBC Bank plc	8 Canada Square, London E14 5HQ	In respect of the Class A Notes, the Agency Agreement, by the Issuer. See the "*Terms and Conditions of the Notes*" for further information.
VFN Registrar	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP	In respect of the Class B VFN and Class Z VFN, the Agency Agreement, by the Issuer. See the "*Terms and Conditions of the Notes*" for further information.
Corporate Services Provider	Intertrust Management Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings. See the section entitled "*Summary of the Key Transaction Documents – The Corporate Services Provider*" for further information.
Share Trustee	Intertrust Corporate Services Limited	35 Great St. Helen's, London, EC3A 6AP	Share Trust Deed by the Share Trustee.

Party	Name	Address	Document under which appointed/Further Information
Collection Account Bank.....	National Westminster Bank Plc (the "**Collection Account Bank**")	135 Bishopsgate, London EC2M 3UR	From the Closing Date, the obligations of the Collection Account Bank may be transferred from the Collection Account Bank to The Co-operative Bank or another bank appointed by the Servicer, subject to the satisfaction of certain conditions.
Originators.....	Platform Funding Limited	Secretariat, Miller Street Tower, Miller Street, Manchester England M60 0AL	See the section entitled "*Platform Funding Limited*" for further information.
	The Co-operative Bank p.l.c.	1 Balloon Street Manchester M60 4EP	See the section entitled "*The Co-operative Bank p.l.c."* for further information.
Arrangers.....	HSBC Bank plc ("**HSBC**")	8 Canada Square, London E14 5HQ	Note Purchase Agreement. See the section entitled "*Subscription and Sale*" for further information.
	Merrill Lynch International ("**Bank of America Merrill Lynch**")	2 King Edward Street, London, EC1A 1HQ	
	The Royal Bank of Scotland plc (trading as NatWest Markets) ("**NatWest Markets**")	250 Bishopsgate, London, EC2M 4AA	
Third Party Collection Agent	Platform Funding Limited	Secretariat, Miller Street Tower, Miller Street, Manchester England M60 0AL	Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" for further information.

RISK FACTORS

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

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

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

Credit Structure

Liabilities under the Notes

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

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts of principal, interest and fees from the Loans in the Portfolio, payments due from the Fixed Rate Swap Provider (if any), interest earned on the Deposit Accounts and Authorised Investment income, and the availability of the General Reserve Fund (subject to application in accordance with the relevant Priority of Payments). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Property following service of a Note Acceleration Notice is described below (see further "*English law security and insolvency considerations*").

Limited recourse

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal, interest and fees from the Borrowers under the Loans in the Portfolio, (b) payments due from the Fixed Rate Swap Provider (if any), (c) interest income on the Deposit Accounts, (d) income from Authorised Investments, and (e) funds available in the General Reserve Fund (subject to application in accordance with the relevant Priority of Payments). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the Security by the Security Trustee, if:

(a) there is no Charged Property remaining which is capable of being realised or otherwise converted into cash;

(b) all amounts available from the Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

(c) there are insufficient amounts available from the Charged Property to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes,

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

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

Credit risk

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

Liquidity risk

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

Subordination of the Class B VFN and the Class Z VFN

The subordination of the Class B VFN and the Class Z VFN is described in "*Cashflows — Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*", *"Cashflows — Application of Amounts standing to the credit of the General Reserve Fund prior to the service of a Note Acceleration Notice on the Issuer", "Cashflows — Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows — Distribution of Available Principal Receipts, Available Revenue Receipts, Amounts standing to the credit of the General Reserve Fund Following the Service of a Note Acceleration Notice on the Issuer*".

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

Revenue and Principal Deficiency

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts (including, for the avoidance of doubt, the General Reserve Fund) relative to interest due on the Class A Notes and amounts ranking in priority to the payment of interest on the Class A Notes (i.e. items (a) to (f) inclusive of the Pre-Acceleration Revenue Priority of Payments), there is a Revenue Deficiency, then subject to certain conditions set out in the section entitled "*Credit Structure*", the Issuer may apply Principal

Receipts (if any) to cure such Revenue Deficiency. In this event, the consequences set out in the following paragraph may result.

Losses on the Portfolio and application of any Principal Receipts to meet a Revenue Deficiency will be recorded (a) first, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Class B VFN Principal Deficiency Limit and (b) second, to the Class A Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts (including, in the case of debits recorded on the Class A Principal Deficiency Sub-Ledger, amounts standing to the credit of the General Reserve Fund). Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the relevant Priority of Payments, as a credit to the Principal Deficiency Ledger. Where a credit entry is made on the Principal Deficiency Ledger, such credit shall be applied to: first the Class A Principal Deficiency Sub-Ledger, and second (excluding amounts to be credited to the General Reserve Ledger), the Class B Principal Deficiency Sub-Ledger.

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

- the interest and other net income of the Issuer may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Class A Notes; and

- there may be insufficient funds to repay the Class A Notes on or prior to the Final Maturity Date of such Class of Notes unless the other net income of the Issuer is sufficient, after making other payments to be made in priority thereto, to reduce to nil the balance on the Class A Principal Deficiency Sub-Ledger.

Interest Rate Risk

98.13 per cent. by Current Balance of Loans in the Provisional Portfolio are currently subject to fixed interest rates, which may revert to either a Base Rate Tracker Mortgage or an SVR Mortgage after a fixed period. A small proportion of the Loans (approximately 1.88 per cent. by Current Balance of Loans in the Provisional Portfolio) are subject to variable interest rates (the Base Rate Tracker Mortgages, SVR Mortgages and Discount Mortgages). However, the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR. For more information please see the section titled "*The Loans – Interest Rate Types*".

To hedge its fixed interest rate exposure, the Issuer will enter into a fixed interest rate swap transaction (the "**Fixed Rate Swap Transaction**") pursuant to the Fixed Rate Swap Agreement on the Closing Date with the Fixed Rate Swap Provider (see "*Credit Structure — Interest Rate Risk for the Notes*" below).

A failure by the Fixed Rate Swap Provider to make timely payments of amounts due under the Fixed Rate Swap Transaction will constitute a default under the Fixed Rate Swap Agreement. The Fixed Rate Swap Agreement provides that the Sterling amounts owed by the Fixed Rate Swap Provider on any payment date under the Fixed Rate Swap Transaction (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer to the Fixed Rate Swap Provider on the same payment date under the Fixed Rate Swap Transaction. Accordingly, if the amounts owed by the Issuer to the Fixed Rate Swap Provider on a payment date in respect of the Fixed Rate Swap Transaction are greater than the amounts owed by the Fixed Rate Swap Provider to the Issuer on the same payment date under the same Fixed Rate Swap Transaction, then the Issuer will pay the difference to the Fixed Rate Swap Provider on such payment date in respect of the Fixed Rate Swap Transaction; if the amounts owed by the Fixed Rate Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Fixed Rate Swap Provider on the same payment date in respect of the Fixed Rate Swap Transaction, then the Fixed Rate Swap Provider will pay the difference to the Issuer on such payment date; and if the amounts owed by both parties are equal on a payment date in respect of the Fixed Rate Swap Transaction, neither party will make a payment to the other on such payment date in respect of the Fixed Rate Swap Transaction. To the extent that the Fixed Rate Swap Provider defaults on its obligations under the Fixed Rate Swap Agreement to make payments to the Issuer in Sterling, on any payment date (which corresponds to an Interest Payment Date), under the Fixed Rate Swap Transaction the Issuer will be exposed to the possible variance between various fixed or tracker rates payable on the Loans in the

Portfolio and Three-Month Sterling LIBOR. Unless one or more comparable replacement Fixed Rate Swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes and meet obligations to Noteholders and Secured Creditors.

As at the date of this Prospectus, the Issuer has not entered into any interest rate swap or other hedging transaction in relation to Loans other than in respect of Fixed Rate Loans. Further, as Loans revert from Fixed Rate Mortgages to SVR Mortgages or Base Rate Tracker Mortgages, the interest payable under such Loans will no longer be hedged by way of a hedging transaction. As a result there is no hedge in respect of the risk of any variances in the rate charged on such Loans, which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors.

The rates payable by the Issuer under the Fixed Rate Swap Transaction are not intended to be an exact match of the interest rates that the Issuer receives in respect of the Loans in the Portfolio. As such, there may be circumstances in which the rate payable by the Issuer under the Fixed Rate Swap Transaction exceeds the amount that the Issuer receives in respect of the Loans in the Portfolio.

In certain circumstances, a failure by the Issuer to obtain the consent of the Fixed Rate Swap Provider in respect of amendments to the Transaction Documents may result in the termination of the Fixed Rate Swap Agreement.

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

Termination payments under Fixed Rate Swap Transaction

Subject to the following, the Fixed Rate Swap Agreement will provide that, upon the occurrence of certain events, the Fixed Rate Swap Transaction may terminate and a termination payment by either the Issuer or the Fixed Rate Swap Provider may be payable, the amount of which payment will depend on, among other things, the terms of the Fixed Rate Swap Transaction and the cost of entering into one or more replacement transactions at the time. Any termination payment due from the Issuer (other than (where applicable) the Fixed Rate Swap Excluded Termination Amount (being the amount of any termination payment due and payable to the Fixed Rate Swap Provider as a result of a Swap Provider Default or a Swap Provider Downgrade Event)) to the extent such termination payment is not satisfied by any applicable Replacement Swap Premium which shall be paid directly by the Issuer to the Fixed Rate Swap Provider and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments, will rank prior to payments in respect of the Class A Notes in accordance with the Pre-Acceleration Revenue Priority of Payments. If any termination amount is payable, payment of such termination amounts may affect amounts available to pay interest and principal on all the Class A Notes. Fixed Rate Swap Excluded Termination Amounts will not rank ahead of Class A Notes or the Class B VFN in the Pre-Acceleration Revenue Priority of Payments (but will rank ahead of the Class Z VFN).

No assurance can be given as to the ability of the Issuer to enter into one or more replacement fixed rate swap transactions, or if one or more replacement fixed rate swap transactions are entered into, as to the credit rating of the replacement fixed rate swap provider for the replacement fixed rate swap transactions.

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

The yield to maturity on the Class A Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Class A Notes. Prepayments on the Loans may result from a Borrower choosing to repay early, refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under any applicable insurance policies. In addition, repurchases of Loans and/or Further Advances required to be made under the Mortgage Sale Agreement in certain circumstances will have the same effect as a prepayment of such Loans. The yield to maturity of the Class A Notes may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. In addition, if the Seller is required to repurchase a Loan or Loans under a Mortgage Account and its or their Related Security because, for example, one of the Loans does not comply with the Loan Warranties and this causes a material adverse effect on the value of that Loan, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Available Principal Receipts will be applied to reduce the Principal Amount Outstanding of the Class A Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below).

At any time on or after (i) the Step-Up Date or (ii) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Class A Notes (in the case of (ii), the "**Clean-Up Call**"). In addition, the Issuer may, subject to the Conditions, redeem all of the Class A Notes if a change in tax law results in the Issuer or the Fixed Rate Swap Provider being required to make a deduction or withholding for or on account of tax. The redemption of the Notes pursuant to the Clean-Up Call or pursuant to a change in tax law may lead to a reduction in the weighted average life of the Class A Notes.

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

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

Ratings of the Class A Notes

The ratings address the likelihood of full and timely payment to the Class A Noteholders of all payments of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of the Class A Notes. The Class B VFN and the Class Z VFN will not be rated by the Rating Agencies.

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

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

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

As highlighted above, the ratings assigned to the Class A Notes by each Rating Agency are based on, amongst other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Fixed Rate Swap Provider, the Cash Manager, the Swap Collateral Account Bank (if any)

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

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

Market Disruption

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

LIBOR Reform

Following investigations into alleged manipulation of the London Inter-Bank Offered Rate ("**LIBOR**") as set by the British Bankers' Association (the "**BBA**") and other benchmarks, various reforms have been made, and continue to be made, to the regulation of benchmarks at UK, EU and international levels. The administration of LIBOR and certain other specified benchmarks has been a regulated activity in the UK since 2013. Also in 2013, the European Commission published a legislative proposal for a proposed Regulation on indices used as benchmarks in financial instruments and financial contracts. The resulting Benchmarks Regulation (Regulation (EU) 2016/1011) (the "**Benchmarks Regulation**") was published in the Official Journal of the EU in June 2016 and will apply from 1 January 2018. The Benchmarks Regulation will impose new requirements on the administrators and users of, and contributors to, benchmarks used in the EU. In 2014, ICE Benchmark Administration Limited ("**IBA**") replaced the BBA as the administrator of LIBOR.

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

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

LIBOR and Reference Banks

If the Relevant Screen Rate is not available (as described in "*Market Disruption*" above) there can be no guarantee that the Agent Bank shall be able to appoint one or more Reference Banks to provide Reference Quotations, in order to determine the Reference Rate in respect of the Notes. Certain financial institutions that have historically acted as Reference Banks have indicated that they will not currently provide LIBOR quotations and there can be no assurance that they will agree to do so in the future. No Reference Banks

have been appointed at the date of this Prospectus. The Agent Bank has covenanted in the Conditions to use reasonable endeavours to appoint Reference Banks if the Relevant Screen Rate is not available, but there can be no assurance that it will be able to do so.

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

Eurosystem eligibility

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

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

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

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Note Trustee or as the case may be, the Security Trustee will not have an adverse effect on the then current rating of the Class A Notes 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 Class A Noteholders. While entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the Class of Notes would not be adversely affected, the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Secured Creditors (including the Class A Noteholders), the Issuer, the Note Trustee, the Security Trustee or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Class A Noteholders), the Issuer, the Note Trustee, the Security Trustee or any other person whether by way of contract or otherwise.

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

Certain Rating Agencies have indicated that they will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

The Conditions provide that if a Ratings Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee) and (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Ratings Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Ratings Confirmation or response or (B) within 30 days of delivery of such request, no Ratings Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and (ii) one Rating Agency gives such Ratings Confirmation or response based on the same facts, then such condition to receive a Ratings Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Ratings Confirmation or response from the Non-Responsive Rating Agency if the Issuer (or the Administrator on its behalf) provides to the Note Trustee a certificate (upon which the Note Trustee can rely without further investigation or liability to any person) certifying and confirming that the events in one of (i) (A) or (B) above and the event in (ii) above has occurred following the delivery by or on behalf of the Issuer of a written request to each Rating Agency.

Where a Ratings Confirmation is a condition to any action or step under any Transaction Document and such condition is deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the relevant request from the Issuer (or the Administrator on its behalf) within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Class A Notes as a result of the action or step.

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

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

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest thereon shall immediately become due and payable, as applicable, as provided in the Trust Deed.

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

(a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking Class or Classes of Noteholders (including the provisions set out in Clause 13 (*Action, Proceedings and Indemnification*) and Schedule 3 to the Trust Deed), the Note Trustee shall have been so directed (or the Note Trustee shall have been directed to direct the Security Trustee) by an Extraordinary Resolution of the Class A Noteholders or directed in writing by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding or (if there are no Class A Notes outstanding) it shall have been directed in writing by the Class B VFN Holder, or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class Z VFN Holder; and

(b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to its satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of the Class B VFN Holder or the Class Z VFN Holder so long as any Class A Notes are outstanding.

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

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

In relation to the undertakings to be given by the Seller to the Issuer in the Mortgage Sale Agreement in accordance with the Article 405 of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Delegated Act regarding the material net economic interest of at least 5 per cent. of the nominal value of the securitised exposures to be retained by the Seller and certain requirements as to providing investor information in connection with the CRR and AIFMR, neither the Note Trustee nor the Security Trustee shall be under any obligation to monitor the compliance by the Seller with such undertakings or to investigate any matter which is the subject of such undertaking and shall not be under any obligation to take any action in relation to non-compliance with such undertaking unless and until the Note Trustee or Security Trustee has received actual written notice of the same from any party to a Relevant Document, in which event the only obligation of the Note Trustee and Security Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Note Trustee and Security Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the Class A Noteholders (or if no Class A Notes are outstanding, the holder of the Class B VFN, or if the Class B VFN is not outstanding, the Class Z VFN Holder).

Meetings of Noteholders, Modification and Waivers

The Conditions contain provisions for calling meetings of Class A Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Class A Noteholders including Class A Noteholders who did not attend and vote at the relevant meeting and Class A Noteholders who voted in a manner contrary to the majority. The Conditions provide that other than an Extraordinary Resolution in relation to a Basic Terms Modification, an Extraordinary Resolution or Ordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on the Class B VFN Holder and the Class Z VFN Holder irrespective of the effect it has upon them. For as long as the Class A Notes are outstanding, an Extraordinary Resolution or Ordinary Resolution passed by the Class B VFN Holder and the Class Z VFN Holder shall be ineffective unless sanctioned by an Extraordinary Resolution of the Class A Noteholders.

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

The Conditions also provide that the Issuer, the Cash Manager and/or the Fixed Rate Swap Provider (each a "**Requesting Party**") may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Notes remain outstanding) direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect:

(a) the appointment of one or more Swap Collateral Account Banks and the entry into of related documentation (including any Swap Collateral Account Bank Agreement), in accordance with the terms of the Fixed Rate Swap Agreement and the Cash Management Agreement; and/or

(b) the closure of the Collection Accounts held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be The Co-operative Bank) as the replacement collection account bank (the "**Replacement Collection Account Bank**"), the opening of one or more replacement collection accounts with the Replacement Collection Account Bank (which may each be used to collect direct debit payments in respect of the Seller and/or other payments in respect of loans not in the Portfolio) (each a "**Replacement Collection Account**"), the transfer of any monies from the Collection Account to a Replacement Collection Account and the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account),

(together the "**Transaction Amendments**"),

irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall be obliged to enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the Amendment Conditions are satisfied. "**Amendment Conditions**" means:

(i) a certificate in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such certificate to be countersigned by the Cash Manager for so long as The Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee (as applicable) that the Ratings Agencies have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objections thereto;

(ii) a certificate in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such certificate to be countersigned by the Cash Manager for so long as The Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and

(iii) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (i) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or the Security Trustee or (ii) exposing the Note Trustee or the Security Trustee to any liability which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

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

of the Transaction Documents based on any written notification or certificate it receives from the Issuer, the Servicer or the Cash Manager (in its capacity as the Requesting Party, where applicable) or the Fixed Rate Swap Provider (as the case may be).

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

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

(a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies, provided that the Issuer (or the Cash Manager on its behalf) certifies in writing to the Note Trustee and the Security Trustee (as applicable) that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria;

(b) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 51(1) of the AIFMR, Article 17 of the AIFMD and Article 254(2) of the Solvency II Delegated Act, after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMD, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;

(c) in order to enable the Issuer and/or the Fixed Rate Swap Provider to comply with any requirements which apply to them in relation to any Swap Agreement (including any further hedging under any Swap Agreement) under EMIR, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;

(d) for the purpose of enabling the Class A Notes to be (or to remain) listed on the London Stock Exchange, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;

(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, provided that the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as applicable, provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect; or

(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, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect,

in each case provided that:

(A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee (as applicable);

(B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee (as applicable)

both at the time the Note Trustee and the Security Trustee (as applicable) is notified of the proposed modification and on the date that such modification takes effect;

(C) the prior written consent of each Secured Creditor (other than any Noteholder) which is party to the Relevant Document has been obtained;

(D) either:

(1) the Issuer (or the Cash Manager on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); or

(2) the Issuer (or the Cash Manager on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and

(E) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes;

(F) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding (or if no Class A Notes are outstanding, the Class B VFN Holder or, if neither Class A Notes nor the Class B VFN is outstanding, the Class Z VFN Holder) have not contacted the Principal Paying Agent or the Issuer in writing (or, in respect of the Class A Notes, otherwise in accordance with the then current practice of any applicable clearing system through which such Class A Notes may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders do not consent to the modification; and

(G) the Note Trustee and the Security Trustee (as applicable) have confirmed with the Principal Paying Agent and the Issuer in writing that they have not received objections from Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Class of Notes as per point (F) above.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding (or if no Class A Notes are outstanding, the Class B VFN Holder or, if neither Class A Notes nor the Class B VFN is outstanding, the Class Z VFN Holder) have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an) Extraordinary Resolution of the Class A Noteholders then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*) or (if there are no Class A Notes outstanding) it shall have been directed in writing by the

Class B VFN Holder, or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class Z VFN Holder.

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

Where such Noteholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Class A Noteholders is passed in favour of such modification, or (if there are no Class A Notes outstanding) it shall have been directed in writing by the Class B VFN Holder, or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class Z VFN Holder in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*), then the Note Trustee shall be obliged to agree to the modification and such modification will be made.

Other than where specifically provided in Condition 12.16 (*Additional Right of Modification*) or any Relevant Document:

(a) when implementing any modification pursuant to Condition 12.16 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee or the Security Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and absolutely and without further investigation or liability on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 12.16 (*Additional Right of Modification*), and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(b) the Note Trustee (or as the case may be, the Security Trustee) shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or the Conditions.

Any such modification shall be binding on all Noteholders. The full requirements in relation to the modifications discussed above are set out in Condition 12.16 (*Additional Right of Modification*).

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

Rights of Noteholders and Secured Creditors

Conflict between Noteholders and the other Secured Creditors

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

If, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, however, there is or may be a conflict between the interests of the Class A Noteholders (for so long as there are any Class A Notes outstanding) on one hand and the interests of the Class B VFN Holder and/or the Class Z VFN Holder on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class A Noteholders. Subject thereto if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is or may be a conflict between the interests of the Class B VFN Holder (for so long as there Class B VFN is outstanding) on the one hand and the interests of the Class Z VFN Holder on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class B VFN Holder.

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

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

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

If any of the Notes of any Class are held by or on behalf of or for the benefit of the Seller, any holding company of the Seller or any other subsidiary of the Seller or any such holding company (the "**Relevant Persons**"), in each case as beneficial owner, those Notes of such Class will (unless and until ceasing to be so held) be deemed not to remain outstanding. However, if (i) all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons (the "**Relevant Class of Notes**") and (ii) there is no other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes where one or more Relevant Persons are not the beneficial owners of all the Notes of such Class (as the case may be), the Notes held by or on behalf of or for the benefit of the Relevant Persons shall be deemed to remain outstanding.

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

Absence of secondary market

No assurance is provided that there is an active and liquid secondary market for the Class A Notes, and no assurance is provided that a secondary market for the Class A Notes will exist as at the date of this Prospectus or in the future, in particular as a result of any restructuring of sovereign debt by countries in the Eurozone. The Co-operative Bank will purchase all of the Class B VFN, the Class Z VFN and some of the Class A Notes on the Closing Date.

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

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

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

Significant Investor

The Co-operative Bank p.l.c. ("**The Co-operative Bank**" or "**Co-op**") will, on the Closing Date, purchase (a) all of the Class A Notes, (b) all of the Class B VFN and (c) all of the Class Z VFN and may retain or at a later date sell some or all of the Class A Notes in the secondary market at variable prices (which may, in turn, affect the liquidity and price of the Class A Notes in the secondary market). Further, The Co-operative Bank may sell Class A Notes in individually negotiated transactions at variable prices in the secondary market. Therefore, significant concentrations of holdings in the Notes may occur. In relation to the rights of The Co-operative Bank in respect of its holding of such Notes, see "Rights of Noteholders and Secured Creditors - Conflict between Noteholders and the other Secured Creditors" below.

Certain material interests

Certain of the Transaction Parties (e.g. the Arrangers) 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 The Co-operative Bank. Bank of America Merrill Lynch, HSBC Bank plc and The Royal Bank of Scotland plc (trading as NatWest Markets) are acting as Arrangers. HSBC Bank plc is acting as Fixed Rate Swap Provider, Principal Paying Agent, Agent Bank and Registrar. HSBC Corporate Trustee Company (UK) Limited is acting as Note Trustee and Security Trustee. Intertrust Management Limited is acting as Back-Up Servicer Facilitator and Corporate Services Provider. BNP Paribas Securities Services is acting as BNPP Account Bank. WMS is acting as Servicer. Other parties to the transaction may also perform multiple roles, including The Co-operative Bank, who will act as Co-op Account Bank, Cash Manager and VFN Registrar, Citibank, N.A. London Branch, who will act as Citi Account Bank and Back-up Cash Manager. The swap collateral account bank, if appointed, will act as the Swap Collateral Account Bank (if any).

Those Transaction Parties and any of their respective affiliates acting in such capacities will have only the duties and responsibilities expressly agreed to by each such entity in the relevant capacity and will not, by reason of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. In no event shall such Transaction Parties or any of their respective affiliates be deemed to have any fiduciary obligations to any person by reason of their or any of their respective affiliates acting in any capacity.

In addition to the interests described in this Prospectus, the Arrangers and their respective related entities, associates, officers or employees (each an "**Arrangers Related Person**"):

(a) may from time to time be a Noteholder or have other interests with respect to the Class A Notes and they may also have interests relating to other arrangements with respect to a Class A Noteholder or a Class A Note, or any other Transaction Party;

(b) may receive (and will not have to account to any person for) fees, brokerage and commissions or other benefits and act as principal with respect to any dealing with respect to any Class A Notes;

(c) may purchase all or some of the Class A Notes and resell them in individually negotiated transactions with varying terms; and

(d) may be or have been involved in a broad range of transactions including, without limitation, banking, lending, advisory, dealing in financial products, credit, derivative and liquidity transactions (which may include financing of the risk retention), investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Issuer or any other Transaction Party or any related entity, both on its own account and for the account of other persons.

Prospective investors should be aware that:

(a) each Arrangers Related Person in the course of its business (including in respect of interests described above) may act independently of any other Arrangers Related Person or Transaction Party;

(b) to the maximum extent permitted by applicable law, the duties of each Arrangers Related Person in respect of the Class A Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No Arrangers Related Person shall have any obligation to account to the Issuer, any

Transaction Party or any Noteholder for any profit as a result of any other business that it may conduct with either the Issuer or any Transaction Party;

(c) an Arrangers Related Person may have or come into possession of information not contained in this Prospectus that may be relevant to any Noteholder or to any decision by a potential investor to acquire the Notes and which may or may not be publicly available to potential investors ("**Relevant Information**");

(d) to the maximum extent permitted by applicable law no Arrangers Related Person is under any obligation to disclose any Relevant Information to (i) any other Arrangers Related Person; (ii) any Transaction Party; or (ii) any potential investor, and this Prospectus and any subsequent conduct by an Arrangers Related Person should not be construed as implying that such Arrangers Related Person is not in possession of such Relevant Information; and

(e) each Arrangers Related Person may have various potential and actual conflicts of interest arising in the ordinary course of its businesses, including in respect of the interests described above. For example, an Arrangers Related Person's dealings with respect to a Note, the Issuer or a Transaction Party, may affect the value of such Note.

These interests may conflict with the interests of a Noteholder, and the Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, an Arrangers Related Person is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents, the Notes, or the interests described above and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders, and the Arrangers Related Persons may in so doing so act in its own commercial interests and without notice to, and without regard to, the interests of any such person.

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.

Conflicts of interest may also exist or may arise as a result of parties to this transaction:

(a) having previously engaged or in the future engaging in transactions with other parties to the transaction;

(b) having multiple roles in this transaction; and/or

(c) carrying out other roles or transactions for third parties.

Eurosystem eligibility

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

Bank of England eligibility

Certain investors in the Class A Notes may wish to consider the use of the Class A Notes as eligible securities for the purposes of the Bank of England's Discount Window Facility ("**DWF**"), Funding for Lending Scheme ("**FLS**") or Term Funding Scheme ("**TFS**"). Recognition of the Class A Notes as eligible securities for the purposes of the DWF, FLS or TFS will depend upon satisfaction of the eligibility criteria as specified by the Bank of England. If the Class A Notes do not satisfy the criteria

specified by the Bank of England, there is a risk that the Class A Notes will not be eligible DWF, FLS or TFS collateral. None of the Issuer, the Arrangers or the Seller gives any representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or at any time during their life, satisfy all or any requirements for the DWF, FLS or TFS eligibility and be recognised as eligible DWF, FLS or TFS collateral. Any potential investor in the Class A Notes should make its own determinations and seek its own advice with respect to whether or not the Class A Notes constitute eligible DWF, FLS or TFS collateral. No assurance can be given that the Class A Notes will be eligible securities for the purposes of the DWF, FLS or TFS and no assurance can be given that any of the relevant parties have taken any steps to register such collateral.

The Mortgages

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

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

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a *bona fide* purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or its personnel or agents.

Further, prior to the insolvency of the Seller, unless (i) notice of the assignment was given to a Borrower who is a creditor of the Seller in the context of the English Loans and their Related Security, and (ii) an assignation of the Scottish Loans and their Related Security is effected by the Seller to the Issuer and notice thereof is then given to a Borrower who is a creditor of the Seller, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller under the relevant Loan. These rights may occur in relation to transactions or deposits made between Borrowers and the Seller and may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment or assignation is given to the Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given. For the purposes of this Prospectus, references herein to "set-off" shall be construed to include analogous rights in Scotland.

Until notice of the assignment or assignation is given to Borrowers, the Issuer would not be able to enforce any Borrower's obligations under a Loan or Related Security itself but would have to join the Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer.

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

Once notice has been given to the Borrowers of the assignment or assignation of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Loan such as a claim for damages under a Further Advance) will not be affected by that notice and will continue to exist.

For so long as the Issuer does not have legal title to the Loans and their Related Security, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the relevant Loans and their Related Security and the Issuer will have power of attorney to act in the name of the Seller.

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

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

The relevant Borrower may set off any claim for damages arising from the Seller's breach of contract against the Seller's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Portfolio, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set off claims will constitute transaction set-off, as described above. The right of a Borrower to set-off for transaction set-off is not limited or crystallised as a result of notice of the assignments or assignations to the Issuer being given by the relevant Borrower.

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

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

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

Product Switches and Further Advances

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, a Further Advance or a Product Switch from time to time. Any Loan which has been the subject of a Further Advance or a Product Switch following an application by the Borrower will remain in the Portfolio. If the Issuer subsequently determines that any Further Advance or Product Switch does not satisfy an Asset Condition, as at the relevant Advance Date or Switch Date (where applicable), the Seller will be required to repurchase the relevant Loan and its Related Security in accordance with the Mortgage

Sale Agreement. See further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by the Seller*".

It should be noted that any Loan Warranty made by the Seller in relation to a Further Advance and/or a Product Switch may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has given its prior consent to such amendment (and for such purpose, the Security Trustee (a) may, but is not obliged to, have regard to any confirmation from each of the Rating Agencies that it will not downgrade, withdraw or qualify the ratings of the Class A Notes as a result of those amendments or (b) has received written notice from the Issuer (or the Servicer on its behalf) to the Note Trustee and the Security Trustee certifying that such proposed action (i) is being taken solely to implement and reflect the then updated and published Rating Agency criteria of a Rating Agency, and (ii) the then current ratings of the Class A Notes will not be downgraded or withdrawn by the Rating Agencies as a result of such action (upon which confirmation or certificate the Note Trustee and the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing)). If Noteholders (who shall be notifed of such proposed modification by the Issuer) representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period (such period to be not less than 30 calendar days in accordance with Condition 12.16) that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Class A Noteholders then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*). Changes to the warranties may affect the quality of the Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the rated Notes. Where the Seller is required to repurchase the relevant Loan and its Related Security because the warranties in respect of that Loan are not true as of the date they are made, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement (as to which, see also "*The Co-operative Bank p.l.c.*" – "*Bank's capital position, recent developments and future strategy*" below). Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Class A Notes.

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

Porting

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

Selection of the Portfolio

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Seller as at 31 March 2017 (the "**Portfolio Reference Date**"). The Provisional Portfolio as at the Portfolio Reference Date comprised of 7,990 Loans with an aggregate Current Balance of £1,400,052,659. The portfolio that will be sold to the Issuer on the Closing Date will be randomly selected on the Closing Date Portfolio Selection Date from the Provisional Portfolio (the "**Closing Date Portfolio**"). The characteristics of the Closing Date Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, the random Closing Date Portfolio selection and repayments and redemptions of Loans and/or Further Advances and Product Switches and the removal of any Loans and/or Further Advances and Product Switches from the Portfolio that do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Portfolio between the Portfolio Reference Date and the Closing Date.

Undertakings of the Seller

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

Detailed information about the Seller is disclosed later on in this Prospectus in the section entitled "*The Co-operative Bank p.l.c.*" and, in particular, "*Bank's capital position, recent developments and future strategy*".

The Bank's ability to implement its plans for itself and its subsidiaries are also influenced by external factors which may mean underpinning assumptions relating to economic or market conditions may be incorrect and negatively impact the plans. Many of these issues are similar to those faced by other financial institutions (including the effect of macro-political conditions in Europe) and the management of credit risk, interest rate risk, currency risk and market risk and risks from regulatory change and an increasing regulatory enforcement and litigious environment.

The crystallisation of any of the risks that the Seller faces, as identified in that section, could result in an adverse effect on the business, financial condition, operating results, reputation and prospects of the Seller. In such circumstances, the Seller may not be in a position to satisfy its undertakings described above.

Servicing and Third Party Risk

Issuer Reliance on Other Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to an agreement (the "**Corporate Services Agreement**"), the Co-op Account Bank has agreed to provide the Co-op Deposit Account to the Issuer pursuant to the Co-op Bank Account Agreement (the "**Co-op Bank Account Agreement**"), the Citi Account Bank has agreed to provide the Citi Deposit Account to the Issuer pursuant to a bank account agreement (the "**Citi Bank Account Agreement**"), the BNPP Account Bank has agreed to provide the BNPP Deposit Account pursuant to a bank account agreement (the "**BNPP Bank Account Agreement**"), the Servicer has agreed to service the Portfolio pursuant to a servicing agreement (the "**Servicing Agreement**"), the Back-Up Servicer Facilitator has agreed to provide back-up servicer facilitation services in relation to the Portfolio pursuant to the Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to a cash management agreement (the "**Cash Management Agreement**"), the Back-Up Cash Manager has agreed to provide back-up cash management services pursuant to a back-up cash management agreement (the "**Back-Up Cash Management Agreement**") and replacement cash management agreement (the "**Replacement Cash Management Agreement**") and the Principal Paying Agent, the Registrar, the VFN Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to an agency agreement (the "**Agency Agreement**"). In addition, amounts paid by Borrowers are paid into an account held with a third-party Collection Account Bank, and the Swap Collateral Account (if any) will be provided by the Swap Collateral Account Bank. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed without a sufficiently experienced substitute or any substitute being appointed in their place, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

Investors should also be aware that third parties on which the Issuer relies can be adversely impacted by the general economic climate. At the date of this Prospectus, global markets may be negatively impacted by prevailing economic conditions, including by market perceptions regarding the ability of certain EU member states in the Eurozone to service their sovereign debt obligations. These prevailing economic conditions as well as future developments in the areas of underlying market concern, such as the ability of certain Eurozone sovereign members to service their debt, could continue to have material adverse

impacts on financial markets throughout the world up to and beyond the maturity of the Notes. Moreover, the anticipation by the financial markets of these impacts could also have a material adverse effect on the business, financial condition and liquidity position of certain of the parties to the transaction, on which the Issuer relies. As a result, these factors affecting transaction parties specifically, as well as market conditions generally, could adversely affect the performance of the Notes. In addition there can be no assurance that governmental or other actions will improve market conditions in the future.

The Servicer

Western Mortgage Services Limited ("**WMS**") will be appointed by the Issuer as Servicer to service the Loans. The Servicer will be entitled to transfer all or a portion of the servicing services under the Servicing Agreement to one or more counterparties, subject to the terms set out in the Servicing Agreement including re-transfer to The Co-operative Bank of the servicing of certain Loans from time to time where the Borrower under such Loan is or becomes vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any transferee.

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

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

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

Change of counterparties

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Citi Account Bank, the BNPP Account Bank, the Fixed Rate Swap Provider) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the FCA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by Moody's and Fitch. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable ratings criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Document who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest on the Notes and/or the ratings of the Notes which are rated.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria (although this will not apply to mandatory provisions of law), in order to avoid the need for a

replacement entity to be appointed. The consent of Noteholders may not be required in relation to such amendments and/or waivers, as stipulated in the Conditions.

The Portfolio

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

Borrowers may default on their obligations under the Loans in the Portfolio. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments (including with respect to any borrowers in Scotland as a result of any devolution of powers to the Scottish Parliament) and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. A valuation was obtained by the Seller or Originators on or about the time of origination of each Loan, and in certain circumstances, an updated valuation of a Property may be obtained or determined by the Seller, see "*The Loans — Valuations*".

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

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

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

Borrowers seeking to avoid increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave Borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment speeds and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

Declining property values

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

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

Geographic Concentration Risks

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

Redemption of Scottish Mortgages

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that standard security and interest. As to the sums recoverable under such standard security, please refer to the heading "*Declining property values*" above.

Interest Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis, or (in the case of a small number of Loans accounting for 0.03 per cent. of the Current Balance of the Loans in the Provisional Portfolio) on an interest-only basis or on a combination of capital repayment and interest payment basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. The Seller does not verify or require proof that such repayment mechanism is in place and does not take security over any investment policies taken out by Borrowers.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*The Loans — Repayment Terms*" below) at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISAs or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured. In very limited circumstances, an Interest-only Loan may be changed to a repayment or part-repayment loan in order to control or manage the repayment of capital shortfalls. This may change the profile of the Loans forming part of the Portfolio as at the Closing Date and in some cases significantly extend the time it takes to recover the principal amounts in relation to a Loan.

Insurance Policies

The policies of the Seller in relation to buildings insurance are described under "*The Loans — Insurance Policies*", below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Notes.

Searches, Investigations and Warranties in Relation to the Loans

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

Neither the Note Trustee, the Security Trustee, the Arrangers nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is breached or proves to be materially untrue as at the Closing Date, which breach is not remedied in accordance with the Mortgage Sale Agreement and has a material adverse effect on the value of that Loan, will be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes. For more information, see "*Risk Factors – The Mortgages – Undertakings of the Seller*", above.

It should also be noted that any warranties made by the Seller in relation to Further Advances and/or Product Switches may be amended from time to time and differ from the warranties made by the Seller at the Closing Date without the consent of the Noteholders provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee (a) may, but is not obliged to, have regard to whether the Rating Agencies have confirmed in writing that they will not downgrade, withdraw or qualify the ratings of the rated Notes as a result of those amendments (and, for the avoidance of doubt, the Rating Agencies will not be required to provide such confirmation) or (b) has received written notice from the Cash Manager to the Note Trustee and the Security Trustee certifying that such proposed action (i) is being taken solely to implement and reflect the then updated and published Rating Agency criteria of a Rating Agency, and (ii) the then current ratings of the rated Notes will not be downgraded or withdrawn by the Rating Agencies as a result of such action (upon which confirmation or certificate the Note Trustee and the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing)). If Noteholders (who shall be notifed of such proposed modification by the Issuer) representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period (such period to be not less than 30 calendar days in accordance with Condition 12.16) that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*). Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the rated Notes. Where the Seller is required to repurchase the relevant Loan and its Related Security because the warranties in respect of that Loan are not true as of the date they are made, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Class A Notes.

Certain Regulatory considerations

FCA Regulation of Mortgage Business

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

On 1 April 2013, following amendments made to the FSMA by the Financial Services Act 2012 many functions of the Financial Services Authority were transferred to the Financial Conduct Authority (the "**FCA**") and the Prudential Regulation Authority (the "**PRA**"). Under the new structure the FCA has taken over, amongst other things, the Financial Services Authority's responsibility for the authorisation and supervision of persons carrying on specified regulated mortgage-related activities under the FSMA. The PRA is responsible for the prudential supervision of deposit takers, insurers and a small number of significant investment firms. Depending on the scope of a firm's authorisation and permissions, firms involved in the residential mortgage market may be regulated by both authorities (in which case they will be known as dual-regulated firms) or by the FCA only. Firms authorised by the Financial Services Authority prior to 1 April 2013 had their authorisations transferred to the relevant authorities and did not need to apply for new authorisations.

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

A contract is a "**Regulated Mortgage Contract**" for the purposes of the Regulated Activities Order if it is originated after the Mortgage Regulation Date (as defined in the Regulated Activities Order), or originated prior to N(M) but varied after N(M) such that a new contract is entered into, and at the time it is entered into, (i) the contract is one under which the lender provides credit to an individual or to trustees (the "borrower"), (ii) the contract provides for the repayment obligation of the borrower to be secured by a mortgage on land (other than timeshare accommodation) in the EEA (as amended by the Mortgage Credit Directive with effect from 21 March 2016) and (iii) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. Non-compliance with certain provisions of the FSMA may require a lender to seek a court order to enforce a regulated mortgage.

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

The Seller and the Servicer each hold authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under the FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required FCA authorisation and permission. If such a servicing agreement terminates, however, the Issuer will have a period of not more than one month beginning with the day on which any such arrangement comes to an end in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FCA authorisation and permission.

The Issuer will not itself be an authorised person under the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage

Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition, on and after N(M), no variation has been or will be made to the Loans and no Further Advance or Product Switch has been or will be made in relation to a Loan, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

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

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

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

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

In June 2010, the FSA made changes to MCOB (subsequently amended following implementation of the Mortgage Credit Directive on 21 March 2016 in particular MCOB 13 was amended to account for vulnerable customers and data sharing with other charge holders) which effectively convert previous guidance on the policies and procedures to be applied by authorised firms (such as the Seller) with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under these rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FCA has indicated that it does not expect each forbearance option referred to in the rules to be explored at every stage of interaction with the borrower, it is clear that these rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions which the relevant loan may be subject to as a result, *inter alia*, of such loan being contained within a securitisation transaction. As a result, the rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the servicing arrangements contemplated by such Transaction Documents) in respect of one or more Loans. No assurance can be made that any such actions will not impact on the Issuer's ability to make payments in full when due on the Notes, although the impact of this will depend on the number of Loans that involve a borrower who experiences payment difficulties.

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

Changes to United Kingdom and EU mortgage regulation

There can be no assurance that the developments described below, in respect of the changing regulatory regime, will not have an effect on the mortgage market in the United Kingdom generally or specifically in

relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Seller, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

FCA mortgage market review

The FCA published final rules implementing its mortgage market review in October 2012. The majority of these new rules came into effect on 26 April 2014 through amendments to MCOB. Key changes include a requirement for lenders to undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process. The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these rules. These rules only apply to a Loan if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Loan generally as a regulated mortgage contract (as to which see "Financial Services and Markets Act 2000" above). To the extent that these rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes.

EU directive on credit agreements relating to residential property

The Council of the European Union adopted the Mortgage Credit Directive ("**MCD**") on credit agreements for consumers relating to residential immovable property on 28 January 2014. The directive came into force on 21 March 2014. The UK Government published the Mortgage Credit Directive Order ("**MCDO**") on 25 March 2015 which came into effect on 21 March 2016 and made changes to the FCA handbook and in particular MCOB to implement the MCD.

The main provisions of the MCD include consumer information requirements, principle based rules and standards for the performance of services (e.g. conduct of business obligations, competence and knowledge requirements for staff), a consumer creditworthiness assessment obligation, provisions on early repayment, provisions on foreign currency loans, provisions on tying practices, some high-level principles (e.g. those covering financial education, property valuation and arrears and foreclosures) and a passport for credit intermediaries who meet the admission requirements in their home Member State. This regime applies equally to first and, from 21 March 2016 second charge mortgages (second charge mortgage regulation was previously regulated under the consumer credit regime). Therefore to undertake second charge mortgage business, lenders, administrators and brokers have to be authorised and hold the correct permissions. This regime covers secured loans where any part of the property over which the loan is secured, is occupied by the borrower (or a relative of the borrower) and the borrower is not acting in the course of a business, trade or profession i.e. the MCD covers lending where the purpose is to buy or retain rights in residential immovable property. Under this new regime, mortgages will be regulated if any part of the property is occupied by the borrower (or a relative of the borrower) and the borrower is not acting in the course of a business, trade or profession.

The FCA also has powers to register and supervise firms carrying out consumer buy-to-let activities as defined in the MCDO. Such firms are also subject to aggregated data reporting and to complaints handling rules.

Other changes to mortgage regulation

There can be no assurance that this section comprehensively describes all proposed changes to relevant regulation or that there will be no further changes to regulation that may have an effect on the mortgage market in the United Kingdom generally or specifically in relation to the Seller. Further, there can neither be assurance that regulators' interpretation of existing rules and regulations will remain unchanged nor whether any such regulator may apply such interpretations in respect of actions or conduct already undertaken. Any such action or developments, in particular, but not limited to, the cost of compliance,

may have a material adverse effect on the Seller, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

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

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

Product intervention rules

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

In March 2013 the FCA published a policy statement "*The FCA's use of temporary product intervention rules*" that applies from 1 April 2013 addressing when and how the FCA will consider making TPIRs. The FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make the rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as the potential scale of detriment in the market and potential scale of detriment to individual customers, whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment and whether the use of TPIRs will have any unintended consequences.

Consumer Credit Act 1974

In the United Kingdom, the OFT was historically responsible for the issue of licences under and the enforcement of the Consumer Credit Act 1974 ("**CCA**"), related consumer credit regulations and other consumer protection legislation. However, in April 2014, the regulation of the consumer credit market transferred from the OFT to the FCA.

Consumer credit is regulated by the FCA under FSMA. A consumer credit agreement is governed by the CCA and consumer credit activity is regulated by the FCA where: (a) the borrower is or includes an individual, a partnership of up to three people or an unincorporated body which is not made up of corporates or partnerships; (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA does not exceed the financial limit, which is £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement under the CCA (for example, a regulated mortgage contract under the FSMA is an exempt agreement under the CCA and subject instead to the rules and guidance in the FCA's Mortgages and Home Finance Conduct of Business Sourcebook).

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

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

In general, "buy to let" credit agreements entered into on or after 31 October 2008 are typically treated as being exempt agreements under the CCA. This is due to the enactment of the Legislative Reform (Consumer Credit) Order 2008 ("**LRO**") that came into force on 31 October 2008. Article 3 of the LRO inserted a new Section 16C into the CCA, which exempts investment properties (i.e. buy-to-let properties) from most CCA regulation. This exemption applies to properties for which at the time the agreement is entered into any sums due under it are secured by a land mortgage (including, in Scotland, a standard security) and where less than 40 per cent. of the land is used, or is intended to be used, as or in connection with a dwelling by the borrower or a person connected to the borrower (including beneficiaries of a trust). This exemption has been replicated in Article 60D of the Regulated Activities Order for credit agreements entered into on or after 1 April 2014 (see "*Certain Regulatory considerations*" below). Mortgages where the borrowers are individuals ("**Individual Mortgages**") relating to credit agreements entered into on or after 31 October 2008 and 1 April 2014 which satisfy the conditions set out under CCA Section 16(C) and Article 60D of the Regulated Activities Order respectively are likely to be treated as exempt agreements under the CCA and FSMA but there is a risk if such conditions are not satisfied that such Individual Mortgages will be treated as regulated mortgage contracts under the FSMA or regulated credit agreements under the CCA. Non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance, which may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

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

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

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, such non-compliance causes a material adverse effect on the value of that Loan, and if the default (if capable of remedy) cannot be or is not cured within 90 Business Days of the Seller receiving notice of such non compliance, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one "**Mortgage Account**") and their Related Security from the Issuer in accordance with the Mortgage Sale Agreement.

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

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

Unfair credit relationships

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

(a) any of the terms of the agreement or of any related agreement;

(b) the way in which the creditor exercised or enforced any of his rights under the agreement or any related agreement; and

(c) any other thing done (or not done) by, or on behalf of, the creditor (either before or after the making of the agreement or any related agreement).

In this context "credit agreement" includes all agreements which would otherwise be exempt agreements under the CCA (other than regulated mortgage contracts under the terms of the FSMA regime). The provisions have the scope to be applied with full retrospective effect. An order made by the court where a creditor-debtor relationship is found to be "unfair" may, among other things, order a creditor, and any assignee such as the Issuer, to repay sums already paid by the debtor, reduce the amount of future payments or otherwise alter the terms of the credit or related agreement. The sections relating to the "unfair relationship test" came into force on 6 April 2007. Credit agreements entered into after 6 April 2007 will be subject to the unfair relationship test. Credit agreements which were entered into prior to 6 April 2007 and which will continue in force after 6 April 2008 were subject to the extortionate credit bargain test until 6 April 2007. Thereafter, such credit agreements became subject to the unfair relationship test. Credit agreements which were in force prior to 6 April 2007 and which expired prior to 6 April 2008 continued to be subject to the extortionate credit bargain test.

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

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

of the Seller receiving notice of such non compliance, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one "**Mortgage Account**") and their Related Security from the Issuer.

Distance Marketing

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

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

(a) the borrower is liable to repay the principal, and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending the notice of cancellation or, if later, the originator receiving notice of cancellation;

(b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and

(c) any security is treated as never having had effect for the cancelled agreement.

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

Unfair Consumer Contracts Terms Legislation

The Consumer Rights Act (2015) ("**CRA**") replaces the Sale of Goods Act, Unfair Terms in Consumer Contract Regulations and the Supply of Goods and Services Act.

The Unfair Terms in Consumer Contracts Regulations 1999 (as amended) (the "**UTCCR**") applies to any term of an agreement entered into on or after 1 October 1999 to and including 30 September 2015 by a "consumer" within the meaning of the UTCCR where the term has not been individually negotiated. Regulation 2 of the UTCCR revoked and replaced the Unfair Terms in Consumer Contracts Regulations 1994, which applied to agreements entered into between 1 July 1995 and 30 September 1999 and are replaced by the UTCCR. Any term found to be "unfair" within the meaning of the UTCCR will not be binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term). The FSA (the predecessor to the FCA) and Office of Fair Trading ("**OFT**") issued guidance notes on unfair contract terms under these regulations which covered, among other things, what is to be considered an unfair term and its view on the application of UCTTR to clauses that permit for interest variations in mortgage loan contracts without good reason.

The CRA has effect from 1 October 2015 and applies to all "consumer contracts" and "consumer notices" (which may be either oral or written) as defined by the CRA. Any term or consumer notice found to be "unfair" within the meaning of the CRA (contrary to the requirement of good faith, the term causes a significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer) will not be binding on the consumer. For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) were to be found by a court to be unfair under either the CRA or the UTCCR, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the credit agreement or any other credit agreement that the borrower

has taken with the lender (or exercise analogous rights in Scotland). The remainder of the contract continues, so far as practicable, to have effect in every other respect. There are no Loans in the Portfolio entered into on or after 1 October 2015 and as such the UTCCR, but not the CRA, will be applicable to any term of a Loan in the Portfolio. However, the CRA also has provisions for notices that relate to rights or obligations between a trader and a consumer or that purport to exclude or restrict a trader's liability to a consumer (requiring such notices to be fair and transparent). Such provisions of the CRA will apply to relevant notices given under the terms of the Loans (even though the CRA does not apply to the terms of such Loans themselves).

The CRA provides the following exemptions to the fairness test. Certain terms and notices covered by legal provisions are exempt from the fairness test. This is sometimes referred to as the "mandatory statutory to regulatory exemption". Where consumers need information in order to understand the effects of the legal provisions this needs to be provided in or with the contract. It is therefore not sufficient for the wording used to only mention the relevant legal provisions by name. Secondly, a term may not be assessed for fairness where it specifies the main subject matter (the "core exemption") of the contract to the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content, or services supplied under it. However, a core term may only be excluded from an assessment for fairness where it is both transparent and prominent. A term is transparent where it is expressed in plain and intelligible language and legible (where the term is written). The prominence of the term is determined by how the term is bought to the consumer's attention (in such a way that the average consumer would be aware of it). The average consumer is one who is "reasonably well informed, observant and circumspect". This means that onerous exclusions need to be prominently set out to avoid assessment for unfairness. In the CMA's view, in order to be prominent and benefit from the "core exemption", terms need to be brought to the consumer's attention in a way that is practically effective. It is not merely about highlighting terms visually in the contract document. Where consumers need information in order to understand the effects of the legal provisions this needs to be provided in or with the contract. It is therefore not sufficient for the wording used to only mention the relevant legal provisions by name.

Certain terms are presumed to be unfair and the CRA adds to the list of those under the UTCRRs those already recognised as unfair by including terms regarding: disproportionately high charges where the customer decides to cancel the contract; terms enabling the firm to determine the characteristics of the subject matter of the contract after the conclusion of the contract; and terms allowing the trader to determine the price after the consumer is bound by the agreement. The CRA also expressly states that in proceedings by consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task.

The Competition & Markets Authority ("**CMA**") published its finalised guidance on the unfair terms provisions in the Consumer Rights Act on 31 July 2015 which sits alongside two complementary CMA publications aimed particularly at smaller businesses and others who require a short introduction to unfair terms law and to the CMA's approach to unfair terms enforcement.

Additionally, the FCA recently updated the Unfair Contract Terms Regulatory Guide ("**UNFCOG**") which sets out the FCAs approach to assessing the fairness of a contract term. In deciding whether to ask a firm to undertake to stop including a term in new contracts or to stop relying on it in concluded contracts, the FCA considers the full circumstances of each case, including:

- whether the FCA is satisfied that the term may properly be regarded as unfair within the meaning of the CRA;
- the extent and nature of the detriment to consumers resulting from the term or the potential harm which could result from the term; and
- whether the firm has fully cooperated with the FCA in resolving their concerns about the fairness of the particular contractual term.

Guidance withdrawn by the FCA relating to the law before the CRA should not be relied on as it may no longer reflect the FCA's view on unfair terms but may still be relevant to terms governed by UTCCR as explained above. The FCA has no current intention to publish updated guidance to replace its previously issued guidance on unfair contract terms.

The broad wording of the CRA/UTCCR makes any assessment of the fairness of terms largely subjective and difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any loans which have been made or may be made to borrowers covered by the CRA/UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of such loans. In addition, the guidance has changed over time and new guidance issued in the future by the FCA may differ. Whilst the CMA/FCA has powers to enforce the CRA/UTCCR, it would be for a court to determine their proper interpretation. No assurance can therefore be given that changes in the CRA/UTCCR or related guidance or the publication of new or additional guidance in the future would not have a material adverse effect on the Seller, the Issuer, the Note Trustee and the Security Trustee and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

The Seller will warrant to the Issuer and the Note Trustee in the Mortgage Sale Agreement that no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140D of the CCA, and that the terms of each Loan are not "unfair terms" within the meaning of the UTCCR.

Financial Ombudsman Service

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

Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The maximum level of money awarded by the Ombudsman is GBP 150,000 for complaints received by the Ombudsman on or after 1 Janaury 2012 (GBP 100,000 for earlier complaints) plus interest and costs. The Ombudsman may also make directions awards, which direct the business to take steps, as the Ombudsman considers just and appropriate.

As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the Issuer to make payments to Noteholders.

Consumer Protection from Unfair Trading Regulations 2008

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

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

In the UK the UCP was implemented through the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTR**"), which came into force on 26 May 2008. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. Consequently, there is a risk that breach of the CPUTR would initiate intervention by a regulator and may lead to criminal sanctions.

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

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

No assurance can be given that the CPUTR will not adversely affect the ability of the Issuer to make payments on the Notes. Furthermore, the Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014. The legislation gives consumers a direct right of action including a right to unwind agreements within 90 days of entering into the contract if a misleading or aggressive practice under the CPUTR was a significant factor in the consumer's decision to enter into the contract. The amendments to CPUTR also extend the regime so that it covers misleading and aggressive demands for payment. The legislation applies to demands for payment for restricted-use credit (where the credit must be used to finance a particular transaction) where the misleading or aggressive commercial practice:

(a) began before 1 October 2014 and continues after that date – however, a consumer will only be able to exercise his new direct rights of action if a contract is entered into, or payments are made, after the date the legislation comes into force; and

(b) occurs on or after 1 October 2014.

Mortgage repossession

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

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

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

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

OneSavings Bank v Burns and Legal Title Transfers of Scottish Mortgages

The validity of the form of Scottish assignation of standard securities (which transfers legal title to the Scottish equivalent of a legal mortgage) used commonly in the marketplace over the past few decades has been brought into question in a recent judgment of Banff Sheriff Court, in the case of *OneSavings Bank plc v Burns* [2017] SC BAN 20 ("**OneSavings Bank v Burns**"). In this case the court interpreted the relevant legislation as requiring a Scottish assignation to specify the amounts due under the standard

securities in order to constitute a valid transfer of the legal title to such standard securities. The market practice in the majority of cases in Scotland had previously been for Scottish assignations not to specify the amounts due.

The effect of the judgment is that, where a mortgage loan and the standard security securing such loan have been transferred using a form of Scottish assignation which has not specified the amounts due thereunder, the mortgage loan will vest in the transferee, but legal title to the standard security may not vest in the transferee and will instead remain vested in the transferor. As a result the transferee may – without further remedial action – encounter difficulties in trying to enforce the standard security against the underlying borrower. Although the judgment is not binding on other courts in Scotland and the judgment is understood to be subject to an appeal, it is possible that other Sheriff courts will choose to follow the decision until that appeal case is heard and, for the time being, it is not possible to predict with any certainty when that appeal will be heard or whether the judgment will be upheld or overturned.

As at the Portfolio Reference Date, the Provisional Portfolio contains Loans with an aggregate Current Balance of £33,059,843.62 which are secured by Scottish Mortgages that were originated by PFL and where legal title to those Scottish Mortgages was subsequently transferred by PFL to the Seller using the form of Scottish assignation which was held in *OneSavings Bank v Burns* to be ineffective to transfer legal title to standard securities. As a result, certain Borrowers could seek to defend or delay enforcement proceedings raised on behalf of the Seller in respect of Scottish Mortgages by arguing that that legal title to those Scottish Mortgages remains with PFL and not the Seller and that the Seller has no title to bring such enforcement proceedings. However, it should be noted that this would not prevent PFL assisting the Seller with such enforcement proceedings if it were deemed to be the legal title holder of the relevant Scottish Mortgage and its involvement in the enforcement proceedings was deemed necessary. Any delay or successful defence of enforcement proceedings could impact on the ability of the Servicer to exercise enforcement remedies in respect of the relevant Scottish Mortgages and recover unpaid sums due from the relevant Borrowers and thereby affect the ability of the Issuer to make payments under the Notes. Any such risk is, however, limited to those Scottish Mortgages (a) which were not originated by the Seller but which were transferred to the Seller using the form of legal title transfer held to be flawed in *OneSavings Bank v Burns*, and (b) which are being called up under enforcement proceedings which are subsequently challenged on similar grounds.

Land Registration Reform in Scotland

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

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

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016. As the transaction contemplated by the Transaction Documents involves the sale of a static pool of mortgages and standard securities, these changes should not have any immediate effect in relation to the Scottish Mortgages contained in the Portfolio at the Closing Date. As of the date of this Prospectus, the General Register of Sasines is now closed to the recording of standard securities. Notwithstanding the provisions of the 2012 Act mentioned above, for the time being, other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General

Register of Sasines indefinitely (although the Registers of Scotland have reserved the right to consult further on this issue in the future).

If the General Register of Sasines becomes closed to assignations of standard securities at any time after the date of this Prospectus, then this would also have an impact on the registration of Scottish Sasine Transfers and Scottish Sasine Sub Security executed following a Perfection Event, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

As noted above, such events will only occur following a Perfection Event and given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (The Registers of Scotland estimate that, in April 2016 around 60 per cent. of property titles in Scotland were registered in the Land Register of Scotland), it is likely that, in relation to the current Portfolio, where, as at 31 March 2017, 6.08 per cent. (by Current Balance) of the Properties are located in Scotland, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Potential effects of any additional regulatory changes

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

Security and insolvency considerations

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

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

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

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws and, if applicable, Scottish insolvency laws).

Fixed charges may take effect under English law 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 Security Trustee does not exert sufficient control over the Charged Property (although it should be noted that there is no equivalent concept of recharacterisation of fixed security as floating charges under Scots law). If the

charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

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

Liquidation expenses

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

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

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

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

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

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

Although no instrument or order has been made under the provisions of the Banking Act in respect of a relevant transaction entity, as described above, such instrument order or the bail-in power may if used (amongst other things) affect the ability of other entities (such as The Co-operative Bank and the

Collection Account Bank) to satisfy their obligations under the Relevant Documents and/or result in modifications to such documents, which may in turn affect the Issuer's ability to meet its obligations in respect of the Notes. For example, certain of the Seller's liabilities (including their undertakings to make whole the Issuer in certain circumstances) might be bailed-in in whole or part.

For example, the Seller is a "banking group company" for the purposes of the Banking Act (although such status may change, for example, following the subsequent sale of the Servicer) and consequently certain of its liabilities towards other persons, including the Issuer, may therefore be vulnerable to bail-in. Among other things, the Seller's undertakings to make whole the Issuer in certain circumstances might therefore be bailed-in in whole or part, and this may in turn affect the Issuer's ability to meet its obligations in respect of the Notes.

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

Legal considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

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

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

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

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

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

Withholding Tax Under the Notes

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

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

UK tax treatment of the Issuer

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the "**TSC Regulations**")). If the TSC Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents.

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

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

EU Referendum

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

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

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

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

Political uncertainty

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

Legal uncertainty

A significant proportion of English law currently derives from or is designed to operate in concert with European Union law. This is especially true of English law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure, and mortgage credit regulation. The Great Repeal Bill announced to the UK Parliament on 10 October 2016 and in relation to which a

Government white paper was published on 30 March 2017 aims to incorporate the EU law *acquis* into UK law the moment before the UK ceases to be a member of the EU, with the intention of limiting immediate legal change. That white paper describes a Great Repeal Bill that grants the UK Government wide powers to make secondary legislation in order to adapt those laws that would otherwise not function sensibly once the UK has left the EU. Over time, however – and depending on the timing and terms of the UK's exit from the EU – significant changes to English law in areas relevant to the Transaction and the parties to the Transaction are likely. The Issuer cannot predict what any such changes will be and how they may affect payments of principal and interest to the Noteholders.

Regulatory uncertainty

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

Once the UK ceases to be a Member State of the EU, the current passporting arrangements will cease to be effective, as will the current mutual rights of access to market infrastructure and current arrangements for mutual recognition of bank recovery and resolution regimes. In addition, the potential change in the regulatory framework may in the future impact on the eligibility of the Class A Notes as Eurosytem eligible collateral under the Eurosystem monetary policy framework of the European Central Bank. The ability of regulated financial institutions to continue to do business between the UK and the EU27 after the UK ceases to be a Member State of the EU would therefore be subject to separate arrangements between the UK and the EU27. Although the UK Government has said that it "will be aiming for the freest possible trade in financial services between the UK and EU Member States" in a white paper setting out its Brexit negotiation objectives, there can be no assurance that there will be any such arrangements concluded and, if they are concluded, when and on what terms. Such uncertainty could adversely impact the ability of third parties who are regulated financial institutions to provide services to the Issuer and the Transaction.

Market uncertainty

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

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

The Issuer cannot predict when these circumstances will change, whether these circumstances may be affected by the UK general election scheduled to take place on 8 June 2017, and whether, if and when such circumstances do change, there would be an increase in the market value and/or there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Counterparty risk

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

Adverse economic conditions affecting obligors

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

Break-up of the UK

The Brexit Vote has also caused increased constitutional tension within the UK. Majorities of voters in both Scotland and Northern Ireland voted to remain in the European Union. Leading figures in both Scotland and Northern Ireland have suggested that they have a mandate from their voters to remain in the EU and might seek to leave the United Kingdom in order to achieve that outcome. On 28 March 2017, the Scottish Parliament voted in favour of seeking permission from the UK Government to hold a second referendum on Scottish independence, but the UK Government has indicated that the request to hold a second independent referendum will not be considered until the Brexit process is complete. The Issuer cannot predict the outcome of this continuing constitutional tension or how the possible future departure of Scotland and/or Northern Ireland from the UK would affect the Transaction and the ability of the Issuer to pay interest and repay principal to Noteholders.

Rating actions

The Brexit Vote has resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's and by Fitch. Standard & Poor's, Fitch and Moody's have all placed a negative outlook on the UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action.

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

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

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

Scotland Act

On 23 March 2016 the Scotland Act 2016 received Royal Assent and passed into UK law. The Scotland Act 2016, amongst other things, passes control of income tax to the Scottish Parliament by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents. Whilst the majority of the provisions are not expected to have an adverse impact on the Scottish economy or on mortgage origination in Scotland, increased powers for the Scottish Parliament to control income tax could mean that borrowers in Scotland are subject to a different rate of income tax from borrowers in the same income bracket in England, Wales and Northern Ireland, which may affect some borrower's ability to pay amounts when due on the loans originated in Scotland, and which, in turn, may adversely affect payments by the issuing entity on the Notes.

Book-Entry Interests

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

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

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

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

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

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

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

Change of Law

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

assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

European Market Infrastructure Regulation ("***EMIR***")

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

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

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

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

It should also be noted that further changes may be made to the EMIR framework in the context of the EMIR review process (proposed reforms were released on 4 May 2017 by the Commission), including in respect of counterparty classification, and no assurances can be given that any such changes would not (amongst other things) cause the status of the Issuer to change to NFC+ and lead to the potentially adverse consequences outlined below.

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

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

The Issuer will be required to continually comply with EMIR while it is party to any interest rate swaps, including any additional provisions or technical standards which may come into force after the Closing Date, and this may necessitate amendments to the Transaction Documents. Subject to receipt by the Note Trustee of a certificate from the Issuer (or Cash Manager on its behalf) certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer and/or the Fixed Rate Swap Provider to comply with any requirements under EMIR, the Note Trustee shall be obliged, without any consent or sanction of the Noteholders to concur with the Issuer, in making any modification (other than in respect of a Basic Terms Modification), to concur with the Issuer in making any modification to the Conditions or any other Transaction Document to which either the Note Trustee or the Security Trustee is a party in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to the provisos described more fully in Condition 12.16.

MiFID II

The EU regulatory framework and legal regime relating to derivatives is determined not only by EMIR but also by the Markets in Financial Instruments Directive (Directive 2004/39/EC) ("**MiFID**"). MiFID is being replaced by a new Directive and Regulation containing a package of reforms to the existing MiFID, collectively referred to as "MiFID II". MiFID II has now been formally adopted, and is expected to enter into force in January 2018. MiFID II will require certain transactions between financial counterparties (such as investment firms, credit institutions, insurance companies, amongst others) ("**FCs**") and/or certain non-financial counterparties (established in the EU which are not FCs whose transactions in OTC derivative contracts exceed EMIR's prescribed clearing threshold) in sufficiently liquid derivatives to be executed on a trading venue which meets the requirements of the MiFID II regime. While it is not currently clear that the Fixed Rate Swap Transaction will form part of a class of derivatives that will be declared subject to the MiFID II trading obligation, this possibility cannot be excluded, and the Issuer could therefore become subject to the trading obligation to the extent that it exceeds the EMIR clearing threshold on a consolidated basis in future.

Dodd-Frank

Similar to EMIR in the EU, the United States adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which, among other things, provides for new regulation of the derivatives market and its participants subject to the Dodd-Frank Act's jurisdiction. The Dodd-Frank Act divides regulatory authority over swap agreements between the Commodity Futures Trading Commission (the "**CFTC**") and the U.S. Securities and Exchange Commission (the "**SEC**") (although prudential regulators, such as the Board of Governors of the Federal Reserve System, also have an important role in setting capital and margin for swap entities that are banks). The SEC has regulatory authority over "security-based swaps" which includes swaps based on a single security or loan or a narrow-based group or index of securities (including any interest therein or the value thereof), or events relating to a single issuer or issuers of securities in a narrow-based security index. The CFTC has primary regulatory authority over all other swaps, such as interest rate, foreign exchange and commodity swaps. The CFTC and SEC share authority over "mixed swaps" which are security-based swaps that also have a commodity component. In addition, the SEC has anti-fraud enforcement authority over swaps that relate to securities, but that do not come within the definition of "security-based swap". These are called "security-based swap agreements". The Dodd-Frank Act provides the SEC with access to information relating to security-based swap agreements in the possession of the CFTC and certain CFTC-regulated entities, such as derivatives clearing organisations, designated contract markets and swap data repositories. Limited categories of physically settled foreign exchange swaps and forwards are exempt from the clearing and exchange trading requirements of the Dodd-Frank Act. However, these exemptions will not apply to any Swap Agreement entered into by the Issuer. Although the CFTC has adopted final rules implementing a substantial portion of the Dodd-Frank Act's requirements with respect to swaps, CFTC regulation and its interpretation continues to evolve and uncertainties remain, particularly with regard to the extraterritorial

application of CFTC regulations. The SEC has finalised a more limited portion of its Dodd-Frank Act rulemaking with respect to security based swaps, and generally is finalising rules on extraterritorial application in tandem with each particular area of substantive regulation. Accordingly, it is uncertain how the further development of regulation of the derivatives market under the Dodd-Frank Act will affect derivative instruments such as the Fixed Rate Swap Transaction entered into by the Issuer.

Based on the cross-border guidance which has been finalised by the CFTC with respect to "swaps", the Dodd-Frank Act requirements apply to transactions that are entered into by or with counterparties that are "**U.S. persons**" (as defined under the applicable CFTC guidance) and, in certain circumstances, certain requirements may apply even when neither party is a U.S. person. In many instances, regulations under the Dodd-Frank Act, although intended to address similar underlying statutory goals, may impose requirements that are materially different from or even incompatible with those under EMIR. Thus, compliance with both regulatory schemes may not be possible or may create difficulty or challenges for counterparties that find themselves subject to both regulatory schemes. As a result, the Issuer may find it easier and more efficient, or in certain cases may be compelled, to enter into swap agreements only with parties subject to the same regulatory scheme. Accordingly, it may be more difficult, more expensive or riskier (from a credit and/or diversification perspective) for the Issuer to replace, novate or amend the terms of a Swap Agreement entered into on the Closing Date in the event that this becomes necessary in the future. In addition, future regulatory actions could cause a Swap Agreement entered into on the Closing Date to become subject to clearing, margin or other regulatory requirements that were not applicable on the Closing Date.

Volcker Rule

The Issuer is of the view that it is not now and, following the issue of the Notes and the application of the proceeds thereof, will not be a "covered fund" as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". Although other exclusions may be available to the Issuer, this conclusion is based on the exemption from the definition of "investment company" in the Investment Company Act of 1940 provided by Section 3(c)(5) thereunder.

U.S. Risk Retention

The final rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act, codified by Section 15G of the Securities Exchange Act of 1934, as in effect at any time or as otherwise amended (the "**U.S. Risk Retention Rules**"), came into effect with respect to RMBS securitizations on 24 December 2015, and with respect to all other asset classes on 24 December 2016, and generally require the "sponsor" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for purposes of that statute, and generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the Notes for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the ABS interests (as defined in Section 2 of the U.S. Risk Retention Rules) are issued, as applicable) of all classes of ABS interests (as defined in Section 2 of the U.S. Risk Retention Rules) issued in the securitization transaction are sold or transferred to U.S. persons (in each case, as defined in the U.S. Risk Retention Rules or for the account or benefit of U.S. persons (as defined in the U.S. Risk Retention Rules and referred to in this Prospectus as "Risk Retention U.S. Persons"); (3) neither the sponsor nor the issuer of the securitisation transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S, and that persons who are not "U.S. persons" under Regulation S may be U.S. persons under the U.S. Risk

Retention Rules. The definition of U.S. person in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to clauses (b) and (h), which are different than comparable provisions from Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "U.S. person" (and "Risk Retention U.S. Person") in this Prospectus means any of the following:

(a) any natural person resident in the United States;

(b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States;

(c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);

(d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);

(e) any agency or branch of a foreign entity located in the United States;

(f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);

(g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and

(h) any partnership, corporation, limited liability company, or other organisation or entity if:

(i) organised or incorporated under the laws of any foreign jurisdiction; and

(ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act.

Each purchaser of Notes, including beneficial interests therein, will be deemed, and in certain circumstances will be required, to have made certain representations and agreements, including that it (1) is not a Risk Retention U.S. Person (unless it has obtained the prior written consent of The Co-operative Bank p.l.c.), (2) is acquiring such note or a beneficial interest therein for its own account and not with a view to distribute such note, and (3) is not acquiring such note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules.

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

None of the Issuer, the Seller, the Security Trustee, the Note Trustee, the Arrangers or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Notes as to whether the transaction described in this Prospectus complies with the U.S. Risk Retention Rules on the Issue Date or at any time in the future. Investors should consult their own advisers as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Pensions Act 2004

Under the Pensions Act 2004 a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support

direction. The Issuer may be treated as "connected with" an employer under an occupational pension scheme which is within The Co-operative Bank.

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

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

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

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

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

The Basel III reform package has been implemented in the European Economic Area (the "**EEA**") through the CRR (which entered into force on 28 June 2013) and an associated directive (the recast Capital Requirements Directive (the "**CRD**")) (which was required to be transposed by Member States by 31 December 2013) (together, "**CRD IV**"). The regulation establishes a single set of harmonised prudential rules which apply directly to all credit institutions and investment firms in the EEA, with the directive containing less prescriptive provisions which are required to be transposed into national law. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time, with full implementation by 2019.

As CRD IV allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to national variation. The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and reducing the risk weight floor for senior exposures from 15% to 10%.

In November 2016, the Commission adopted a legislative proposal for CRR II, which contained, *inter alia*, measures introducing the net stable funding requirements, as provided for in Article 510(3) of the CRR. On 3 January 2017, the Basel Committee issued a press release stating that a meeting by the Group of Central Banks and Heads of Supervision on finalising Basel III reforms had been postponed in order to finalise proposals on the reforms.

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

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

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

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

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

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of the Seller to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Seller, please see the statements set out in the section of this Prospectus headed "*Certain Regulatory Disclosures*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Issuer, the Seller, the Arrangers, the Note Trustee, the Security Trustee or any other party to the relevant Transaction Documents makes any representation that the information described above is sufficient in all circumstances for such purposes.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market. Such requirements may also change over time, such that there can be no assurance that investors' holdings of Notes will be, or will remain, compliant with relevant requirements or changes thereto.

CRA Regulations

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

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

As at the date of this Prospectus, aspects of the disclosure and reporting requirements under Articles 3 to 7 of Regulation (EU) No. 2015/3 remain subject to further clarification and may be replaced by transparency and disclosure requirements set out in the European Commission's proposed regulations referred to above.

TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

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

Sale of Portfolio:

The Portfolio (as defined below) will consist of the Loans and the Related Security and all monies derived therefrom from time to time which will be sold by the Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.

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

(a) a portfolio of English and Welsh residential mortgage loans (the "**English Loans**") and their associated mortgages (the "**English Mortgages**") and other Related Security will be assigned to the Issuer; and

(b) the Seller and PFL will hold on trust under the Scottish Declaration of Trust a portfolio of Scottish residential mortgage loans for the benefit of the Issuer (together, the "**Scottish Loans**") and associated first ranking standard securities (the "**Scottish Mortgages**"),

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

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

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

Features of the Loans: The following is a summary of certain features of the Loans comprising the portfolio as at the Portfolio Reference Date (the "**Provisional Portfolio**") and investors should refer to, and carefully consider, further details in respect of the Loans set out in "*The Loans*" and "*Characteristics of the Portfolio*". The Loans include loans to prime Borrowers only and are secured by first priority charges over freehold and leasehold properties in England and Wales or first ranking standard securities over heritable and long-leasehold properties in Scotland. The portfolio that will be sold to the Issuer on the Closing Date will be randomly selected from the Provisional Portfolio as at the Portfolio Reference Date (the "**Closing Date Portfolio**").

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

"**Closing Date Portfolio Selection Date**" means 23 May 2017.

Consideration: The total consideration from the Issuer to the Seller in respect of the sale of the Portfolio together with its Related Security shall be: (a) £1,382,424,971.66 being an amount equal to the Current Balance of the Loans in the Closing Date Portfolio as at the Closing Date Portfolio Selection Date; (b) Accrued Interest Consideration payable to the Seller after the Closing Date but on or prior to the first Interest Payment Date; and (c) Deferred Consideration.

Any Deferred Consideration will be paid to the Seller in accordance with the relevant Priority of Payments.

The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

(a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and

(b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment (including, for the avoidance of doubt, any costs or fees incurred in connection with the recovery of that Loan) which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and

(c) any other amount (including, for the avoidance of doubt, Arrears of Interest and any costs or fees incurred in connection with the recovery of that Loan) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage (but excluding any Accrued Interest),

as at the end of the Business Day immediately preceding that given date, *less* any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released.

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

Representations and Warranties:

The Seller will make certain Loan Warranties regarding the Loans and Related Security to the Issuer on:

(a) the Closing Date in relation to the Loans in the Closing Date Portfolio;

(b) the Advance Date in relation to Loans subject to a Further Advance and their Related Security; and

(c) the Switch Date in relation to Loans subject to a Product Switch and their Related Security,

in each case including warranties in relation to compliance with the Lending Criteria as it applied at the date of origination of the Loans.

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

(a) no Loan is a Buy to Let Loan or a Right to Buy Loan;

(b) all of the Borrowers are individuals;

(c) no Loan is currently repayable in a currency other than Sterling;

(d) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was less than £1,000,000.00; and

(e) all of the Properties are residential and located in England, Wales or Scotland.

"**Lending Criteria**" has the meaning given in the section "*Summary of the Key Transaction Documents- Mortgage Sale Agreement- Lending Criteria*".

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

Repurchase of the Loans and Related Security:

The Issuer shall offer to sell and the Seller shall repurchase the relevant Loan, Further Advance or Product Switch (as applicable) and their Related Security in the following circumstances:

(a) upon a breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period) where such breach has a material adverse effect on the value of that Loan;

(b) if the Issuer is unable to fund the purchase of any Further Advance;

(c) if the Loan subject to such Product Switch and/or Further Advance is in breach or would cause a breach of the Asset Conditions for Further Advances and/or Product Switches, or if the Loan has been subject to a Product Switch that was not a Permitted Product Switch; or

(d) if a Scottish Mortgage is or has been subject to enforcement proceedings that are successfully challenged by a Borrower on the grounds that legal title to that Mortgage has not vested in the Seller.

Consideration for repurchase:

Consideration payable by the Seller in respect of the repurchase of the Loans and Related Security shall be equal to the Current Balance of the relevant Loan *plus* any Accrued Interest on the Monthly Pool Date immediately following a determination by the Seller that such breach or breaches cannot be remedied or failure by the Seller to remedy such breach or breaches.

Perfection Events:

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

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

Servicing of the Portfolio:

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

The Servicer may also resign by giving not less than 12 months' notice to the Issuer and the Security Trustee and subject to, *inter alia*, a replacement servicer having been appointed. See "*Summary of the Key Transaction Documents — Servicing Agreement*" below.

Delegation:

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

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

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B VFN	Class Z VFN
Principal Amount:	£1,271,830,000.00	Nominal principal amount of £ 200,000,000.00 of which £110,594,000.00 will be funded on the Closing Date	Nominal principal amount of £100,000,000.00 of which £34,670,600 will be funded on the Closing Date
Credit enhancement and liquidity support features:	Subordination of the Class B VFN, the Class Z VFN, General Reserve Fund, Excess Available Revenue Receipts	Subordination of the Class Z VFN, Excess Available Revenue Receipts	Excess Available Revenue Receipts
Issue Price:	100.00%	100.00%	100%
Interest Rate:	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR
Margin prior to the Step- Up Date:	0.50%p.a.	N/A	N/A
Step-up Margin (from and including the Step-Up Date):	1.00%p.a.	N/A	N/A
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)
Interest Payment Dates:	21st day of March, June, September and December, in each year	21st day of March, June, September and December, in each year	21st day of March, June, September and December, in each year
First Interest Payment Date:	21 September 2017	21 September 2017	21 September 2017
Final Maturity Date:	22 March 2060	22 March 2060	22 March 2060
Step-Up Date:	March 2022	N/A	N/A
Application for Exchange Listing:	London	Not listed	Not listed
ISIN:	XS1434562002	N/A	N/A
Common Code:	143456200	N/A	N/A
Ratings Moody's/Fitch:	Aaa(sf) / AAA(sf)	Not rated	Not rated
Amount retained by The Co-operative Bank	100%	100%	100%
Minimum Denomination	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1 in excess thereof	£100,000 and integral multiples of £1 in excess thereof

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

OVERVIEW OF THE CHARACTERISTICS OF THE NOTES

Ranking and Form of the Notes:

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

- Class A mortgage backed floating rate Notes due 2060 (the "**Class A Notes**") and the holders thereof, the "**Class A Noteholders**";
- Class B variable funding note due 2060 (the "**Class B VFN**") and the holder thereof, the "**Class B VFN Holder**";
- Class Z variable funding note due 2060 (the "**Class Z VFN**" and together with the Class B VFN, the "**VFNs**") and the holder thereof, the "**Class Z VFN Holder**",

and together with the Class A Notes and the VFNs, the "**Notes**" and the holders thereof, the "**Noteholders**").

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

Sequential Order:

Prior to the occurrence of a Note Acceleration Event:

- the Class A Notes will rank *pari passu* and *pro rata* among themselves;
- as to payments of interest, the Class A Notes will rank ahead of the Class B VFN and the Class Z VFN, and the Class B VFN will rank ahead of the Class Z VFN at all times; and
- as to payments of principal, the Class A Notes will rank ahead of the Class B VFN at all times.

Following the occurrence of a Note Acceleration Event:

- the Class A Notes will rank *pari passu* and *pro rata* among themselves; and
- as to payments of principal and interest, the Class A Notes rank ahead of the Class B VFN and the Class Z VFN, and the Class B VFN will rank ahead of the Class Z VFN at all times.

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

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

Security:

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

(a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any rights of set-off or netting provided for therein) (other than the Note Purchase Agreement, the Trust Deed, the

Deed of Charge and the Scottish Declaration of Trust);

(b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans, the Mortgages and their other Related Security and other related rights comprised in the Portfolio (other than in relation to the Scottish Loans);

(c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;

(d) an assignation in security of the Issuer's beneficial interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Seller and PFL over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust);

(e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and the Swap Collateral Account Bank (if any) and any sums standing to the credit thereof;

(f) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Collateral Investments and Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and

(g) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in, or otherwise governed by the laws of, Scotland (whether or not the subject of fixed security or fixed charges as aforesaid).

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

Collateral: Mortgage loans that were originated by PFL, legal and beneficial title in respect of which were acquired by the Seller on 1 April 2016.

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

Interest Deferral: Interest due and payable on the Class A Notes will not be deferred. Interest due and payable on the Class B VFN and Class Z VFN may be deferred in accordance with Condition 17.

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

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

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 7.1;
- mandatory partial redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of a Note Acceleration Notice subject to availability of Available Principal Receipts which shall be applied (a) *first*, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full and (b) *second*, on a *pari passu* and *pro rata* basis to repay the Class B VFN until it is repaid in full (subject to the right of the Issuer to re-draw such amounts) (subject, to the right of the Issuer to re-draw such amounts), as fully set out in Condition 7.2;
- optional redemption of the Class A Notes exercisable by the Issuer in whole on or after the Optional Redemption Date, as fully set out in Condition 7.3 (including (i) where the aggregate Principal Amount Outstanding of all of the Class A Notes is equal to or less than 10 per. cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date, and (ii) optional redemption on or after the Step-Up Date); and
- optional redemption exercisable by the Issuer in whole for tax or other reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4.

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

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

Event of Default: As fully set out in Condition 10, which broadly includes (where relevant, subject to the applicable grace period):

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

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

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

RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

Prior to an Event of Default: Prior to the occurrence of an Event of Default, Class A Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding are entitled to convene a meeting of the Class A Noteholders.

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

Following an Event of Default: Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Class A Notes or if the Class A Noteholders pass an Extraordinary Resolution, direct the Note Trustee to give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding. The Note Trustee shall not be bound to take any action or exercise any discretion unless first indemnified and/or prefunded and/or secured to its satisfaction.

Class A Noteholders' Meeting provisions and VFN Holders' instructions:

	Initial meeting	Adjourned meeting
Notice period:	At least 21 Clear Days	Not less than 13 Clear Days or more than 42 Clear Days
Quorum:	One or more persons present and holding or representing in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding for transaction of business including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate in Principal Amount Outstanding of the Class A Notes then outstanding. The	One or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding for transaction of business including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 25 per cent. of the aggregate in Principal Amount Outstanding of the Class A Notes then outstanding. The

	quorum for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.	quorum for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.
Required majority for Extraordinary Resolution:	Majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll.	Majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll.
Required majority for Ordinary Resolution:	Majority consisting of an amount exceeding fifty per cent. of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of an amount exceeding fifty per cent. of the votes cast on such poll.	Majority consisting of an amount exceeding fifty per cent. of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of an amount exceeding fifty per cent. of the votes cast on such poll.

Written Resolution: In the case of a resolution in writing that is to have the same effect as an Extraordinary Resolution not less than 75 per cent. in aggregate Principal Amount Outstanding of the Relevant Class of Notes.

In the case of a resolution in writing that is to have the same effect as an Ordinary Resolution an amount exceeding 50 per cent. in aggregate Principal Amount Outstanding of the Relevant Class of Notes. A resolution in writing signed by or on behalf of the Class B VFN Holder may take effect as an Ordinary Resolution of the Class B VFN Holder or (if so specified) as an Extraordinary Resolution of the Class B VFN Holder.

A resolution in writing signed by or on behalf of the Class Z VFN Holder may take effect as an Ordinary Resolution of the Class Z VFN Holder or (if so specified) as an Extraordinary Resolution of the Class Z VFN Holder.

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

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

(a) in relation to the Class A Notes, all Class A Notes issued from time to time other than:

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

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

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

(iv) those Class A Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 9 (*Prescription*) of the Class A Notes;

(v) those mutilated or defaced Class A Notes which have been surrendered and cancelled and in

respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Class A Notes*) with respect to the Class A Notes;

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

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

(b) in relation to each VFN, as at a particular day (the "**Reference Date**"), amounts in respect of which drawings have been made by the Issuer under such VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such VFN which have been made by the Issuer since the Closing Date and not later than the Reference Date,

in each case provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the Noteholders of any Class or Classes, an Extraordinary Resolution in writing or an Ordinary Resolution in writing as envisaged by paragraph 1 of Schedule 3 to the Trust Deed and any direction or request by the holders of Notes of any Class or Classes;

(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 10.1 and Schedule 3 to the Trust Deed, Conditions 10 (*Events of Default*) and 11 (*Enforcement*) of the Notes;

(iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and the Note Trustee is required, expressly or impliedly, to have reference to the interests of the Noteholders or any Class or Classes thereof; and

(iv) the determination by the Security Trustee and the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any Class or Classes thereof,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Seller, any holding company of any of the Seller or any other subsidiary of the Seller or any such holding company (the "**Relevant Person**"), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except

where (i) all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons (such Class of Notes the "**Relevant Class of Notes**") and (ii) there is no other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes where one or more Relevant Persons are not the beneficial owners of all the Notes of such Class (as the case may be), then the Relevant Class of Notes shall be deemed to remain outstanding.

Matters requiring Extraordinary Resolution:

The following matters require an Extraordinary Resolution:

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

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

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

Relationship between Classes of Noteholders: Subject to the provisions governing a Basic Terms Modification, an Extraordinary Resolution of Class A Noteholders shall be binding on the Class B VFN Holder and the Class Z VFN Holder, irrespective of the effect upon them, except that an Extraordinary Resolution in relation to certain matters more specifically described in the Trust Deed will not take effect unless: (a) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B VFN Holder or it shall have been sanctioned by a direction or Extraordinary Resolution of the Class B VFN Holder; and (b) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class Z VFN Holder or it shall have been sanctioned by a direction or Extraordinary Resolution of the Class Z VFN Holder, and such Extraordinary Resolution and/or direction would override any resolutions to the contrary by them. An Extraordinary Resolution of the Class B VFN Holder or the Class Z VFN Holder shall not be binding on the Class A Noteholders unless sanctioned by an Extraordinary Resolution of such Class A Noteholders.

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Classes of Notes.

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

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

(a) so long as there are any Class A Notes outstanding, the Class A Noteholders only if, in the Note Trustee's opinion, there is a conflict between the interests of:

  (i) the Class A Noteholders; and

  (ii) the Class B VFN Holder and/or the Class Z VFN Holder;

(b) subject to (a) above, if there are no Class A Notes outstanding, the Class B VFN Holder only if, in the Note Trustee's opinion, there is a conflict between the interests of:

  (i) the Class B VFN Holder; and

  (ii) the Class Z VFN Holder,

and the Class B VFN Holder and the Class Z VFN Holder shall have no claim against the Note Trustee or Security Trustee for doing so.

Other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of only one Class of Notes shall be deemed to have been duly passed if passed at a separate meeting of the holders of that Class of Notes of that class; a

resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of more than one class but does not give rise to a conflict of interest between the holders of such Class of Notes of any of the classes so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of that Class of Notes of all the classes so affected; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of more than one class and gives or may give rise to a conflict of interest between the holders of such Class of Notes of one class or group of classes so affected and the holders of that Class of Notes of another class or group of classes so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of that Class of Notes of each class or group of classes so affected.

Relevant Person as Noteholders

For certain purposes, including the right to attend and vote at any meeting of the Noteholders of any Class or Classes, the right to resolve by Extraordinary Resolution in writing and certain rights to direct the Note Trustee, the relevant Notes must be "outstanding".

If any of the Notes of any Class are held by or on behalf of or for the benefit of the Seller, any holding company of the Seller or any other subsidiary of the Seller or any such holding company (the "**Relevant Persons**"), in each case as beneficial owner, those Notes of such Class will (unless and until ceasing to be so held) be deemed not to remain outstanding. However, if (i) all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons (such Class of Notes, the "**Relevant Class of Notes**") and (ii) there is no other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes where one or more Relevant Persons are not the beneficial owners of all the Notes of such Class (as the case may be), the Notes held by or on behalf of or for the benefit of the Relevant Persons shall be deemed to remain outstanding.

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

Provision of Information to the Noteholders:

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

Communication with Noteholders:

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

(a) in respect of the Class A Notes;

(i) so long as the Class A Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders; and

(ii) so long as the Class A Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange; and

(b) in respect of the Class B VFN and the Class Z VFN, notices to the Class B VFN Holder and the Class Z VFN Holder (respectively) will be sent to them by the fax number or email address notified to the Issuer from time to time in writing.

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

Note Trustee and Security Trustee Mandatory Consents relating to the appointment of Swap Collateral Account Bank or replacement of the Collection Account Bank:

Subject to the relevant provisions of the Conditions and the Trust Deed, the Issuer, the Cash Manager and/or the Fixed Rate Swap Counterparty may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for so long as there are any Notes outstanding) direct the Security Trustee to agree to Transaction Amendments (as defined in Condition 12.15) relating to the appointment of one or more Swap Collateral Account Banks or the replacement of the Collection Account Bank, irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the following conditions are satisfied:

(a) a certificate in writing from the relevant Requesting Party (as defined in Condition 12.15) (where the Requesting Party is the Fixed Rate Swap Provider, such certificate to be countersigned by the Cash Manager for so long as The Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee (as applicable) that the Rating Agencies have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objection thereto;

(b) a certificate in writing from the relevant Requesting Party (as defined in Condition 12.15) (where the Requesting Party is the Fixed Rate Swap Provider, such certificate to be countersigned by the Cash Manager for so long as The Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and

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

See "*Terms and Conditions of the Notes – Condition 12 (Meetings of*

Noteholders, Modification, Waiver and Substitution)" below for further details.

Additional Right of Modification:

The Conditions also provide that the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, to concur with the Issuer and/or direct the Security Trustee to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions or any other Transaction Document to which either the Note Trustee or Security Trustee is a party or in relation to which the Security Trustee holds security that the Issuer considers necessary (in summary):

(a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies;

(b) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 51(1) of the AIFMR, Article 17 of the Alternative Investment Fund Managers Directive and Article 254(2) of the Solvency II Delegated Act, after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMD, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto;

(c) in order to enable the Issuer and/or the Fixed Rate Swap Provider to comply with any requirements which apply to them in relation to any Swap Agreement (including any further hedging under any Swap Agreement) under EMIR;

(d) for the purpose of enabling the Class A Notes to be (or to remain) listed on the London 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;

(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,

(and a certificate that such modification is required solely for such purpose and has been drafted solely to such effect to be provided by the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (f) above being a "**Modification Certificate**"), in each case provided that:

(a) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee (as applicable);

(b) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee (as applicable) both at the time the Note Trustee and the Security Trustee (as applicable) is notified of the proposed modification and on the date that such modification takes effect;

(c) the prior written consent of each Secured Creditor (other than any Noteholder) which is party to the Relevant Document has been obtained by the Issuer;

(d) either:

(i) the Issuer (or the Cash Manager on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); or

(ii) the Issuer (or the Cash Manager on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent);

(e) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Class A Notes;

(f) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding (or if no Class A Notes are outstanding, the Class B VFN Holder or, if neither Class A Notes nor the Class B VFN is outstanding, the Class Z VFN Holder) have not contacted the Principal Paying Agent or the Issuer in writing (or, in respect of the Class A Notes, otherwise in accordance with the then current practice of any applicable clearing system through which such Class A Notes may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders do not consent to the modification; and

(g) the Note Trustee and the Security Trustee (as applicable) have confirmed with the Principal Paying Agent and the Issuer in writing that the Principal Paying Agent has not received objections from Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Class of Notes as per point (f) above.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding (or if no Class A Notes are outstanding, the Class B VFN Holder or, if neither Class A Notes nor the Class B VFN is outstanding, the Class Z VFN Holder) have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Class A Noteholders then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*) or (if there are no Class A Notes outstanding) it shall have been directed in writing by the Class B VFN Holder, or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class Z VFN Holder.

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

TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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

Available Funds of the Issuer:

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

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

(a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;

(b) interest payable to the Issuer on the Deposit Accounts and income from any Authorised Investments, in each case to be received on the last day of the immediately preceding Collection Period;

(c) the amounts standing to the credit of the General Reserve Ledger as at the immediately preceding Calculation Date;

(d) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts (except for amounts deemed to be Available Revenue Receipts in accordance with the Pre-Acceleration Principal Priority of Payments);

(e) amounts deemed to be Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments;

(f) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c);

(g) if the Class Z VFN is redeemed in full, any amounts standing to the credit of the Swap Provider Fee Amount Ledger;

(h) Accrued Interest received from the Seller in relation to repurchases;

(i) any Account Bank Defaulted Amounts received by the Issuer in replacement of those Available Revenue Receipts that have not been paid by The Co-operative Bank in its capacity as Co-op Account Bank as a result of an Account Bank Non-Payment Event;

(j) any insurance proceeds received beneficially; and

(k) amounts received or to be received by the Issuer under the Fixed Rate Swap Agreement on such Interest Payment Date, *other than*:

(i) any early termination amount received by the Issuer under the Fixed Rate Swap Agreement on the applicable Interest Payment Date which is to be applied in acquiring a replacement swap;

(ii) Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Rate Swap Provider to the Issuer on early termination of a Fixed Rate Swap Transaction under the Fixed Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Rate Swap Provider,

such Swap Collateral is not to be applied in acquiring a replacement swap;

(iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Fixed Rate Swap Provider;

(iv) amounts in respect of Swap Tax Credits; and

(v) Net Payments,

less:

A. amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):

- payments of certain insurance premiums **provided that** such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
- amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
- fees charged by the providers of the Collection Account or any costs incurred by the Seller in relation to the Collection Account;
- any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller; and
- amounts due to the Account Banks (if any) towards payment of interest,

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

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

plus:

I. if a Revenue Deficiency occurs such that the aggregate of items (a) to (k) less (A) and (B) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Revenue Deficiency;

II. if a Revenue Deficiency occurs such that the aggregate of items (a) to (k) less (A) and (B) plus (I) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and the Fixed Rate Swap Provider has failed to make a payment under the Fixed Rate Swap Agreement and such default is continuing, the Swap Collateral contributed by the Fixed Rate Swap Provider in an aggregate amount equal to the lesser of (i) such Revenue Deficiency and (ii) the Fixed Rate Defaulted Swap Amount.

"**Fixed Rate Defaulted Swap Amount**" means in relation to the Fixed Rate

Swap Transaction under the Fixed Rate Swap Agreement: (a) prior to the designation of an Early Termination Date in respect of the Fixed Swap Transaction, an amount equal to the amount that was due (after the application of netting) but unpaid by the Fixed Rate Swap Provider in accordance with the terms of the Fixed Rate Swap Agreement or (b) following the designation of an Early Termination Date in respect of the Fixed Swap Transaction, any amounts available to be withdrawn at item (e) of the Swap Collateral Account Priority of Payments.

"**Reconciliation Amount**" means in respect of any Collection Period, (a) the actual Principal Receipts as determined in accordance with the Servicer Reports available for each of the three months in such Collection Period, less (b) the Calculated Principal Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods.

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

(a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Further Advance Purchase Prices during the immediately preceding Collection Period funded from amounts standing to the credit of the Principal Receipts Ledger, as adjusted to take account of the purchase price paid by the Issuer for any Further Advances on the Monthly Pool Date immediately following the Collection Period End Date) and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;

(b) the amount (if any) calculated on that Interest Payment Date pursuant to the applicable Pre-Acceleration Priority of Payments to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger is reduced and/or the Class B Principal Deficiency Sub-Ledger is reduced;

(c) if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c),

less:

(d) any amounts utilised to pay a Revenue Deficiency pursuant to paragraph (I) of the definition of Available Revenue Receipts.

Summary of Priorities of Payments

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

Pre-Acceleration Revenue Priority of Payments:	Pre-Acceleration Principal Priority of Payments:	Post-Acceleration Priority of Payments:
(a) *Pro rata* and *pari passu* amounts due to the Note Trustee and the Security Trustee including charges, liabilities, fees, costs, indemnity payments and expenses	(a) *Pro rata* and *pari passu* to the principal amounts due on the Class A Notes	(a) *Pro rata* and *pari passu* amounts due in respect of the Receiver, the Note Trustee and the Security Trustee including charges, liabilities, fees, costs,

		indemnity payments and expenses
(b) *Pro rata* and *pari passu* amounts due to the Agent Bank, Registrar, VFN Registrar, Principal Paying Agent, Corporate Services Provider, Citi Account Bank, BNPP Account Bank and the Swap Collateral Account Bank (if any) including the fees and costs	(b) Subject to Condition 7.2(a), principal amounts due on the Class B VFN	(b) *Pro rata* and *pari passu* amounts due to the Agent Bank, Registrar, VFN Registrar, Paying Agents, Corporate Services Provider, Citi Account Bank, BNPP Account Bank and the Swap Collateral Account Bank (if any) including the fees and costs
(c) Third party expenses and any Transfer Costs	(c) Any excess amounts to be applied as Available Revenue Receipts	(c) Amounts due in respect of the fees and costs of the Servicer, Back-Up Servicer (if any), Cash Manager, Back-Up Cash Manager, Back-Up Servicer Facilitator, Back-Up Cash Manager Facilitator (if any) and Co-op Account Bank
(d) Amounts due in respect of the fees and costs of the Servicer, Back-Up Servicer (if any), Cash Manager, Back-Up Cash Manager, Back-Up Servicer Facilitator, Back-Up Cash Manager Facilitator (if any) and Co-op Account Bank		(d) Amounts due to the Fixed Rate Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Fixed Rate Swap Excluded Termination Amount)
(e) Amounts due to the Fixed Rate Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in		(e) *Pro rata and pari passu* to the amounts of interest due on the Class A Notes

	accordance with the Swap Collateral Account Priority of Payments but excluding any Fixed Rate Swap Excluded Termination Amount)	
(f)	*Pro rata and pari passu* to the interest due on the Class A Notes	(f) *Pro rata and pari passu* to the amounts of principal due on the Class A Notes
(g)	Amounts to be credited to the Class A Principal Deficiency Sub-Ledger	(g) Interest due on the Class B VFN
(h)	Amounts to be credited to the General Reserve Ledger up to the General Reserve Required Amount	(h) Principal due on the Class B VFN
(i)	Amounts to be credited to the Class B Principal Deficiency Sub-Ledger	(i) Any Fixed Rate Swap Excluded Termination Amount (to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments) due to the Fixed Rate Swap Provider
(j)	*Pro rata and pari passu* to the interest due on the Class B VFN	(j) Interest due on the Class Z VFN
(k)	Any Fixed Rate Swap Excluded Termination Amount (to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments) due to the Fixed Rate Swap Provider	(k) Principal due on the Class Z VFN
(l)	Subject to Condition 7.2(b), *pro rata and pari passu* to the interest due on the Class Z VFN	(l) The Issuer Profit Amount

(m) The Issuer Profit Amount

(n) *Pro rata and pari passu* to the principal due on the Class Z VFN

(o) for so long as the Class A Notes are outstanding, if such Interest Payment Date falls immediately after a Determination Period, then the excess (if any) to the Relevant Deposit Account as Available Revenue Receipts

(p) Deferred Consideration

(m) Deferred Consideration

General Credit Structure

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

- the availability of the General Reserve Fund funded on the Closing Date from the proceeds of the Class Z VFN. Monies standing to the credit of the General Reserve Fund will be applied as Available Revenue Receipts on each Interest Payment Date. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. See section "*Credit Structure - General Reserve Fund and General Reserve Ledger*";

- a Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and/or the use of any Principal Receipts as Available Revenue Receipts to meet a Revenue Deficiency. The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes) and the Class B Principal Deficiency Sub-Ledger (relating to Class B VFN). Losses affecting the Loans in the Portfolio and/or the application of any Principal Receipts to meet a Revenue Deficiency will be recorded as a debit:

  (a) first, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Class B VFN Principal Deficiency Limit; and

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

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

- the availability of an investment rate provided by the relevant Account Bank in respect of monies held in the Deposit Accounts and/or income from Authorised Investments (see section "*Cashflows*" for further details).

- availability of the fixed rate swaps provided by the Fixed Rate Swap Provider to hedge against the possible variance between the rates of interest payable on

the Fixed Rate Loans and a rate of interest calculated by reference to Three-Month Sterling LIBOR (see section "*Credit Structure – Interest Rate Risk for the Notes*" for details).

- the Class B VFN Drawdown Ledger which will record (A) amounts funded on any Business Day by the Class B VFN prior to the VFN Commitment Termination Date to be credited to the Class B VFN Drawdown Ledger in accordance with Condition 18.1 and (B) withdrawals from such ledger on any Business Day to fund any Further Advance Purchase Price (see "*Credit Structure — Class B VFN Drawdown Ledger*").

Bank Accounts and Cash Management

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

The amount standing to the credit of the Co-op Deposit Account at any time:

(a) if the Co-op Deposit Account is paying negative interest, will be limited to zero;

(b) otherwise,

(i) while the Co-op Account Bank does not have a rating at least equivalent to the Account Bank Rating, will be limited to the total of (1) the Co-op Collateral Amount, and (2) the maximum amount of any unconditional guarantee obtained by The Co-operative Bank of amounts which are not covered by the Co-op Collateral Account from an entity whose short-term and long-term (as applicable) unsubordinated and unguaranteed debt obligations are rated the Account Bank Rating; or

(ii) if the Co-op Account Bank does have a rating at least equivalent to the Account Bank Rating, an unlimited amount.

The Cash Manager will deposit any amount in excess of (a) and (b)(i) above in another Relevant Deposit Account.

"**Co-op Collateral Amount**" means an amount equal to the amount deposited in the Citi Deposit Account and/or the BNPP Deposit Account (and recorded on a ledger, the "**Co-op Collateral Account Ledger**" from time to time on that account) by The Co-operative Bank to collateralise its obligations under the Co-op Bank Account Agreement.

The Co-op Collateral Amount will be £100,000 on the Closing Date.

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

"**Collection Account**" means the Third Party Collection Agent's account entitled "Platform Funding Limited re: Silk Road Number 4" with account number 23546255, sort code 010502 held with National Westminster Bank Plc into which amounts in respect of loans whose legal title is held by the Seller are collected.

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

Citi Account Bank and BNPP Account Bank	(a) either a long-term issuer default rating of at least A, or a short-term issuer default rating of at least F1 by Fitch; and (b) a short-term deposit rating of at least P-1 by Moody's, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Notes (the "**Account Bank Rating**").	If such Account Bank fails to maintain any of the Account Bank Rating, then the Cash Manager shall assist the Issuer to transfer funds in the such Deposit Account to the Relevant Deposit Account in accordance with the definition thereof. In the event that none of the Citi Account Bank, the BNPP Account Bank and the Co-op Account Bank are rated at least the Account Bank Rating, the Cash Manager shall assist the Issuer to open, within 30 days of the downgrade of the bank that was the last to lose the Account Bank Rating: (a) a replacement account with a financial institution (i) having the Account Bank Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007 (a "**Replacement Deposit Account**"), and to transfer amounts deposited with the Citi Account Bank and/or BNPP Account Bank to such Replacement Deposit Account; or (b) obtain an unconditional guarantee of the obligations of such Account Bank under the relevant Bank Account Agreement from a financial institution where short-term and long-term (as applicable) unsubordinated and unguaranteed debt obligations are rated the Account Bank Ratings.
Fixed Rate Swap Provider	Loss of: (a) Unsupported Minimum Counterparty Rating (Without collateral); (b) a counterparty risk assessment from	Fixed Rate Swap Provider must, within the timeframes stipulated in the Fixed Rate Swap Agreement, post collateral or, depending on which rating agency's relevant rating has not

	Moody's of "A3(cr)", or, if the Fixed Rate Swap Provider has no counterparty risk assessment from Moody's, a long-term, unsecured and unsubordinated debt obligations rating of "A3" by Moody's.	been maintained, transfer its rights and obligations to a replacement third party with the required rating, procure a third party with the required rating to become a co-obligor or guarantee its rights and obligations, or take such other action as is required to (1) maintain, or restore, the rating of the Class A Notes by the relevant rating agency and (2) prevent the relevant rating agency from placing the Class A Notes on review for downgrade. The Fixed Rate Swap Agreement may be terminated early if the above requirements are not satisfied in accordance with that agreement and a termination payment may become payable either by the Issuer or the Fixed Rate Swap Provider.
Loss of: (a) Supported Minimum Counterparty Rating; (b) a counterparty risk assessment from Moody's of "Baa1(cr)", or, if the Fixed Rate Swap Provider has no counterparty risk assessment from Moody's, a long-term, unsecured and unsubordinated debt obligations rating of "Baa1" by Moody's.		The Fixed Rate Swap Provider must, within the timeframes stipulated in the Fixed Rate Swap Agreement, (1) post collateral and (2) depending on which rating agency's relevant rating has not been maintained, transfer its rights and obligations to a replacement third party with the required rating, procure a third party with the required rating to become a co-obligor or guarantee its rights and obligations, or take such other action as is required to (1) maintain, or restore, the rating of the Class A Notes by the relevant rating agency and (2) prevent the relevant rating agency from placing the Class A Notes on review for downgrade. The Fixed Rate Swap Agreement may be terminated early if the above requirements are not satisfied in accordance with that agreement and a termination payment may become payable either by the Issuer or the Fixed Rate Swap Provider.

If an entity is not incorporated in the same jurisdiction as the Fixed Rate Swap Provider, and has not provided to Fitch a legal opinion confirming the enforceability of the subordination provisions against it, references to "**Supported Minimum Counterparty Rating**" shall be deemed to refer to "Supported Minimum Counterparty Rating (With collateral – no flip clause)". Otherwise, references to "**Supported**

Minimum Counterparty Rating" shall be deemed to refer to "Supported Minimum Counterparty Rating (With collateral –flip clause)".

For purposes of the above, "**Unsupported Minimum Counterparty Rating (Without collateral)**", "**Supported Minimum Counterparty Rating (With collateral – flip clause)**" and "**Supported Minimum Counterparty Rating (With collateral – no flip clause)**" shall mean the long-term or, if applicable, short-term issuer default ratings from Fitch corresponding to the then-current rating of the Class A Notes as set out in the following table:

Current rating of Class A Notes	**Unsupported Minimum Counterparty Rating (Without collateral)**	**Supported Minimum Counterparty Rating (With collateral – flip clause)**	**Supported Minimum Counterparty Rating (With collateral – no flip clause)**
AAAsf	A or F1	BBB- or F3	BBB+ or F2
AA+sf, AAsf, AA-sf	A- or F1	BBB- or F3	BBB+ or F2
A+sf, Asf, A-sf	BBB or F2	BB+	BBB or F2
BBB+sf, BBBsf, BBB-sf	BBB- or F3	BB-	BBB- or F3
BB+sf, BBsf, BB-sf	At least as high as the Class A Notes rating	B+	BB-
B+sf or below	At least as high as the Class A Notes rating	B-	B-

Non-Rating Triggers Table

Perfection Events	Any of the following: (a) the Seller being required by (i) an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security; (b) it becoming necessary by law to take any or all such actions referred to in (a) above; (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being directed by the Secured Creditors to take action to reduce that jeopardy; (d) The Co-operative Bank calling for	Borrowers under the Mortgages will be notified of the sale of Mortgages to the Issuer and legal title to the Mortgages will be transferred to the Issuer.

		perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or	
	(e)	the occurrence of a Seller Insolvency Event in relation to the Seller.	
Servicer	(a)	default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement or any other Transaction Document and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied; or	The Issuer (subject to the prior written consent of the Security Trustee acting on the instruction of the Note Trustee) or (following the service of a Note Acceleration Notice) the Security Trustee may at once or at any time thereafter while such default continues by notice in writing to the Servicer and Back Up Servicer Facilitator (with a copy to the Security Trustee in the case of the Issuer) terminate the appointment of the Servicer under the Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the notice. The Issuer (with the assistance of the Back-up Servicer Facilitator) shall use their reasonable endeavours to appoint the Back-Up Servicer (if any) or otherwise appoint a substitute servicer that satisfies the conditions set out in the Servicing Agreement.
	(b)	default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document which (i) in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee, is materially prejudicial to their interests, and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (following the service of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied, provided however that where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of thirty Business Days, the	

		Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may in its discretion specify to remedy such default and/or to indemnify (which may be by way of payment in advance or provision of security) the Issuer and the Security Trustee to its satisfaction against the consequences of such default;	
	(c)	the occurrence of an Insolvency Event in respect of the Servicer; or	
	(d)	the Issuer ceases to have any interest in the Portfolio.	
Cash Manager	(i)	*Non-payment*: default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of ten Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following service of a Note Acceleration Notice, the Security Trustee, as the case may be, requiring the same to be remedied; or	The Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may thereafter, while such default continues, shall deliver a notice (a "**Cash Manager Termination Notice**") to the Cash Manager (with a copy to the Issuer or the Security Trustee, as applicable) to terminate its appointment as Cash Manager under the Cash Management Agreement with effect from the date specified in such Cash Management Termination Notice and appoint the Back-up Cash Manager as Replacement Cash Manager under the Replacement Cash Management Agreement.
	(ii)	*Breach of other obligations*: default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default (where capable of remedy) and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee (following the service of a Note Acceleration Notice), as the case may	

be, requiring the same to be remedied (where capable of remedy);

(iii) *Insolvency Event*: an Insolvency Event occurs with respect to the Cash Manager; or

(iv) *No Interest*: the Issuer ceases to have any interest in the Portfolio.

TRANSACTION OVERVIEW – FEES

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

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	£100 per Loan which has been repaid in full during an Collection Period (exclusive of any applicable VAT), with such calculation notified in writing to the Issuer and the Cash Manager within 7 Business Days of the end of each Collection Period in which such repayment occurred.		
Cash management fee	£20,000 each year (exclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer (including fees to the Back-Up Cash Manager, Note Trustee and Security Trustee)	Estimated at £60,000 each year (exclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes.....	Estimated at £7,370 (exclusive of any applicable VAT)		On or about the Closing Date

Please note that any back-up servicer, replacement servicer or replacement cash manager is likely to charge further fees and such fees are likely to be paid in priority in cashflow ahead of all outstanding Notes quarterly in arrear on each Interest Payment Date.

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

CERTAIN REGULATORY DISCLOSURES

Capital Requirements Regulation, AIFMR and the Solvency II Delegated Act

The Seller will, in accordance with Article 405 paragraph (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), Article 51 of Commission Delegated Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Managers Regulations ("**AIFMR**") and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**"), to the extent the regulations above continue to apply and in each case as they are interpreted and applied on the Closing Date (and in the case of AIFMR taking into account Article 56 of the AIFMR), retain a material net economic interest of at least 5 per cent. of the nominal value of the securitised exposures by holding an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred to investors, as required by Article 405 of the CRR, Article 51(1) of the AIFMR and 254(2) of the Solvency II Delegated Act. Such retention requirement will be satisfied by The Co-operative Bank holding the Class B VFN and the Class Z VFN. Any change to the manner in which such interest is held will be notified to the Noteholders.

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

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

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

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

CRA Regulation

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

Volcker Rule

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

WEIGHTED AVERAGE LIVES OF THE CLASS A NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Loans in the Portfolio.

The model used in this Prospectus for the Loans represents an assumed constant per annum rate of prepayment each month relative to the then current principal balance of a pool of Loans. The assumed constant per annum rate of prepayment does not purport to be either an historical description of the prepayment experience of any pool of loans or a prediction of the expected rate of prepayment of any Loans, including the Mortgages to be included in the Portfolio.

The average lives of the Class A Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Class A Notes can be made based on certain assumptions. For example, based on the assumptions that:

(a) there are no arrears or enforcements;

(b) there is no debit balance on the Principal Deficiency Ledger on any Interest Payment Date;

(c) no Loan is required to be repurchased by the Seller;

(d) the Issuer Standard Variable Rate is equal to 4.49 per cent.;

(e) Three-Month Sterling LIBOR is equal to 0.35 per cent.;

(f) in the case of tables stating "*Assuming the Class A Notes are redeemed on the Step-up Date*", the Notes are redeemed at their Principal Amount Outstanding on the Step-up Date;

(g) no Security has been enforced;

(h) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;

(i) the Base Rate is equal to 0.25 per cent.;

(j) the amortisation of any Repayment Loan is calculated as an annuity loan on a 30/360 basis, and the interest on any Loan is calculated on a 30/360 basis;

(k) all Loans which are not Repayment Loans are assumed to be Interest-only Loans;

(l) the Closing Date Portfolio as at the beginning of the first collection period is the same as the Provisional Portfolio as at the Portfolio Reference Date;

(m) there are 106 days between the Closing Date and the first Interest Payment Date;

(n) payments on the Notes are made on the 21st day of Mar, Jun, Sep and Dec, if such day is not a Business Day, the next following Business Day;

(o) the Principal Amount Outstanding of the Class A Notes is equal to 92.0 per cent. of the Current Balance of the Portfolio as at the Closing Date;

(p) no Further Advances are made on a Loan; and

(q) no Product Switches are made on a Loan.

	Assuming the Class A Notes are redeemed on the Step-up Date	Assuming no Optional Redemption
CPR	**Possible Average Life of Class A Notes (years)**	**Possible Average Life of Class A Notes (years)**
0%	4.40	13.04
5%	3.90	8.06
10%	3.46	5.50
15%	3.06	4.06
20%	2.70	3.17
25%	2.37	2.58
30%	2.09	2.16
35%	1.83	1.84

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

The average lives of the Class A Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Risk Factors relating to the Issuer – Considerations relating to yield, prepayments, mandatory redemption and optional redemption*", above.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Class A Notes and Class B VFN to pay the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date.

On the Closing Date, the Issuer will use the gross proceeds of the Class Z VFN to (a) establish the General Reserve Fund, (b) fund initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date and (c) fund the initial Co-op Collateral Amount of £100,000.

The Issuer will from time to time use the gross proceeds of drawings under the Class B VFN to fund any Further Advance Purchase Price on the relevant Monthly Pool Date (as the case may be) (to the extent not funded by amounts standing to the credit of the Principal Receipts Ledger).

After the Closing Date, the Issuer will from time to time use the gross proceeds of drawings under the Class Z VFN to (a) increase the General Reserve Fund up to an increased General Reserve Required Amount in order to satisfy the Asset Conditions for Further Advances and/or Product Switches, (b) fund the Issuer Fee Amount, (c) fund any increase in the Co-op Collateral Amount, (d) fund any premiums payable under the Fixed Rate Swap Agreement and (e) fund any shortfall (if any) in the amount to be retained by the Issuer as profit in accordance with of the Pre-Acceleration Revenue Priority of Payments.

RATINGS

The Class A Notes, on issue, are expected to be assigned the following ratings by Moody's and Fitch. The Class B VFN and the Class Z VFN are not rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including, without limitation, a reduction in the credit rating of the Fixed Rate Swap Provider, the Swap Collateral Account Bank (if any), the Citi Account Bank and/or the BNPP Account Bank) warrant.

Class of Notes	Moody's	Fitch
Class A Notes	Aaa(sf)	AAA(sf)
Class B VFN	Not Rated	Not Rated
Class Z VFN	Not Rated	Not Rated

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

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 19 May 2016 (registered number 10190004) as a public limited company under the Companies Act 2006 as Flutestream plc. The name of the Issuer was changed to Silk Road Finance Number Four PLC by a special resolution dated 9 June 2016. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 20 7398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1, of which one share is fully paid-up and 49,999 shares are one quarter paid-up, each of which are beneficially owned by Holdings (see "*Holdings*" below).

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

The articles do not have an objects clause so the objects are unrestricted. The Issuer has been established as a special purpose vehicle solely for the purpose of issuing asset backed securities. The activities of the Issuer will be restricted by the Transaction Documents and will be limited to the issue of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

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

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

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, no statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. So long as the Notes are admitted to trading on the London Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Issuer and the Principal Paying Agent in London. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2016.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the General Reserve Ledger and the Issuer Profit Amount Ledger and the Class B VFN Drawdown Ledger).

Directors

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

Name	Business Address	Business Occupation
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director

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

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

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

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

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 19 May 2016 (registered number 10190021) as a private limited company under the Companies Act 2006 (as amended) as Hostagrange Limited. The name of Holdings was changed to Silk Road Finance Holdings Number Four Limited by a special resolution dated 9 June 2016. The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises 1 ordinary share of £1. Intertrust Corporate Services Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

Neither the 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. Holdings does not have any control, direct or indirect, of any company other than the Issuer.

The articles do not have an objects clause so the objects are unrestricted.

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

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

Directors

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

Name	Business Address	Business Occupation
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director

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

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

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

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2016.

Holdings has no employees.

THE CO-OPERATIVE BANK P.L.C.

History & Development

The Co-operative Bank (the "**Bank**") was originally formed as the loan and deposit department of the Co-operative Wholesale Society Limited ("**CWS**") in 1872. CWS changed its name on 14 January 2001 to Co-operative Group (CWS) Limited. Co-operative Group (CWS) Limited changed its name to Co-operative Group Limited ("**Co-operative Group**") following the merger with United Co-operatives Limited on 29 July 2007. 8.3.8

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

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

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

Bank's capital position, recent developments and future strategy

To meet a £1.5 billion Common Equity Tier 1 ("**CET1**") capital shortfall in 2013, Co-operative Group and the Bank embarked on a recapitalisation plan (the "**2013 Recapitalisation Plan**") which included a liability management exercise (including interest savings on securities surrendered pursuant thereto) and CET1 capital contributions from CBG.

In May 2014, the Bank improved its capital position by successfully raising an additional £400 million of CET1 capital through the issue of additional ordinary shares and reduced its overall risk profile as a result of the 2013 Recapitalisation Plan through the generation of additional CET1 capital and ongoing deleveraging activity.

The Bank carried out a £250 million Tier 2 subordinated capital issuance in June 2015. Further, the Bank implemented a number of turnaround measures, which contributed to a reduction in the Bank's risk weighted assets ("**RWAs**") of £5.9 billion between 31 December 2014 and 31 December 2016. The Bank's CET1 Ratio decreased from 13.0 per cent. as at 31 December 2014 to 11.0 per cent. as at 31 December 2016.

Notwithstanding the above, on 26 January 2017, the Bank announced that it expected its CET1 Capital Ratio (in the absence of any management actions) to fall and remain below 10 per cent. over the medium-term and an expectation that the Bank was unlikely to meet the minimum level of regulatory capital which the PRA expects the Bank to hold (known as the Bank's Individual Capital Guidance or "**ICG**") over the then applicable planning period (to year-end 2020). The Bank's ICG is the aggregate of its minimum Pillar 1 and Pillar 2a regulatory capital requirements. However, the Bank reported that it continued to expect to meet its minimum Pillar 1 regulatory capital requirements and to maintain sufficient liquidity to meet its obligations.

On 13 February 2017, the Bank announced that although it met all of its Pillar 1 regulatory capital requirements and expected to continue to do so, it needed to build its capital and meet the longer-term regulatory capital requirements required of all UK banks. The Bank noted that its capacity to build capital organically had been constrained by (i) the impact of interest rates that are and have been lower than previously forecast, reducing the Bank's ability to generate income; and (ii) higher than anticipated transformation and conduct redress and remediation costs.

The announcement also noted that the Bank needed to consider enhanced regulatory capital and loss absorbing capacity requirements expected of all UK banks known as the minimum requirement for own funds and eligible liabilities ("**MREL**") in accordance with the Bank of England's statement of policy (PS30/16) of November 2016 titled "The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions" and the Bank of England's statement of policy titled "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL): Responses to Consultation and Statement of Policy". End-state MREL requirements, from 1 January 2022, will be set on a case-by case basis for all UK banks depending on the agreed resolution strategy for that bank. The Bank is required to meet its PRA Buffer (i.e. Pillar 2b capital) in addition to both its transitional and end-state MREL requirements.

Separately, although there was no immediate operational impact on the Bank given its UK-only footprint, the macroeconomic uncertainty that has resulted following the outcome of UK's referendum to leave the EU could also impact the Bank's operating environment in the future.

The Bank has been subject to a heightened degree of regulatory supervision since 2013 and currently depends upon HM Treasury, the Bank of England, the FCA and/or the PRA not taking enforcement action against the Bank as a consequence of the Bank not complying with or meeting certain regulatory capital and loss-absorbing capital requirements. These are:

- the CRR provisions relating to its use of an Internal Ratings Based ("**IRB**") approach to modelling its credit risk capital requirements;
- the Bank's ICG;
- the Bank's Combined Buffer requirement under the CRD (currently comprised only of its capital conservation buffer and set at 1.25 per cent. of total RWAs met entirely by CET1 capital but set to rise to 2.5 per cent. of total RWAs met entirely by CET1 capital in 2019);
- the Bank's PRA Buffer (currently set by the PRA at a level in order to withstand prudential stress test scenarios and comprised exclusively of CET1 capital); and
- the Bank's MREL.

Furthermore, the auditor's reports contained in the Bank's financial statements for the three years ended 31 December 2014, 2015 and 2016 each contain an "emphasis of matter" in relation to the Bank's ability to continue as a "going concern", indicating that there are material uncertainties which may cast significant doubt on the Bank's ability to continue as a going concern.

As a result, and having concluded its annual planning review, the Bank announced on 26 January 2017 the commencement of a formal sale process, inviting offers for all of its issued ordinary share capital, and that it was considering, as an alternative to that sale process, ways of raising equity capital from existing and new capital providers and a potential liability management exercise of its outstanding public debt.

As part of that annual planning review, the Bank has adopted a new five-year strategic business plan, covering the period from 2017 to 2021, which aims to give effect to the Bank's vision of becoming an efficient and financially-sustainable UK retail and SME bank that is distinguished by its values and ethics (the "**Plan**").

The going concern status of the Bank is dependent on the Bank successfully implementing the Plan, including the implementation of the equity capital raising referred to above.

"**Pillar 1**" capital is a prescribed measure of capital required by a bank representing the minimum capital requirements. The Pillar 1 capital ratio is calculated using regulatory capital and RWA. The total capital ratio must be no lower than 8 per cent. "**Pillar 2a**" is additional capital that the Bank is required to hold above Pillar 1, for risks not captured within Pillar 1. The Bank's internal capital adequacy assessment process is an input into this process, but the Bank's Pillar 2a requirement is ultimately set by the PRA. The "**PRA Buffer**" is additional that must be held by the Bank in a severe but plausible stress in order to ensure that it can continue to meet its Pillar 1 plus Pillar 2a requirements.

Overview

The Bank had total assets of approximately £27.6 billion as at 31 December 2016 (approximately £29.0 billion as at 31 December 2015).

As at 31 December 2016, the Core Business (as described below) had approximately 4 million customers, of which just over 3.9 million were retail and 0.1 million were business customers, and operated through a network of approximately 100 branches, 4 corporate banking centres, four contact centres, 123 ATMs and the internet and digital channels.

The Bank's overarching Core Business strategy has been to simplify its Core Business offering and make commercial returns through a strong and differentiated brand and high levels of customer satisfaction, whilst the strategy of the Non-Core Business (also as described below) has been actively to deleverage the Bank's Non-Core Business assets to achieve the most appropriate value on an individual asset or portfolio basis.

The Core Business (which as at 31 December 2016 had total segment assets of £23,171.4 million and RWAs of £3.9 billion) included the Bank's core retail and banking businesses, treasury and certain other businesses. The Bank's core retail and business banking product offering consisted of a range of current accounts and money transmission services, lending (mortgages and unsecured), savings products and insurance referral model, while the Bank's core corporate banking business provided services to SME businesses.

The Non-Core Business had total segment assets of £4,309.8 million and credit RWAs of £2 billion) as at 31 December 2016. Those assets which sat within the Non-Core Business contained a significant part of the Bank's credit impairment risk, although this risk has reduced since 2013 due to proactive de-leveraging by the Bank. The Non-Core Business included Optimum (as described below and acquired as part of the Merger), and non-core corporate banking assets (including loans to businesses with turnover greater than £25 million, CRE loans, Project Finance Initiatives ("**PFI**") loans, housing association loans and renewable energy asset finance ("**REAF**")).

Major Shareholdings

The Bank has been advised that the shareholders who beneficially own in excess of 9.9 per cent. of the ordinary shares of the Bank, as at 23 February 2017, are:

(a) 20.16 per cent. owned by the Co-operative Group (which holds its interest through CBG); and

(b) 14.13 per cent. owned by SP Coop Investment, Ltd.; and

(c) 12.88 per cent owned by funds managed by Golden Tree Asset Management, Ltd.

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

Business and Principal Activities

From 2013 until 31 December 2016, the Bank divided its business activities into two business areas: the "**Core Business**" and the "**Non-Core Business**" (the "**Historical Business Classification**") - with the aim of focusing its Core Business on retail banking and SME customers where the Bank considered it had strong existing market credentials, customer relationships and expertise. Those assets which were not consistent with the Bank's Core Business strategy were classified as part of the Non-Core Business. However, recognising the need for the Bank to work as one business, with effect from 1 January 2017, the Bank is now structured into five business units:

(a) "**Retail Banking**", its core retail banking business, which trades as "The Co-operative Bank", "Britannia" and "smile", together with the Bank's intermediary mortgage brand, Platform, and includes retail secured and unsecured lending, deposits and current accounts.

As at December 2016, the Bank had approximately 3.9 million Retail Banking customers and is a clearing bank operating across multiple delivery channels with a range of current accounts and money transmission services, lending products and savings products. The Bank distributes its retail products through branches, call centres and via the internet and mobile banking.

As part of its business strategy, the Bank intends to maintain existing products and develop new products that are simple, transparent on fees and interest charged and fairly priced.

(i) *Mortgage lending*

As at 31 December 2016, the Bank had a total outstanding mortgage portfolio of £8.1 billion issued under the Co-operative Bank brand and the Britannia brand and a total outstanding mortgage portfolio, (not including Optimum) of £6.0 billion issued under the Platform brand (via intermediaries). As at 31 December 2016, the Bank's total issued mortgage lending secured on residential property (excluding buy-to-let) was £14.6 billion of which £12.9 billion were part of Core Business mortgage lending and remainder being the Optimum portfolio. The total Bank issued buy-to-let mortgage portfolio as at 31 December 2016 was £2.2 billion (Core Business: £1.3 billion). The Bank's total mortgage lending of £16.8 billion represents an estimated 1.25 per cent. of total UK mortgage balances (as at 31 December 2016).

Approximately 100 per cent. of the Bank's mortgage lending portfolio consists of UK residential mortgage loans to individuals that are fully secured on a first priority basis on the residential property of the borrower on terms which allow for repossession and sale of the property if the borrower fails to comply with the terms and conditions of the loan. As a result, and in line with other residential mortgage lenders, the Bank's residential mortgage lending carries lower risk than many other types of lending.

Mortgage origination under the Platform brand is an important channel for the Bank. In the year to 31 December 2016, 91% per cent. of mortgages (88% per cent. as at 31 December 2015) were originated through intermediaries and 9% per cent. directly (12% per cent. as at 31 December 2015).

(b) "**BaCB**", which focuses on offering simple solutions to meet the needs of business banking and smaller SME customers mainly focused around savings and current accounts.

BaCB targets and services small and medium sized businesses which will typically (i) have a turnover of less than £25 million; (ii) have borrowing requirements of less than £5 million; and (iii) otherwise meet the Bank's risk appetite. BaCB also offers services on commercial terms, to charities, social businesses and co-operatives.

In February 2016, £348 million of performing PFI and Renewable Energy and Asset Finance loans were transferred from the Non-Core Business to BaCB.

(c) treasury, which aims to ensure a strong and stable liquidity base for the Bank, provide diverse sources of wholesale funding to the Bank, manage market risk within risk appetite and deliver a strong financial performance on the Bank's investment portfolio ("**Treasury**"), and other ("**Other**"), which includes any activities that cannot be directly attributed to one of the Bank's reportable business segments;

(d) Legacy Portfolio, a portfolio of non-core corporate assets which are inconsistent with the Bank's current business strategy and risk appetite); and

(e) Optimum, which comprises a closed book of predominantly interest-only, intermediary and acquired mortgage book assets.

Each of Retail Banking, BaCB and Treasury and Other were formerly included in the Bank's "Core-Business" segment under the Historical Business Classification. These segments represent lines of business that are consistent with the Bank's strategy and risk appetite, concentrating on supporting individual and SME customers, where the Bank has strong market credentials, customer relationships and expertise.

Each of Legacy Portfolio and Optimum were formerly included in the Bank's "Non-core-Business" segment under the Historical Business Classification. The Legacy Portfolio and Optimum Assets comprise seven asset classes (six of which comprise the Legacy Portfolio and the Optimum portfolio being a class in itself). As at 31 December 2016, these seven asset classes have gross loan balances of £4.1 billion with a net carrying value of £4.1 billion and fair value of £3.7 billion as at 31 December

2016. They together consist of those asset classes which are not consistent with the Bank's business strategy, are managed to achieve the most appropriate value on an individual asset or portfolio basis, or are targeted for run down or exit, and contain a significant part of the Bank's credit impairment risk. These asset classes include the Legacy Portfolio or non-core corporate assets, and Optimum.

Information Technology

The Bank considers its IT architecture to be consistent with industry standard principles, supporting the end-to-end activities of a full-service Retail and Business clearing bank.

The Bank relies on approximately 450 IT applications which are hosted in four strategic IBM centres and five legacy data centres managed on behalf of the Bank by the Co-operative Group. The Bank's core systems consist of proprietary customer, account and payment solutions based on an IBM mainframe platform. This forms the basis of the Bank's IT architecture to which key vendor supplied banking product and service platforms are connected to deliver regulatory-compliant banking functionality. A certain amount of duplication of functionality remains within the Bank's IT applications estate, where the IT acquired with the Merger in August 2009 still runs alongside the equivalent Bank applications. The most notable examples of this are the platforms that support mortgage and savings products. Elimination of this duplication represents a rationalisation and simplification opportunity for the Bank but the full scope of these opportunities is not embedded within the current Plan.

During 2016, the Bank enhanced its IT architecture by introducing a new retail digital platform, built upon a "real-time" integration capability that enables services to be shared across channels, and performance to be optimised for different channel behaviour. The new platform has been implemented in both Co-operative Bank and "smile" branding to replace the two previous digital platforms. This new online banking platform is built on a modern, scalable infrastructure hosted by IBM under a managed service contract. A consolidation of digital and mobile services onto a single new in-house platform is being considered for 2018.

During the last three months of 2017, the Bank completed major IT migrations, moving its core banking applications onto new IT infrastructure hosted in IBM data centres in Warwick and Birmingham, (in 2016) the Bank had previously moved the hosting of its front-end digital platform to modern, cloud-enabled infrastructure located within IBM data centres in Portsmouth and Germany. Within the limits of the related banking applications, these migrations were used to update the underlying hardware and operating system components, establish improved resilience and recoverability capability, and provide greater options for future expansion.

The Bank's data centre strategy is based on a primary/secondary approach with the disaster recovery capabilities being provided at a secondary data centre with recovery time and point objectives being aligned to the criticality of the services. There is a schedule of service continuity testing that proves this capability. There is also a dedicated business resilience team, providing incident management capabilities and appropriate crisis management processes. The Bank has made contingencies to accommodate for disasters that render their offices unavailable and the Bank has three work area recovery sites for this eventuality. These work area recovery sites are tested on an annual basis to ensure that they are fit for purpose and the last testing took place in Q4 2016.

The next phase of the Bank's IT infrastructure plans are laid out in the Plan, and cover updating its distributed infrastructure components, replacing the legacy Windows XP desktop with a Windows 10 solution, updating the legacy telephony platform and confirming the optimal strategy for the remaining steps in eliminating IT service dependencies on the Co-operative Group.

Litigation, arbitration and regulatory proceedings in relation to the Bank

The Bank is exposed to the inherent risks relating to the mis-selling of financial products, acting in breach of regulatory principles or requirements and giving negligent advice or other conduct determined by the Bank or the regulators to be inappropriate, unfair or non-compliant with applicable law or regulations. Any failure to manage these risks adequately could lead to further significant provisions, costs and liabilities and/or reputational damage. The Bank’s approach to provisions for historic mis-selling issues such as PPI, interest rate swaps and packaged accounts is based on the views and requirements of the Regulators. Any change in the Regulator’s current approach could have a material impact.

Along with the wider industry, the Bank must comply with regulatory changes which may add complexity to an already difficult technology, operational and prudential change programme.

PPI

For a number of years, the Bank, along with many other financial services providers, sold PPI alongside mortgage and non-mortgage credit products. The Bank stopped selling unsecured loan PPI in January 2009, credit card PPI in November 2009 and mortgage PPI in March 2012. However, products still exist within the Bank which will include an element of PPI from historic sales.

In line with industry practice, provisions have been made in respect of potential customer compensation claims relating to historic mis-selling of PPI. Claims are investigated on an individual basis and, where it is found that the Bank mis-sold PPI to customers (based on the FCA's policy statement 10/12 dated August 2010, which detailed how the FCA expects banks to investigate PPI complaints) compensation is paid to customers.

In November 2014, the Supreme Court handed down a decision in *Plevin v Paragon Personal Finance Ltd [2014] UKSC 61*. The decision concerns the disclosure of commission amounts received in respect of sales of PPI. The decision has a potential impact on the number of the Bank's customers who may have a claim for PPI redress and the treatment of prior rejected complaints.

Total PPI provisions of £459.8m have been taken to 31 December 2016 (£423.8m at 31 December 2015) of which £90.4m remains unutilised. The provision includes the cost of carrying out work and the compensation to customers.

In March 2017 the FCA announced that a time-bar on PPI claims will become effective from 29 August 2019. The FCA also announced that it is to require firms to pro-actively contact customers whose PPI complaints had previously been rejected by the Bank to advise them of the existence of the Plevin judgment referred to above. The Bank took the proposed time bar into account within the provision raised in the Bank's 2016 financial statements, alongside industry claims experience, and the published views and requirements of the FCA (which, for the avoidance of doubt, are not specific to the Bank), the rejected claims mailing is a new requirement that was not known and therefore not included.

Forecast future complaint volumes are difficult to predict. However, the Bank has seen an increase in complaints during the first quarter of 2017. This may continue to increase, remain constant or decline more steadily. The FCA's communications campaign and the introduction of the new online PPI complaint system will make it easier for consumers to contact the Bank. A claims management company recently announced that it is planning to seek permission from the court to launch a judicial review of the FCA's proposed time bar. It is not possible to assess at present whether it will be granted leave to do so or what the end outcome might be. Any change in the FCA's current approach, including as a result of this or other judicial reviews, such as any further extension of the period covered by the requirement for proactive contact with customers, could have a material adverse impact on the financial condition of the Bank and there is a risk of greater scrutiny and/or further regulatory action from the FCA.

Further conduct issues

While progress has been made in resolving conduct issues, no assurance can be given that further issues will not be identified, or that any such further or already identified issues may not require new or further provision, or that changes in regulation may not give rise to further conduct risks emerging.

As well as PPI, the Bank continues to monitor developments in certain product related areas, which are attracting increased focus, in some cases from both the courts and the Financial Ombudsman Service, including early repayment charges in both commercial and secured lending, variation of certain product terms and conditions and the related FCA remediation rules. To date, the Bank has seen a small number of complaints to the FOS in some of these areas. Changes in the approach to any of these issues in the market and/or increased complaints volumes, could adversely affect the Bank.

CCA

The Bank continues to be exposed to the risks of non-compliance with the Consumer Credit Act (CCA).The Bank has identified certain instances where its documentation or processes have not been fully compliant with the technical requirements of the CCA. In compliance with the CCA, the Bank is

obliged to send loan account customers annual statements and, where accounts are in default, notices of sums in arrears. Those documents must be sent at specific times and must also comply with the information requirements for such documents which are contained within the CCA's associated regulations. The Bank failed to comply with some of its obligations under the CCA (in relation to both its secured and unsecured books).

The consequence of the Bank failing to comply with those obligations is that impacted customers are not liable to pay interest and default fees from a date specified by the CCA until (a) the account closes; or (b) the failure to comply with the obligations under the CCA is remedied (if the account is open).

The Bank has engaged in the process of a redress and remediation programme to ensure that all impacted (and open) customer accounts are remedied in accordance with the provisions of the CCA and all customers whose accounts are now closed receive sufficient financial redress. As at 31 March 2017, the Bank's CCA proactive redress programme was 99.4% complete.

The Bank has recognised provisions totalling £259.5m in respect of the total expected cost to the Bank for potential customer redress relating to the above alleged failings, following near-completion of the programme £16.7m remained unutilised at 31 December 2016 with the remainder of the provision required to continue to work to develop a solution to address accounts becoming non-compliant again.

As at the date of this Prospectus it is not possible for the Bank to confirm that additional CCA breaches will not be uncovered moving forward which could impact the financial condition of the Bank. As impacted customers are not liable to pay interest and default fees, income on these loans will continue to not accrue until the accounts are remediated.

Mortgage Remediation

The Bank has identified a number of issues related to mortgage administration systems and processes and established mortgage remediation programmes to correct the issues:-

The Bank initiated a redress programme in respect of various breaches of mortgage conduct of business rules and was the subject of a skilled persons review into potential detriment to its mortgage customers arising from poor arrears handling. The Bank has substantially completed the recommendations from this review and has implemented enhanced policies and processes which are designed to deliver improved customer outcomes. The outcome of the final review is not yet finalised but the risk of further enforcement action by the FCA is considered to be largely mitigated. The total provision for this element of mortgage remediation was £20.2m of which £3.1m remained unutilised at 31 December 2016 to complete work on closed and deceased accounts.

Mortgages Bulk redress and Mortgages Rectification programmes have addressed issues relating to i) arrears fees and charges, ii) incorrect application of terms and conditions, iii) early repayment charges, iv) discount rate expiry, v) Platform first payments . Issues relating to vi) Auto capitalisation of arrears, vii) CCA further advances, viii) mortgage monthly repayment miscalculation continue to be remediated. The Bank has taken provisions totalling £127.5m for issues i) to viii) of which £28.2m remained unutilised at 31 December 2016.

Other proceedings

The Bank is engaged in various other legal proceedings in the United Kingdom involving claims by and against it which arise in the ordinary course of business, including debt collection, mortgage enforcement, consumer claims and contractual disputes. The Bank does not expect the ultimate resolution of any of these known legal proceedings to have a material adverse effect on the financial position of the Bank, however the outcome of litigation is difficult to predict. It is possible, although unlikely, that the outcome of any such proceedings could have a material adverse impact on the financial condition of the Bank.

PLATFORM FUNDING LIMITED

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

PFL became a wholly-owned direct subsidiary of The Co-operative Bank following an intra-group reorganisation of The Co-operative Bank in April 2016. On 1 April 2016, PFL sold the majority of its assets and liabilities, including the majority of its mortgage portfolio (including all mortgages in the Provisional Portfolio), to The Co-operative Bank, pursuant to a business transfer agreement executed on the same date.

CITI ACCOUNT BANK

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

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

BNPP ACCOUNT BANK

BNP Paribas Securities Services is a multi-asset servicing specialist with local expertise in 36 markets around the world and a global reach covering 95 markets. As of 31 December 2016, BNP Paribas Securities Services had USD 9,070 trillion in assets under custody, USD 2,067 trillion in assets under administration, 10,166 funds administered and over 10,080 employees.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

HSBC Corporate Trustee Company (UK) Limited (registered number 06447555) will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

HSBC Corporate Trustee Company (UK) Limited's registered office is at 8 Canada Square, London E14 5HQ.

HSBC Corporate Trustee Company (UK) Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. HSBC Corporate Trustee Company (UK) Limited will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Assets and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Note Trustee and Security Trustee, respectively, is entitled, inter alia, (a) to enter into business transactions with the Issuer, the Seller, the Co-operative Bank and/or any of their respective subsidiaries and affiliates and any other person whatsoever and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Seller, the Co-operative Bank and/or any of their respective subsidiaries and affiliates and any other person whatsoever, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or the other Secured Creditors and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

THE FIXED RATE SWAP PROVIDER

HSBC Bank plc and its subsidiaries form a UK based group providing a broad range of banking products and services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited, which it held until 1982 when it re-registered and changed its name to Midland Bank plc. In 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in 1999.

The HSBC Group is one of the world's largest banking and financial services organisations, with approximately 4,000 offices in 70 countries and territories in Europe, Asia, North America, Latin America and Middle East and North Africa. Its total assets at 31 March 2017 were U.S.$2,416 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are, as at the date of this Prospectus, rated P-1 by Moody's and A-1+ by Standard & Poor's and HSBC Bank plc has a short term issuer default rating of F1+ from Fitch. The long term senior unsecured and unguaranteed obligations of HSBC Bank plc are rated Aa2 by Moody's and AA- by Standard & Poor's and HSBC Bank plc has a long term issuer default rating of AA- from Fitch.

HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

INTERTRUST MANAGEMENT LIMITED

Intertrust Management Limited (registered number 03853947), having its principal address at 35 Great St. Helen's, London, EC3A 6AP will be appointed to provide corporate services to and to act as back-up servicer facilitator for the Issuer and Holdings pursuant to the Corporate Services Agreement and to act as back-up servicer facilitator for the Issuer and Holdings pursuant to the Servicing Agreement.

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

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement, (i) forthwith if another party has committed a material breach of any of the terms and/or conditions of the Corporate Services Agreement and fails to remedy the same within thirty days of being so required to do so or (ii) on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement if a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

WESTERN MORTGAGE SERVICES LIMITED

WMS was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1996 with company registration number 3191608. The registered office of WMS is 17 Rochester Row, London SW1P 1QT.

Following the acquisition of Western Trust and Savings Limited ("**WTS**") in July 1995 by Birmingham Midshires Building Society, WMS acquired from WTS its mortgage servicing infrastructure. WMS was acquired by the Britannia Building Society ("**Britannia**") on 27 January 1997 and the shares subsequently transferred to Britannia Treasury Services Limited. Following the Merger, WMS became a subsidiary of The Co-operative Bank.

On 1 August 2015 Capita Asset Services (UK Holding) Limited ("**Capita**") entered into an agreement under which it acquired one hundred per cent. of the shares in WMS from Britannia Treasury Services Limited (a subsidiary of The Co-operative Bank p.l.c. ("**Bank**"), On the same date WMS entered into a master services agreement with the Bank and certain Bank subsidiaries, under which WMS will service the Bank's mortgage processing and administration operations.

The terms of this agreement comprise the servicing of more than 161,000 mortgage accounts and £16.8bn of lending. WMS employs approximately 690 staff for the servicing of the mortgage portfolios (figures as at December 2016).

WMS continues to service third party portfolios previously serviced by WMS through different contractual arrangements.

The WMS mortgage administration services are run and managed predominantly by dedicated WMS IT staff from their own premises in Plymouth. Various local IT upgrades have been undertaken over the last few years in WMS to ensure the systems are maintained in line with the requirements of the business. WMS technology is maintained under vendor support contracts. A Disaster Recovery arrangement exists with a specialist third party provider and disaster recovery simulation test was completed in November 2014. The platform continues to be in use over a number of years following the sale of WMS to Capita and is expected to be transitioned into Capita's systems following the sale.

However, the WMS service has some dependency on a system situated outside of Plymouth in The Co-operative Bank p.l.c.'s data centre in Leek, Staffordshire. This system supports arrears management and is part of The Co-operative Bank p.l.c.'s IT estate as mentioned above with known issues that require remediation. Please refer to "*Risk Factors – Servicing and Third Party Risk – the Servicer*".

THE LOANS

The Portfolio

Introduction

The following is a description of some of the characteristics of the Loans originated by the Originators and sold by the Seller and comprised in the Portfolio including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller selected the Loans for transfer into the Portfolio using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans. This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, loans are selected at random until the target balance for Loans has been reached, or the subset has been exhausted. After a pool of Loans is selected in this way, the constituent Loans are monitored so that they continue to comply with the Loan Warranties on the Closing Date, as applicable.

Unless otherwise indicated, the description that follows relates to types of loans that could be sold to the Issuer as part of the Portfolio as at the Closing Date.

The Portfolio

The Portfolio from time to time after the Closing Date will comprise Loans advanced to the Borrowers upon the security of residential property situated in England, Wales and Scotland and on the Closing Date will consist of the Mortgages acquired pursuant to the Mortgage Sale Agreement, other than Mortgages which have been repaid or which have been repurchased from the Issuer pursuant to the Mortgage Sale Agreement (for example, following a breach of a Loan Warranty).

Characteristics of the Portfolio

The tables set out in the chapter entitled "*Characteristics of the Portfolio*" set out information representative of the characteristics of the Provisional Portfolio as at the Portfolio Reference Date.

The balance of the Loans in the tables set out in the chapter entitled "*Characteristics of the Portfolio*" is shown as at the Portfolio Reference Date. The properties over which the Mortgages are secured have not been revalued for the purpose of the issue of the Notes. The valuations of such properties as set out in the following tables relate to the date of the original initial mortgage loan valuation except to the extent that there have been Further Advances in which cases the most recent valuation is utilised. The characteristics of the Closing Date Portfolio as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of Loans prior to the Closing Date.

Security

All of the Mortgages are secured by first ranking mortgages, or (in Scotland) standard securities.

Interest Rate Types

The Provisional Portfolio consists of:

(a) 98.13 per cent. of the Mortgages which pay a fixed rate of interest for the life of such Mortgage or for a specific period (such mortgages during such period, the "**Fixed Rate Mortgages**") that reverts to either (i) an SVR Mortgage (as defined below) or (ii) a Base Rate Tracker Mortgage (as defined below).

(b) 0.03 per cent. of the Mortgages which have a variable interest rate that is set by the entity entitled to set such rate in accordance with the applicable Mortgage Conditions, taking into account various factors such as the Bank of England Base Rate, the cost of funds to that entity, and other interest rates charged by other mortgage lenders (the "**SVR Mortgages**").

(c) 0.16 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate (the "**Base Rate Mortgage Rate**") that is based on the Bank of England's base rate (as redetermined each calendar month referenced from the Bank of England's official bank rate), the "**Base Rate**" and the "**Base Rate Tracker Mortgages**") plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate.

(d) 1.69 per cent. of the Mortgages which currently have a variable interest rate (the "**Base Rate Mortgage Rate**") that is based on the Bank of England's base rate (as re-determined each calendar month referenced from the Bank of England's official bank rate (the "**Base Rate**") plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate, that reverts to either (i) an SVR Mortgage or (ii) a Base Rate Tracker Mortgage (such mortgages, the "**Discount Mortgages**").

Characteristics of the Loans

Repayment terms

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees.

Loans are typically repayable on one of the following bases:

- *Repayment Loan*: the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid ("**Repayment Loans**");

- *Interest-only Loan*: the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum ("**Interest-only Loans**"); and

- a combination of both these options.

In the case of either Repayment Loans or Interest-only Loans, the required monthly payment may alter from month to month for various reasons, including changes in interest rates.

For Interest-only Loans, because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan. A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all Accrued Interest, Arrears of Interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account, and

- standing order from a bank or building society account.

Capitalising Arrears

In certain infrequent circumstances following the accrual of Arrears on a Loan, the relevant Borrower may "opt in" to capitalise such Arrears. "**Capitalisation**" is one of the longer term solutions available to manage Arrears, and it involves "zero-ising" the balance of Arrears and allowing that amount to be cleared over the remaining term of the Loan.

The Servicer shall assess and service any Capitalisation in accordance with the capitalisation policy section of the Seller's Policy as it applies to the relevant Loans from time to time.

"**Arrears**" means as at any date in respect of any Loan, all amounts currently due and payable on that Loan which remain unpaid on that date.

"**in Arrears**" means, in respect of a Mortgage Account when on any date any amounts currently due and payable on that Loan remain unpaid on that date.

Title to the Portfolio

The Portfolio will consist of mortgages originated by PFL where legal and beneficial title to such mortgage loans was acquired by and transferred to the Seller under a business transfer agreement dated 1 April 2016.

Pursuant to, and under the terms of a mortgage sale agreement entered into with, among others, the Seller and the Security Trustee (the "**Mortgage Sale Agreement**"), dated on or about the Closing Date, the Seller will transfer the beneficial title to the Mortgages, with a right to call for the legal title thereto, to the Issuer.

In the case of the Mortgages over registered land in England and Wales which will be transferred to the Issuer on the Closing Date, the Seller has agreed to remain on the relevant English Land Registry as the legal mortgagee.

In the case of the Mortgages over registered land in Scotland which will be transferred to the Issuer on the Closing Date, the Seller has agreed to remain on the relevant Scottish or Sasine Register as the legal mortgagee or as heritable creditor.

None of the above-mentioned transfers to the Issuer is to be completed by registration at the Land Registry or the Registers of Scotland (if applicable) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The English Mortgages in the Portfolio and their collateral security are accordingly owned in equity only by the Issuer pending such transfer and the Scottish Mortgages in the Portfolio and their collateral security are accordingly held on trust for the Issuer pending such transfer. Legal title in the Mortgages and their collateral security continue to be vested in the Seller or (in relation to some of the Scottish Mortgages) PFL. The Seller has agreed to transfer or (if applicable) procure the transfer of legal title to the Mortgages and their collateral security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only in the circumstances set out below.

The Issuer will grant a first fixed charge in favour of the Security Trustee over its interest in the Mortgages (being, in respect of the Scottish Mortgages an assignation in security of its interest in and to the Scottish Declaration of Trust and the trust constituted thereby).

Save as mentioned below, the Security Trustee has undertaken not to effect any registration at the Land Registry or the Registers of Scotland (as the case may be) to protect the sale of the Mortgages to the Issuer or the granting of security over the Mortgages by the Issuer in favour of the Security Trustee nor, save as mentioned below, to obtain possession of title deeds to the properties the subject of the Mortgages.

Notices of the equitable assignments or declaration of trust in favour of the Issuer and the security in favour of the Security Trustee will not, save as mentioned below, be given to the Borrowers under the Mortgages.

Under the Mortgage Sale Agreement and the Deed of Charge, completion of the transfers to the Issuer will be effected and the Issuer and the Security Trustee will each be entitled to effect such registrations and give such notices as it considers necessary to protect their respective interests in the Mortgages, and to call for a legal assignment or assignation or transfer of the Mortgages in favour of the Issuer and a legal submortgage or sub-security over such Mortgages and collateral security in favour of the Security Trustee.

Under the Mortgage Sale Agreement and the Deed of Charge the Issuer and the Security Trustee have undertaken to take such steps only where, *inter alia*, (a) the Seller being required to perfect legal title to the Loans by (i) an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security, (b) it becoming necessary by law to take any or all such actions referred to in (a) above, (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take

action to reduce that jeopardy, (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or (e) the occurrence of a Seller Insolvency Event in relation to the Seller. Following such legal assignment, assignation or transfer and sub charge or sub security, the Issuer and the Security Trustee will each be entitled to take all necessary steps to perfect legal title to their respective interests in the Mortgages, including the carrying out of any necessary registrations, recordings and notifications. These rights are supported by irrevocable powers of attorney given by the Seller pursuant to the Mortgage Sale Agreement.

Warranties and Breach of Warranties in relation to the Mortgages

The Mortgage Sale Agreement contains certain warranties given by the Seller in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the Mortgage Sale Agreement. No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the warranties given to it under the Mortgage Sale Agreement.

If there is an unremedied breach of any of the warranties given under the Mortgage Sale Agreement and such breach causes a material adverse effect on the value of that Loan (as determined by the Servicer), then the Issuer shall demand that the Seller purchase any Mortgage which is the subject of the relevant unremedied material breach for a consideration in cash equal to the Current Balance of the relevant Mortgage *plus* any Accrued Interest.

Lending Criteria

The following is a summary of the criteria (the "**Lending Criteria**") of PFL and the Co-operative Bank in relation to Mortgage Loans to be secured on properties located in England, Wales or Scotland that were applied (subject to such deviation made in accordance with the standard of a Reasonable, Prudent Mortgage Lender) in respect of the Mortgages to be sold pursuant to the Mortgage Sale Agreement.

Security

(a) Each Loan is secured by a first ranking legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (usually at least 25 years longer than the mortgage term) in England or Wales (an "**English Property**"), or secured by a first ranking standard security (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 25 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") (the English Mortgages and the Scottish Mortgages are collectively defined as the "**Mortgages**" and an English Property and a Scottish Property are each a "**Property**" and are collectively defined as the "**Properties**").

(b) Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable.

(c) Properties under 10 years old will have the benefit of a NHBC or an architect's certificate or equivalent guarantee from an acceptable body.

(d) The following types of building are deemed unacceptable as security:

(i) mobile homes or houseboats;

(ii) prefabricated buildings and unrepaired prefabricated reinforced concrete (PRC) properties;

(iii) property where a flying freehold (not applicable to Scottish Properties) exists affecting more than 15 per cent. of the whole;

(iv) shared ownership properties;

(v) buildings with agricultural restrictions, small holdings or farms;

(vi) buildings of 100 per cent. timber construction;

(vii) steel framed properties (except post 1987 construction with BBA or WIMLAS certification);

(viii) multi occupied property;

(ix) tenanted property;

(x) properties with commercial usage;

(xi) live/work units; or

(xii) flats in blocks of more than four storeys of accommodation are subject to individual consideration.

(e) Each Property offered as security will have been valued by either a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by PFL or by an automated valuation model under which the valuation of the relevant Property was undertaken using Hometrack Data Systems Limited's automated valuation model by PFL.

(f) At the time of completion, the relevant Property must either have been insured under a block buildings policy in the name of PFL, or PFL must have been jointly insured with the Borrower under, or its interest noted on, a buildings policy relating to the relevant Property.

Loan Amount

No Mortgage may exceed a maximum principal amount of £1,400,000 (including Further Advances).

Loan to value

(a) The loan to value ratio ("**LTV**") is calculated by expressing the initial principal amount advanced at completion of the Mortgage as a percentage of the lower of the purchase price and valuation of the Property (with the exception of Right to Buy Loans and sales at an undervalue where the valuation is used).

(b) The LTV of each Mortgage at the date of completion must be no more than 90 per cent. (excluding fees).

Term

Each Mortgage must have an initial term of between 5 and 40 years.

Borrowers

(a) Borrowers must have been at least 18 years of age prior to completion of the Loan.

(b) A maximum number of two Borrowers are allowed to be parties to the Mortgage.

(c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:

(i) search supplied by a credit reference agency;

(ii) CAIS information;

(iii) confirmation of voters roll entries or proof of residency;

(iv) references from employers (and, in the case of mortgages originated by PFL, two payslips and a P60 form);

(v) accountant's certificate; or

(vi) references from current landlords and previous landlords.

Income

(a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional regular remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in partnership, or a sole trader; (ii) pensions; (iii) investments; (iv) rental income; and (v) any other monies approved by an authorised official of the lender.

(b) With the exception of certain allowable fees added to the aggregate balance of the Mortgage, the principal amount advanced will depend on the loan to value:

(i) where the loan to value is greater than 85 per cent., then the principal amount advanced will not exceed 5 times the assessed income of the joint Borrowers; and

(ii) where the loan to value is equal to or less than 85 per cent., then the principal amount advanced will not exceed 5 times the assessed income of the joint Borrowers.

Solicitors

The firm of solicitors acting on behalf of the lender on the making of the Mortgage must be on the PFL Solicitors panel. If the applicant wishes to use a solicitor not on the PFL Bank Solicitors panel then the lender will instruct one of the solicitors on the PFL Solicitors panel to act for the lender at the applicant's expense.

Exceptions to the Lending Criteria

Exceptions to the PFL Lending Criteria may only be made by Platform Home Loans Limited ("**PHL**") mandate holders ("**PHL Mandate Holders**"). Within their individual mandate, PHL Mandate Holders may make any exception to the PFL Lending Criteria **provided that** such exception is (i) in line with prudent mortgage lending in the non conforming market and (ii) documented on the case.

Changes to Lending Criteria

The Co-operative Bank may vary the Lending Criteria from time to time in the manner of a Reasonable, Prudent Mortgage Lender.

Servicing of the Portfolio

The Servicer will be required from the Closing Date to service the Portfolio as an agent of the Issuer and (following the delivery of a Note Acceleration Notice) the Security Trustee under and in accordance with the terms of the Servicing Agreement. The duties of the Servicer will include amongst other things:

- operating the Accounts and ensuring that payments are made into and from the Accounts in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their monthly payments or in the premium payable on any buildings insurance policy;
- providing a redemption statement upon the request of a Borrower's solicitor or licensed conveyancer (or qualified conveyancer in Scotland);
- taking all reasonable steps to recover all sums due to the Issuer, including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage or any related security;
- taking all action and doing all things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in administering its mortgages;

- make all filings, give all notices and make all registrations and other notifications required in the day to day operation of the business of the Issuer;

- arranging for all payments due to be made by the Issuer under any of the Transaction Documents to be made;

- keeping general books of account and records of the Issuer, provide accounting services including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts and supervising and assisting in the preparation of tax returns;

- paying on behalf of the Issuer all the out of pocket expenses of the Servicer incurred in the performance of the Servicer's duties under the Servicing Agreement.

The Servicer may transfer certain services including re-transfer to The Co-operative Bank of the servicing of certain Loans from time to time where the Borrower under such Loan is or becomes vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any transferee.

Enforcement Procedures

The Servicer has established procedures for managing loans which are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Servicer in many circumstances. These procedures, as from time to time varied in accordance with the practice of a Reasonable, Prudent Mortgage Lender or with the consent of, *inter alia*, the Issuer and the Security Trustee, are required to be used by the Servicer in respect of arrears arising on the Mortgages. In some cases, the Servicer may transfer its duties in respect of certain Loans to the Seller where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling.

English Loans

In order to realise its security in respect of a Property, the relevant mortgagee (be it the legal owner, the beneficial owner, the Security Trustee or its appointee (if the Security Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose; first, by taking physical possession (seldom done in practice), and second, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

Scottish Loans

A proportion of the Loans are secured over properties in Scotland ("**Scottish Loans**"). These are secured by security taken over the relevant properties by way of standard security, being the only means of

creating a fixed charge or security over heritable property in Scotland ("**Scottish Mortgages**"). In respect of Scottish Mortgages, references herein to a "**Mortgage**" and a "**Mortgagee**" (or the "**Legal proprietor**" of a Mortgage) are to be read as references to such a standard security and the heritable creditor thereunder, respectively.

A statutory set of *Standard Conditions* is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties.

The main provisions of the Standard Conditions, which cannot be varied by agreement, relate to enforcement. Generally, where a breach by a Borrower entitles the lender to enforce the security, an appropriate statutory notice must first be served. First, the lender has to serve a "calling up notice" requiring repayment, in which event the Borrower has two months to comply and on the expiry of such period where the Borrower is in default the lender has to obtain a court order before it may enforce its rights of sale under the standard security.

Prior to 30 September 2010, under the terms of the Mortgage Rights (Scotland) Act 2001 (the "**2001 Act**"), Scottish courts were permitted a discretion (upon application by a Borrower or other specified persons) to suspend the exercise of the lender's statutory enforcement remedies for such period and to such extent as the court considered reasonable, having regard, among other factors, to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation. The relevant provisions of the 2001 Act relating to the court's discretion to suspend such enforcement remedies were repealed with effect from 30 September 2010 under the terms of the Home Owner and Debtor Protection (Scotland) Act 2010 and replaced with the requirement (referred to above) on lenders to obtain a court order (except in very limited circumstances) when pursuing their statutory enforcement remedies, although the court will still have regard to the factors described above in exercising their discretion as to whether to grant the court order. See also the sections entitled "*Risk Factors – Mortgage Repossessions*" and "*Risk Factors – OneSavings Bank v Burns and Legal Title Transfers of Scottish Mortgages*".

Further Advances

If a Borrower wishes to take out a further loan secured by the same mortgage the Borrower will need to make a further advance application and the Seller will use the lending criteria applicable to further advances at that time in determining whether to approve the application. The original mortgage deed or (in Scotland) standard security is expressed to cover all amounts due under the relevant loan which would cover any further advances.

Some Loans in the Portfolio may have Further Advances made on them prior to their being sold to the Issuer on the Closing Date.

If a Loan is subject to a Further Advance after being sold to the Issuer, then the Issuer must purchase the Further Advance on the Advance Date and pay the Further Advance Purchase Price on the Monthly Pool Date immediately following the Monthly Period in which the Advance Date took place. Such Further Advance Purchase Price will be paid out of amounts standing to the credit of the Principal Receipts Ledger or, to the extent that the Issuer does not have sufficient funds from amounts standing to the credit of the Principal Receipts Ledger (prior to the VFN Commitment Termination Date) from a drawing under the Class B VFN to fund the purchase of such Further Advance.

Product Switches

From time to time, Borrowers may request or the Servicer may send an offer of a variation in the financial terms and conditions applicable to the Borrower's loan. In limited circumstances, if a Loan is subject to a Product Switch as a result of a variation, then the Seller may be required to repurchase the Loan or Loans and their Related Security from the Issuer.

Insurance Policies

Buildings Insurance

Buildings insurance or building and contents insurance is arranged by the relevant Borrower selecting an insurer and arranging cover accordingly (a "**Third Party Buildings Policy**").

In respect of the Mortgages to be sold by the Seller pursuant to the Mortgage Sale Agreement, the Seller will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost.

Title Insurance Policies

The Seller has the benefit of a title insurance policy (the "**Title Insurance Policy**") issued by London & European Title Insurance Services Limited in respect of any loss arising from the existence of any adverse matter which would have been revealed had the Seller instructed a solicitor to conduct a search or other procedure against the title to the relevant Property.

"**Insurance Policies**" means with respect to the Mortgages, the Title Insurance Policy (which are in favour of the Seller), and any other insurance contracts in replacement, addition or substitution thereof from time to time which relates to the Loans and "**Insurance Policy**" means any one of them.

Information regarding the policies and procedures of the Seller

The Seller has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation. The policies and procedures of the Seller in this regard broadly include the following:

(a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits, as to which please see the information set out earlier in this section entitled "*The Loans – Lending Criteria*", and "*Summary of Transaction Documents – Servicing Agreement*";

(b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures, as to which we note that the Portfolio will be serviced in line with the usual servicing procedure employed by the Seller – please see further the section entitled "*Summary of Transaction Documents – Servicing Agreement* ";

(c) diversification of credit portfolios taking into account the Seller's target market and overall credit strategy, as to which, in relation to the Portfolio, please see the section entitled "*The Loans*"; and

(d) policies and procedures in relation to risk mitigation techniques, as to which please see further the sections entitled "*The Loans –Lending Criteria*".

Governing law

Each of the Loans and any non-contractual obligations arising out of or in connection with them are governed by English law, or in respect of the Scottish Loans, Scots law.

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus has been compiled by reference to certain Loans in portfolios owned by the Seller as at the Portfolio Reference Date (the "**Provisional Portfolio**"). The Provisional Portfolio as at the Portfolio Reference Date consisted of 7,990 Loans originated by Platform Funding Limited ("**PFL**"), secured over properties located in England, Wales and Scotland. The Current Balance of the Provisional Portfolio on the Portfolio Reference Date was £1,400,052,659. The Portfolio that will be sold to the Issuer on the Closing Date (the "**Closing Date Portfolio**") will be randomly selected from the Provisional Portfolio on the Closing Date Portfolio Selection Date.

The characteristics of the Closing Date Portfolio will differ from that set out below as a result of, *inter alia*, the random selection from the Provisional Portfolio, repayments and redemptions of the Loans from the Portfolio Reference Date to the Closing Date Portfolio Selection Date and removal of any Loans which do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date. If a Loan selected for the Closing Date Portfolio is repaid in full between the Closing Date Portfolio Selection Date and the Closing Date, the principal recoveries from that Loan will form part of Available Principal Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Portfolio Reference Date for the Loans in the Provisional Portfolio.

In this section:

"**Mortgage Accounts**" means the totality of the relevant Loans granted by the Seller secured on the same Property and their Related Security; and

"**Owner Occupied Loan**" means any Loan in the Portfolio which is not a Buy to Let Loan.

Columns in the tables below may not add up to 100 per cent. due to rounding.

SUMMARY STATISTICS

Cut-off Date	31/03/2017
Total Current Balance (£)	1,400,052,659
Number of Mortgage Accounts	7,973
Number of Loans	7,990
Average Mortgage Account Current Balance (£)	175,599
Weighted average original LTV (%)	71.41
Weighted average current LTV (non-indexed) (%)	70.03
Weighted average indexed current LTV (%)*	67.97
Weighted average current interest rate (%)	2.12
Weighted average seasoning (Years)	0.69
Weighted average remaining term (Years)	24.3

* Based on the valuation at the time of latest loan advance indexed using Halifax 2016 Q3 Non Seasonally Adjusted Regional House Price Indices

Current Interest Rate Type

Product Interest Rate Type	Current Balance (£)	Current Balance (%)	Number of Loans	Number of Loans (%)
Base Rate Tracker	2,199,049	0.16	21	0.26
Discount	23,596,158	1.69	159	1.99
Fixed	1,373,867,597	98.13	7,795	97.56
SVR	389,855	0.03	15	0.19
Total:	**1,400,052,659**	**100.00**	**7,990**	**100.00**

Current Balances as at the Portfolio Reference Date

The following table shows the range of Mortgage Account Current Balances as at the Portfolio Reference Date.

Range of Current Balances	Current Balance (£)	Current Balance (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
0.00 to 49,999.99	9,416,529	0.67	236	2.96
50,000.00 to 99,999.99	130,161,501	9.30	1,638	20.54
100,000.00 to 149,999.99	274,069,294	19.58	2,209	27.71
150,000.00 to 199,999.99	256,597,254	18.33	1,480	18.56
200,000.00 to 249,999.99	198,271,441	14.16	888	11.14
250,000.00 to 299,999.99	170,584,028	12.18	625	7.84
300,000.00 to 349,999.99	111,157,663	7.94	344	4.31
350,000.00 to 399,999.99	81,336,414	5.81	218	2.73
400,000.00 to 449,999.99	62,857,302	4.49	149	1.87
450,000.00 to 499,999.99	43,480,978	3.11	92	1.15
500,000.00 >=	62,120,254	4.44	94	1.18
Total:	**1,400,052,659**	**100.00**	**7,973**	**100.00**

The maximum, minimum and average Current Balance of the Loans as of the Portfolio Reference Date is £1,384,341, £19,645 and £175,599 respectively.

Months in Arrears

The following table shows the number of months in arrears for the Mortgage Accounts as at the Portfolio Reference Date calculated as the aggregate of all arrears balances on a Mortgage Account divided by the aggregate of the monthly subscription amounts on a Mortgage Account.

Arrears Months	Current Balance (£)	Current Balance (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
0	1,400,052,659	100.00	7,973	100.00
Total:	**1,400,052,659**	**100.00**	**7,973**	**100.00**

Current Interest Rates

Current Interest Rate (%)	Current Balance (£)	Current Balance (%)	Number of Loans	Number of Loans (%)
1.00 to 1.99	637,528,740	45.54	3,143	39.34
2.00 to 2.99	696,469,705	49.75	4,357	54.53
3.00 to 3.99	63,136,851	4.51	452	5.66
4.00 to 4.99	2,166,000	0.15	32	0.40
5.00 to 5.99	751,363	0.05	6	0.08
Total:	**1,400,052,659**	**100.00**	**7,990**	**100.00**

The maximum, minimum and weighted average Current Interest Rates of the Loans as of the Portfolio Reference Date is 5.75 per cent, 1.19 per cent. and 2.12 per cent. respectively.

Loan to Value Ratios at Origination

The calculation for the first column below takes the earliest origination date on the property and aggregates the original advance amounts of any current loan parts which have an origination date equal to the earliest origination. This figure is then divided by the original valuation amount. The remaining columns show, by reference to the Portfolio Reference Date, for each of the original LTV ranges (i) the Current Balances and proportions of the Current Balances of the Loans, and (ii) the number of mortgage accounts and proportion of mortgage accounts.

Range of LTV Ratios at Origination (%)	Current Balance (£)	Current Balance (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
<= 50.00	146,386,453	10.46	1,205	15.11
50.01 to 55.00	54,992,042	3.93	329	4.13
55.01 to 60.00	93,371,487	6.67	481	6.03
60.01 to 65.00	70,933,156	5.07	400	5.02
65.01 to 70.00	190,781,573	13.63	970	12.17
70.01 to 75.00	206,739,075	14.77	1,077	13.51
75.01 to 80.00	201,280,960	14.38	1,112	13.95
80.01 to 85.00	214,562,999	15.33	1,151	14.44
85.01 to 90.00	221,004,913	15.79	1,248	15.65
Total:	**1,400,052,659**	**100.00**	**7,973**	**100.00**

The maximum, minimum and weighted average Loan to Value Ratio as at the Portfolio Reference Date of the Loans in the Portfolio is 90.00 per cent, 5.42 per cent. and 71.41 per cent. respectively.

Current Indexed Loan to Value Ratios

The following table shows the range of Current Indexed Loan to Value Ratios, which are calculated by dividing the Current Balance of a Mortgage Account as at the Portfolio Reference Date by the indexed valuation, where the indexed valuation is based on the valuation at the time of the latest loan advance indexed using Halifax 2016 Q3 Non Seasonally Adjusted Regional House Price Indices.

Range of Current Indexed LTV Ratios (%)	Current Balance (£)	Current Balance %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
<= 50.00	174,373,655	12.45	1,372	17.21
50.01 to 55.00	69,050,635	4.93	401	5.03
55.01 to 60.00	105,185,777	7.51	552	6.92
60.01 to 65.00	142,267,924	10.16	731	9.17
65.01 to 70.00	201,966,740	14.43	1,027	12.88
70.01 to 75.00	204,223,741	14.59	1,074	13.47
75.01 to 80.00	186,665,768	13.33	1,054	13.22
80.01 to 85.00	153,029,602	10.93	846	10.61
85.01 to 90.00	140,617,970	10.04	773	9.70
90.01 to 95.00	22,670,847	1.62	143	1.79
Totals	**1,400,052,659**	**100.00**	**7,973**	**100.00**

Based on original valuation indexed using Halifax 2016 Q3 Non Seasonally Adjusted Regional House Price Indices.

The maximum, minimum and weighted average current indexed Loan to Value Ratio as at the Portfolio Reference Date of all the Loans is 94.06 per cent, 5.21 per cent. and 67.97 per cent. respectively.

Current Non- Indexed Loan to Value Ratios

The following table shows the range of Current Non- Indexed Loan to Value Ratios, which are calculated by dividing the Current Balance of a Mortgage Account as at the Portfolio Reference Date by the non-indexed valuation at the time of the latest loan advance.

Range of Current Non-Indexed LTV Ratios (%)	Current Balance (£)	Current Balance %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
<= 50.00	159,782,409	11.41	1,300	16.31
50.01 to 55.00	56,631,359	4.04	321	4.03
55.01 to 60.00	91,977,244	6.57	486	6.10
60.01 to 65.00	99,404,596	7.10	551	6.91
65.01 to 70.00	191,862,200	13.70	962	12.07
70.01 to 75.00	199,520,353	14.25	1,054	13.22
75.01 to 80.00	194,357,416	13.88	1,063	13.33
80.01 to 85.00	189,818,250	13.56	1,017	12.76
85.01 to 90.00	213,248,935	15.23	1,199	15.04
90.01 to 95.00	3,449,897	0.25	20	0.25
Totals	**1,400,052,659**	**100.00**	**7,973**	**100.00**

Based on original valuation indexed using Halifax 2016 Q3 Non Seasonally Adjusted Regional House Price Indices.

The maximum, minimum and weighted average current Loan to Value Ratio as at the Portfolio Reference Date of all the Loans is 90.12 per cent, 5.31 per cent. and 70.03 per cent. respectively.

Geographical Distribution

Region	Current Balance (£)	Current Balance %	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
East Anglia	72,064,381	5.15	480	6.02
East Midlands	92,695,624	6.62	705	8.84
Greater London	167,238,085	11.95	506	6.35
North	34,092,929	2.44	278	3.49
North West	98,022,709	7.00	723	9.07
Scotland	85,148,718	6.08	614	7.70
South East	500,422,811	35.74	2,244	28.14
South West	109,735,641	7.84	645	8.09
Wales	44,912,693	3.21	347	4.35
West Midlands	87,637,252	6.26	609	7.64
Yorkshire Humber	108,081,815	7.72	822	10.31
Totals	**1,400,052,659**	**100.00**	**7,973**	**100.00**

Seasoning of Loans

The following table shows the number of years since the date of origination of the Loans.

Seasoning (years)	Current Balance as (£)	Current Balance %	Number of Loans	Number of Loans (%)
0.00 to 0.99	1,027,916,365	73.42	6,015	75.28
1.00-1.99	364,257,834	26.02	1,905	23.84
2.00-2.99	6,598,079	0.47	54	0.68
3.00-3.99	795,507	0.06	11	0.14
4.00-4.99	0	0.00	0	0.00
5.00-5.99	0	0.00	0	0.00
6.00-6.99	320,839	0.02	3	0.04
7.00-7.99	164,034	0.01	2	0.03
Totals	**1,400,052,659**	**100.00**	**7,990**	**100.00**

The maximum, minimum and weighted average seasoning of Loans in the Portfolio as at the Portfolio Reference Date is 7.42, 0.00 and 0.69 years, respectively.

Remaining Term

The following table shows the number of remaining years of the term of the Loans as at the Portfolio Reference Date and are calculated with respect to the Maturity Date.

Years to Maturity	Current Balance (£)	Current Balance %	Number of Loans	Number of Loans (%)
0.00 to 4.99	1,384,215	0.10	25	0.31
5.00 to 9.99	21,672,936	1.55	292	3.65
10.00 to 14.99	99,758,728	7.13	812	10.16
15.00 to 19.99	234,106,803	16.72	1,474	18.45
20.00 to 24.99	474,844,209	33.92	2,517	31.50
25.00 to 29.99	334,315,954	23.88	1,657	20.74
30.00 to 34.99	208,908,354	14.92	1,080	13.52
35.00 to 39.99	25,061,459	1.79	133	1.66
Totals	**1,400,052,659**	**100.00**	**7,990**	**100.00**

The remaining term of the Loans in the Portfolio as at the Portfolio Reference Date is anywhere between 3.75 and 39.75 years and the weighted average remaining term is 24.30 years.

Purpose of Loan

Use of Proceeds	Current Balance (£)	Current Balance as %	Number of Loans	Number of Loans (%)
Further Advance	427,777	0.03	17	0.21
Purchase	662,187,642	47.30	3,434	42.98
Remortgage	737,437,240	52.67	4,539	56.81
Totals	**1,400,052,659**	**100.00**	**7,990**	**100.00**

Reversion Date (Fixed Rate Mortgages)

The following table shows the year of reversion, for the Fixed Rate Mortgages only.

	Current Balance as (£)	Current Balance as %	Number of Loans	Number of Loans (%)
2017	48,540,991	3.53	240	3.08
2018	584,846,657	42.57	3,326	42.67
2019	384,217,472	27.97	2,160	27.71
2020	40,889,305	2.98	236	3.03
2021	212,363,118	15.46	1,283	16.46
2022	103,010,056	7.50	550	7.06
Totals	**1,373,867,597**	**100.00**	**7,795**	**100.00**

Reversion Index (Fixed Rate Mortgages)

The following table shows the type of interest rate the Loans revert to, for the Fixed Rate Mortgages only.

	Current Balance as (£)	Current Balance as %	Number of Loans	Number of Loans (%)
Base Rate Tracker	16,861,336	1.23	115	1.48
SVR	1,357,006,261	98.77	7,680	98.52
Totals	**1,373,867,597**	**100.00**	**7,795**	**100.00**

Reversion Date (Discount Mortgages)

The following table shows the year of reversion, for the Discount Mortgages only.

	Current Balance as (£)	Current Balance as %	Number of Loans	Number of Loans (%)
2018	23,208,074	98.36	154	96.86
2019	388,084	1.64	5	3.14
Totals	**23,596,158**	**100.00**	**159**	**100.00**

Reversion Index (Discount Mortgages)

The following table shows the type of interest rate the Loans revert to, for the Discount Mortgages only.

	Current Balance as (£)	Current Balance as %	Number of Loans	Number of Loans (%)
SVR	23,596,158	100.00	159	100.00
Totals	**23,596,158**	**100.00**	**159**	**100.00**

Repayment Type

	Current Balance as (£)	Current Balance as %	Number of Loans	Number of Loans (%)
Capital and Interest	1,399,567,785	99.97	7,985	99.94
Interest only	484,874	0.03	5	0.06
Totals	1,400,052,659	100.00	7,990	100.00

Tenure

Tenure	Current Balance as (£)	Current Balance as (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
Absolute Owner	85,036,476	6.07	613	7.69
Freehold	1,127,330,320	80.52	6,318	79.24
Leasehold	187,685,862	13.41	1,042	13.07
Total:	1,400,052,659	100.00	7,973	100.00

Property Type

Tenure	Current Balance as (£)	Current Balance as (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
Bungalow	56,445,437	4.03	373	4.68
Flat	162,474,904	11.60	891	11.18
House	1,181,132,318	84.36	6,709	84.15
Total:	1,400,052,659	100.00	7,973	100.00

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Portfolio

Under the Mortgage Sale Agreement, on the Closing Date the Issuer will pay the Initial Consideration to the Seller and:

(a) the English Loans and the English Mortgages and other Related Security will be assigned to the Issuer; and

(b) the Seller and PFL will hold on trust under the Scottish Declaration of Trust the Scottish Loans, the associated first ranking standard securities and the Related Security for the benefit of the Issuer,

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

The consideration due to the Seller in respect of the sale of the Portfolio is payable on the Closing Date and is the aggregate of:

(a) £1,382,424,971.66 being an amount equal to the proceeds of the Current Balance of the Loans in the Closing Date Portfolio as at the Closing Date Portfolio Selection Date (the "**Initial Consideration**"); and

(b) an amount of £1,687,753.38 representing Accrued Interest accrued up to the Closing Date Portfolio Selection Date ("**Accrued Interest Consideration**"), which shall be payable to the Seller after the Closing Date but on or before the first Interest Payment Date; and

(c) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the Portfolio.

"**Deferred Consideration**" means the consideration payable to the Seller in respect of the Loans sold to the Issuer from time to time, which is due and payable under the Mortgage Sale Agreement after making payments of a higher order of priority as set out in the relevant Priority of Payments.

The Deferred Consideration will be paid in accordance with the Priority of Payments set out in the sections headed "*Cashflows — Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*" and "*Cashflows – Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer*" below.

Title to the Mortgages, registration and notifications

The completion of the transfer, or, in the case of Scottish Loans and their Related Security, assignation, of the Loans and Related Security (and where appropriate their registration or recording) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

The transfers of legal title to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

(a) the Seller being required:

  (i) by an order of a court of competent jurisdiction;

  (ii) by a regulatory authority which has jurisdiction over the Seller; or

  (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply,

to perfect legal title to the Loans and their Related Security; or

(b) it becoming necessary by law to take any or all such actions referred to in (a) above; or

(c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy; or

(d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or

(e) the occurrence of a Seller Insolvency Event in relation to the Seller,

(each of the events set out in paragraphs (a) to (e) inclusive being a "**Perfection Event**").

A "**Seller Insolvency Event**" will occur in the following circumstances:

(a) an order is made or an effective resolution passed for the winding up of the Seller; or

(b) the Seller stops or threatens to stop payment to its creditors generally or the Seller ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Seller or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the Seller and, in the case of any of the foregoing events, is not discharged within 30 days; or

(d) the Seller is unable to pay its debts as they fall due.

The Title Deeds and Loan Files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the Title Deeds and Loan Files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

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

Loan Porting

If a Borrower ports a Loan comprised in the Portfolio prior to the occurrence of a Perfection Event, such Loan will be repurchased and the principal element will be applied as Available Principal Receipts and the interest element will be applied as Available Revenue Receipts on the Interest Payment Date immediately following the Collection Period in which the Loan was ported.

Representations and Warranties in the Mortgage Sale Agreement

On the Closing Date, the representations and warranties described below will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch or Further Advance, then if it is determined on the Monthly Test Date immediately following the Monthly Period in which such Product Switch and/or Further Advance was made that the Asset Conditions were not satisfied on the last calendar day of the calendar month in which the Product Switch and/or Further Advance was made, the Issuer shall require the Seller to repurchase the Loans subject to any Product Switch or Further Advance and their Related Security in accordance with the provisions of the Mortgage Sale Agreement.

The representations and warranties that will be given to the Issuer and the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the Mortgage Sale Agreement and see also "*Insurance Contracts*" above):

(a) no Borrower is in default under a Loan;

(b) no self-certified Loans are present in the Portfolio;

(c) no Borrower has filed for bankruptcy, petitioned for sequestration, been sequestrated, entered into an individual voluntary arrangement or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended), or had a county court judgment, Scottish court decree for payment or bankruptcy order entered or made against them within six years prior to the Closing Date;

(d) each Loan was originated by and made by PFL or the Co-operative Bank on its own account;

(e) as of the Closing Date Portfolio Selection Date, the particulars of the Loans set out in the Mortgage Sale Agreement were complete, true and accurate in respect of the data fields described in the Mortgage Sale Agreement;

(f) each Loan arose from the ordinary course of PFL's or the Co-operative Bank's residential secured lending activities in England, Wales and Scotland and, in each case, at the time of origination, the Lending Criteria were satisfied;

(g) each Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect (other than in cases where PFL's or The Co-operative Bank's, or, following Closing, the Issuer's prior consent was obtained);

(h) all of the Borrowers are individuals;

(i) no Borrower (or guarantor of a Borrower's obligations) is an employee or director of PFL;

(j) no Loan is a Right to Buy Loan;

(k) no Loan is a Flexible Loan;

(l) there were no Capitalised Arrears on any Loan as at the Portfolio Reference Date;

(m) each Loan has a term ending no later than three years earlier than the Final Maturity Date;

(n) no Underpayments or Payment Holidays have been granted in respect of any Loan as at the Portfolio Reference Date;

(o) no Loan is in Arrears;

(p) the amount outstanding under each Loan is a valid debt to The Co-operative Bank from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies (ii) enforcement of a Scottish Mortgage may be delayed if challenged by a Borrower on the grounds of the OneSavings Bank plc v Burns decision and (iii) the warranty does not apply in relation to any redemption fees or other charges that may be payable;

(q) no Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, PFL and, as the case may be, The Co-operative Bank, have complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made pursuant thereto;

(r) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140D of the CCA;

(s) there are no outstanding obligations on The Co-operative Bank to make any Further Advances to any Borrower;

(t) in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan);

(u) in relation to any leasehold Property, in any case where PFL or The Co-operative Bank has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, PFL or The Co-operative Bank (as applicable) has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;

(v) no Loan is currently repayable in a currency other than Sterling;

(w) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was £10,000 or more but less than £1,400,000;

(x) all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;

(y) in the case of each Loan, PFL caused to be made on its behalf a valuation of the relevant Property by a valuer approved by PFL (being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers for the valuation of a Property), or by an automated valuation model by Hometrack Data Systems Limited in all material respects in accordance with the Lending Criteria;

(z) neither PFL nor The Co-operative Bank has agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security;

(aa) all of the Properties are residential and located in England, Wales and Scotland;

(bb) prior to making a Loan to a Borrower, PFL either:

(i) caused its approved solicitors, being:

(A) any firm of solicitors authorised to practise law by the Law Society of England and Wales or the Law Society of Scotland having at least two partners;

(B) any firms of solicitors authorised to practice law by the Law Society of England and Wales or the Law Society of Scotland having a sole principal; or

(C) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender ("**Approved Solicitors**")) or its approved conveyancers (being: (1) any sole principal, partnership or incorporated practice of conveyancers authorised to practise conveyancing by the Council of Licensed Conveyancers; or (2) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender ("**Approved Conveyancers**")),

to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England, Wales or Scotland (as applicable); and

(D) received a certificate of title prepared by Approved Solicitors or Approved Conveyancers (a "**Certificate of Title**") relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender in order to proceed with the Loan; or

(ii)

(A) has the benefit of a Title Insurance Policy applicable to such Property; and

(B) received a Restricted Certificate of Title relating to such Property relating to the title to the Property;

(cc) in relation to each Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

(i) the lease cannot be forfeited on the bankruptcy of the tenant;

(ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and

(iii) a copy of the consent or notice has been or will be placed with the Title Deeds;

(dd) in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security) from any encumbrance which would materially and adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

(i) the lease cannot be irritated on the bankruptcy or sequestration of the tenant;

(ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and

(iii) a copy of the consent or notice has been or will be placed with the Title Deeds;

(ee) all steps necessary to perfect The Co-operative Bank's title to each Mortgage were duly taken or are in the process of being taken with all due diligence and the Co-operative Bank is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;

(ff) no Loan or Related Security is subject to any right of rescission, set off, lien, counterclaim or defence (including any equivalent or analogous right arising under the laws of Scotland) and there are no outstanding claims by PFL or The Co-operative Bank (as appropriate) in respect of any material breaches of the terms of any Loan;

(gg) neither PFL nor The Co-operative Bank has waived any of its rights under or in relation to a Loan or Related Security which would materially reduce the value of the Loan;

(hh) the terms of the Loan Agreement or Related Security relating to each Loan are not "unfair terms" within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;

(ii) so far as The Co-operative Bank is aware, in respect of each Loan entered into before 21 July 2009, neither PFL nor The Co-operative Bank has received complaints that either of them has not complied with the terms of the Office of Fair Trading's November 1997 Guidelines for Non Status Mortgage Lenders;

(jj) in relation to each Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to PFL as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a Deed of Consent and in relation to each Scottish Mortgage, all necessary documentation has been obtained so as to ensure that the relevant Property is not subject to any right of occupancy;

(kk) in relation to each Scottish Mortgage relating to a Loan, all necessary MHA/CP Documentation has been obtained, so as to ensure that neither the relevant Property nor the relevant Mortgage is subject to any right of occupancy;

(ll) the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as The Co-operative Bank is aware, the relevant policies are valid and enforceable and The Co-operative Bank has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;

(mm) as far as The Co-operative Bank is aware, there is no claim outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and The Co-operative Bank is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;

(nn) save for Title Deeds held at the Land Registry or the Registers of Scotland (as applicable) all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by The Co-operative Bank or its agents and the title deeds held at the Land Registry or the Registers of Scotland (as applicable) are held on the basis that any such title deeds shall be returned to The Co-operative Bank or its solicitors or agents;

(oo) The Co-operative Bank has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at the Land Registry or the Registers of Scotland (as applicable) of The Co-operative Bank as proprietor or heritable creditor of the relevant Mortgage;

(pp) neither the Co-operative Bank nor PFL has received written notice of or are aware of any litigation or claim which may have a material adverse effect on The Co-operative Bank's title to any Loan or Related Security;

(qq) The Co-operative Bank has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;

(rr) The Co-operative Bank has at all relevant times held and continues to hold (i) a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England, Wales and Scotland and (ii) a registration under the Data Protection Act 1998 or equivalent;

(ss) all formal approvals, consents and other steps necessary to permit a legal transfer and assignation of the Loans and their related Mortgages and the other Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;

(tt) PFL and The Co-operative Bank (together with their delegates and service providers) have, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of The Co-operative Bank;

(uu) The Co-operative Bank and PFL have at all relevant times held and continues to hold authorisation and appropriate permissions from the FCA for conducting all regulated activities in respect of the loan and related security for which they hold a permission and as specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;

(vv) The Co-operative Bank and PFL have complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loan and Related Security, in particular the provisions of the FCA Mortgages and Home Finance: Conduct of Business sourcebook as amended from time to time;

(ww) no Borrower has made any complaint and there is no pending or threatened action or proceeding by an applicant against PFL or The Co-operative Bank in respect of the Loans or Related Security;

(xx) each officer or employee of The Co-operative Bank and PFL in any capacity which involved a Senior Management Function under the SMCR regime. and or a controlled function under the

APER regime (as defined in the rules, guidance and evidential provisions as amended from time to time contained in the PRA rulebook and or the FCA Handbook of Rules and Guidance (the "**FCA Rules**")) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "Senior Management Function" or "approved person";

(yy) The Co-operative Bank and PFL have created and maintained all records in respect of the Mortgages in accordance with the FCA Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;

(zz) no Related Security comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of Stamp Act 1891), chargeable securities (within the meaning of section 99 of the Finance Act 1986) or a chargeable interest (within the meaning of section 48 of the Finance Act 2003);

(aaa) the Seller is beneficially entitled to the Deferred Consideration paid by the Issuer to the Seller in accordance with the relevant Priority of Payments;

(bbb) no Loan or Related Security is cancellable under the Financial Services (Distance Marketing) Regulations (2004) (as amended) or under any other applicable law;

(ccc) neither The Co-operative Bank nor PFL have altered the terms of any letter of offer accepted by a Borrower relating to a Loans or otherwise changed any of the terms and conditions relating to any Loans other than in accordance with the terms and conditions of the letter of offer relating to a Loans as accepted by the applicable Borrower;

(ddd) each Loan (including any Further Advances) sold by The Co-operative Bank to the Issuer pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan (or as the case may be such Further Advance), a "financial asset" as defined in: (i) United Kingdom Financial Reporting Standard 25 ("**FRS 25**") (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with FRS 25); or (ii) International Accounting Standard 32 ("**IAS 32**") (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with IAS 32);

(eee) at the date of origination of the Loans, each Borrower was resident in England, Wales or Scotland;

(fff) at least one monthly payment due in respect of each Loan has been paid by the relevant Borrower under each Loan;

(ggg) each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower and each relevant Mortgage securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the person entitled to the benefit of the relevant Mortgage (the "**Mortgagee**") in priority, in the case of a Mortgage which is a first ranking mortgage, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property);

(hhh) the beneficial interest in each Further Advance is vested in the Issuer pursuant to the Mortgage Sale Agreement;

(iii) prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Servicing Agreement were duly undertaken;

(jjj) prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the Lending Criteria in all material respects;

(kkk) each Further Advance has been made on the terms of the Standard Documentation of The Co-operative Bank (so far as applicable) without material variation;

(lll) PFL or the Co-operative Bank (as applicable) has made reasonable enquiries to satisfy itself that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party

Buildings Policy with a reputable insurance company against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost; and

(mmm) no Loan is a buy-to-let Loan.

Neither the Security Trustee nor the Arrangers have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the warranties referred to above which will be made by the Seller to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

For the avoidance of doubt, each reference to a 'Loan' in a Loan Warranty shall where the context requires include any Further Advances made in respect of that Loan on or prior to the Closing Date. References in Loan Warranties to the "FCA" shall be taken to include the Financial Services Authority ("**FSA**") as the context requires.

"**Flexible Loans**" means a flexible loan product giving the Borrower an exercisable redraw right under the relevant Loan.

"**Loan Warranty**" means the loan warranties as described in the Mortgage Sale Agreement.

"**MHA/CP Documentation**" means, in relation to any Scottish Loan, an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) Chapter 3 of Part 3 of the Civil Partnership Act 2004 in connection with such Scottish Mortgage.

"**Restricted Certificate of Title**" means a restricted certificate of title from Approved Solicitors or Approved Conveyancers relating to such Property relating to the title to the Property in a form approved by the insurer under each Title Insurance Policy.

"**Underpayments or Payment Holidays**" means any underpayment and payment holiday feature of a product where the borrower who is not in arrears can apply to defer one or more monthly payments or apply to underpay.

Further Advances and Product Switches

As used in this Prospectus, "**Initial Advance**" means all amounts advanced by the Seller (or, as applicable, the relevant Originator) to a Borrower under a Loan other than a Further Advance.

Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire Further Advances.

Further Advances

The Issuer will purchase Further Advances from the Seller on the date that the relevant Further Advance is advanced to the relevant Borrower by the Seller (the "**Advance Date**"). The Issuer will pay the Seller an amount equal to the Current Balance of the relevant Further Advance (the "**Further Advance Purchase Price**") on the Monthly Pool Date immediately succeeding the Monthly Period in which the relevant Advance Date occurred from amounts standing to the credit of the Principal Receipts Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the amounts standing to the credit of the Principal Receipts Ledger would not be sufficient to fund such Further Advance Purchase Price, the Issuer will, prior to the VFN Commitment Termination Date, make a drawing under the Class B VFN in an amount equal to the difference between the amounts standing to the credit of the Principal Receipts Ledger and the Further Advance Purchase Price, credit such amount to the Class B VFN Drawdown Ledger and use such proceeds of the Class B VFN to fund the purchase of Further Advances under the Loans. Amounts standing to the credit of the Class B VFN Drawdown Ledger will be utilised to purchase Further Advances. If the Issuer is unable to fund the purchase of any Further Advance from amounts standing to the credit of the Principal Receipts Ledger or standing to the credit of the Class B VFN Drawdown Ledger and the Class B VFN Holder fails to advance an amount equal to such shortfall in the Further Advances Purchase Price to be paid on the Monthly Pool Date, the Issuer will not complete the purchase of the relevant Further Advance and the Seller must repurchase the related Loan and its Related Security for a price equal to its Current Balance plus Accrued Interest on the next Monthly Pool Date (but

not including the amount of the Further Advance) determined as at the relevant Monthly Pool Date in accordance with the terms of the Mortgage Sale Agreement.

"**Further Advance**" means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

Product Switches

The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio provided that it satisfied the Asset Conditions and it is a Permitted Product Switch. If it is subsequently determined by the Servicer on the Monthly Test Date immediately succeeding the Monthly Period in which the Product Switch was made that (i) any of the Asset Conditions were not met as at the last calendar day of the month in which the Switch Date took place or (ii) the Product Switch was not a Permitted Product Switch, then the Seller shall, upon receipt of notice from the Issuer, repurchase the relevant Loan and its Related Security in accordance with the Mortgage Sale Agreement.

The Seller (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Switch. Neither the Servicer nor the Seller shall make an offer to a Borrower for a Product Switch if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

"**Permitted Product Switch**" is a Product Switch where:

(a) the relevant Borrower has made at least one Monthly Payment, in full, on its Loan;

(b) the new loan for which the prior Loan is to be exchanged is subject to either a Fixed Rate or the Base Rate linked rate of interest; and

(c) on the Monthly Test Date immediately following the making of the Product Switch, each of the conditions as set forth under "Asset Conditions" below are satisfied.

"**Product Switch**" means any variation in the financial terms and conditions applicable to a Loan other than any variation:

(a) agreed with a Borrower to control or manage arrears on the Loan;

(b) in the maturity date of the Loan unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes; or

(c) imposed by statute.

"**Switch Date**" means the date on which a Product Switch occurs.

Repurchase by the Seller

If:

(a) a Loan or its Related Security does not comply with the Loan Warranties, such non-compliance is likely to have a material adverse effect on the value of that Loan (as determined by the Servicer in accordance with the Servicing Agreement), and the default is not cured within 90 Business Days of notice being given of such non compliance;

(b) a Loan has been subject to a Further Advance or Product Switch and it is determined on the Monthly Test Date immediately following the Monthly Period in which the Further Advance or Product Switch was made that the Asset Conditions were not satisfied on the last calendar day of the calendar month in which the Advance Date or Switch Date, as the case may be, took place;

(c) a Loan has been subject to a Product Switch, but it is determined that such Product Switch was not a Permitted Product Switch; or

(d) a Scottish Mortgage is or has been subject to enforcement proceedings that are successfully challenged by a Borrower on the grounds that legal title to that Mortgage is not vested in the Seller,

then the Seller will, upon receipt of notice from the Issuer, be required to repurchase the relevant Loan and its Related Security (and any other Loans secured or intended to be secured by that Related Security or any part of it) from the Issuer in accordance with the Mortgage Sale Agreement. The repurchase price shall be the Current Balance of the relevant loan *plus* any Accrued Interest on the Monthly Pool Date immediately following a determination by the Seller that such breach or breaches cannot be remedied or failure by the Seller to remedy such breach or breaches.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are generally open for business in London.

"**Calculation Date**" means the 8th of March, June, September and December or if such day is not a Business Day, the next following Business Day.

"**Collection Period**" means the quarterly period commencing on and including the Collection Period Start Date and ending on and including the last calendar day before the immediately following Collection Period Start Date except that the first Collection Period will commence on 24 May 2017 and end on 31 August 2017.

"**Collection Period End Date**" means the last day of the calendar quarter immediately preceding the immediately following Calculation Date.

"**Collection Period Start Date**" means the 1st of March, June, September and December except that the first Collection Period Start Date will be 24 May 2017 and the second Collection Period Start Date will be 1 September 2017.

The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

(a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and

(b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and

(c) any other amount (including, for the avoidance of doubt, Arrears of Interest and any costs or fees incurred in connection with the recovery of that Loan) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage (but excluding any Accrued Interest),

as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released.

"**Insolvency Event**" means, in respect of the Issuer, The Co-operative Bank, the Servicer, the Corporate Services Provider, the Collection Account Bank, any Agent or the Cash Manager (each, for the purposes of this definition, a "**Relevant Entity**"):

(a) an order is made or an effective resolution passed for the winding up of the Relevant Entity: or

(b) the Relevant Entity ceases or threatens to cease to carry on the whole of its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(l)(a), (b), (c) or (d) of the Insolvency Act or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amounts of its liabilities

(taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or

(c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or the substantial part of the undertaking or assets of the Relevant Entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 15 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness.

"**Loan Files**" means the file or files relating to each Loan (including files kept in microfiche formal or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing *inter alia* correspondence between the relevant Borrower and the Seller and including mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to that extent available, the solicitor's, licensed or qualified conveyancer's certificate of title.

"**Monthly Period**" means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on the Closing Date and end on the last calendar day of June 2017.

"**Monthly Period End Date**" means the last day of the calendar month.

"**Monthly Pool Date**" means (a) the first day of the calendar month immediately following each Monthly Period End Date; or (b) where such day is not a Business Day, the following Business Day.

"**Monthly Test Date**" means the tenth Business Day of each month.

"**Mortgage**" means in respect of any Loan, the first charge by way of legal mortgage in England and Wales or the first ranking Standard Security in Scotland over the relevant Property executed by the relevant Borrower which is, or is to be, sold, assigned or transferred by the Seller to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

"**Mortgage Conditions**" means all the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions, including in respect of the Portfolio the relevant mortgage conditions booklet and (where PFL is the Originator of such Loan) the relevant general conditions of PFL as originator of the Portfolio, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

"**Property**" means a freehold, leasehold or commonhold property (if in England and Wales) or a heritable or long leasehold residential property (of located in Scotland), together the "**Properties**".

"**Reasonable, Prudent Mortgage Lender**" means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales and Scotland of the type contemplated in the relevant Lending Criteria on terms similar to those set out in the relevant Lending Criteria.

"**Related Security**" means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement including (without limitation):

(a) the benefit of all affidavits, declarations, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, Deeds of Consent) from occupiers and other persons having an interest in or rights in connection with the relevant Property;

(b) each right of action of the Seller against any person (including, without limitation, any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the relevant Loan; and

(c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (including, the relevant Insurance Policies) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and relevant Loan Files.

"**Right to Buy Loan**" means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under section 156 of the Housing Act 1985 excluding however such Loans in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired (in the case of English Mortgages) or a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under section 61 of the Housing (Scotland) Act 1987 (as amended) (in the case of Scottish Mortgages) excluding however any such Loans in respect of which the period during which the standard security in favour of the seller of the Property referred to in section 72 of the Housing (Scotland) Act 1987 is of effect has expired.

"**Scottish Mortgage**" means a Mortgage over a Scottish Property;

"**Seller Standard Variable Rate**" means the relevant standard variable rate set by the Seller in relation to applicable Standard Variable Rate Mortgages beneficially owned by the Seller on the Seller's residential mortgage book;

"**Standard Variable Rates**" or "**SVR**" means the Seller Standard Variable Rate and the Issuer Standard Variable Rate, as the context may require;

"**Swap Calculation Period**" means, in respect of a Fixed Rate Swap Transaction (other than the first Swap Calculation Period), each period that corresponds to an Interest Period under the Notes. The first Swap Calculation Period, shall be the period from (and including) the Closing Date to but excluding the first Swap Payment Date;

"**Title Deeds**" means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds, certificates and all other documents which relate to the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage.

"**Valuation Report**" means the valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by PFL and/or the Seller from a valuer (being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers) in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of PFL and/or the Seller;

Asset Conditions

In order for any Loan which has been the subject of a Product Switch or a Further Advance to remain in the Portfolio, the following conditions (the "**Asset Conditions**") must be complied with as of the relevant Switch Date or Advance Date (as applicable) immediately following the making of the Product Switch or the Further Advance. The Asset Conditions will be tested on the Monthly Test Date immediately following the Monthly Period in which such sale of the Product Switch or Further Advance took place.

The Asset Conditions are:

(a) the Loan Warranties remain true, accurate and complete as at the last calendar day of the month in which the Advance Date or Switch Date (as applicable) took place;

(b) the Fixed Rate Swap Agreement will hedge against any fixed interest receivable in respect of the Loan which is the subject-matter of such Product Switch and/or Further Advance from the start of the following Swap Calculation Period until the maturity of such Loan;

(c) as at the relevant Monthly Test Date, the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in Arrears is more than three times the Monthly Payment then due, is less than 3 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio at that date;

(d) the aggregate amount of all Further Advances (including the Further Advances made since the Closing Date) does not exceed 10 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Closing Date;

(e) the aggregate Current Balance of Loans as at their Switch Date that have been subject to a Product Switch since the Closing Date does not exceed 35 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Closing Date;

(f) as at the relevant Monthly Test Date, the General Reserve Fund is at the General Reserve Required Amount, or failing such condition, a drawing is made under the Class Z VFN in order to replenish the General Reserve Fund to the General Reserve Required Amount;

(g) the Current Balance of Interest-Only Loans does not exceed 10 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Closing Date;

(h) where a Further Advance has been granted in respect of a Loan:

(i) the aggregate Current Balance of all Loans on such Mortgage Account including the Further Advance is no more than 90% of the value of the Property over which that Loan is secured as determined in relation to the Further Advance; and

(ii) the weighted average current loan to value ratio does not exceed 73 per cent, where:

$$weighted\ average\ current\ loan\ to\ value\ ratio = \frac{\sum(\boldsymbol{A} \times \boldsymbol{B})}{\boldsymbol{Y}}$$

A is the current loan to value ratio calculated by dividing (i) the total Current Balance of all Loans on each Mortgage Account (including any Further Advances made) by (ii) the valuation of the relevant property at the time of the latest loan advanced in relation to such Mortgage Account (where such latest valuation is available);

B is the Current Balance of such Mortgage Account in the Portfolio;

$\sum(\boldsymbol{A} \times \boldsymbol{B})$ signifies the aggregate of $A \times B$ for each of the Mortgage Accounts in the Portfolio;

Y is the aggregate Current Balance of all Mortgage Accounts in the Portfolio;

(i) no Event of Default shall have occurred which is continuing or unwaived as at the relevant Monthly Test Date;

(j) no Further Advance or Product Switch has been granted on or after the Step-Up Date;

(k) no Seller Insolvency Event shall have occurred in respect of the Seller;

(l) the Product Switch will be similar to switches offered to the Seller's mortgage borrowers whose mortgage loans do not form part of the Portfolio; and

(m) if the Seller's short term issuer default rating is below F2 by Fitch or the Seller's short term unsecured, unsubordinated and unguaranteed debt rating is below P-2 by Moody's (or such other

lower short term rating acceptable to the relevant Rating Agency), the Seller has provided to the Issuer a solvency certificate signed by an authorised signatory of the Seller dated no earlier than the day falling three months prior to the relevant Advance Date.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law (other than certain aspects which are particular to the laws of Scotland shall be governed by Scots law).

Servicing Agreement

Introduction

The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Security Trustee, the Seller, the Back-Up Servicer Facilitator, the Cash Manager, the Third Party Collection Agent and the Servicer.

On or about the Closing Date, the Servicer will be appointed by the Issuer. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof including re-transfer to the Seller of the servicing of certain Loans where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

Powers

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

(a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and

(b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer has undertaken, among other things, to:

(a) service the Loans and their Related Security sold by the Seller to the Issuer in accordance with the Seller's servicing, arrears and enforcement processes, policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans (the "**Seller's Policy**");

(b) calculate on each Business Day, based upon balances obtained from the Collection Account Bank, amounts of cleared funds available to be transferred to the Relevant Deposit Account and on the same Business Day to instruct the Collection Account Bank to make transfers of such amounts to the Relevant Deposit Account;

(c) deliver to the Issuer and the Cash Manager a report in a prescribed form in order to meet the Bank of England's Discount Window Facility requirements for residential mortgage backed securities;

(d) deliver certain other reports to the Cash Manager, the Issuer and (upon request) the Seller;

(e) assess and service any Capitalisation in accordance with the Capitalisation Policy as it applies to the relevant Loans from time to time;

(f) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;

(g) comply with any proper directions, orders and instructions which the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement and, in the event of any conflict, those of the Security Trustee shall prevail;

(h) maintain all approvals, authorisations, permissions, consents and licences considered from time to time by the Servicer as required for itself in connection with the performance of the Services under the Servicing Agreement and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit on a timely basis all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences considered from time to time by the Servicer as required for itself in connection with the performance of the Services under the Servicing Agreement, including without limitation any necessary notification under the Data Protection Act 1998 and any authorisation and permissions under the FSMA to the extent applicable;

(i) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services, including without limitation any rules of the FCA in MCOB or otherwise;

(j) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions by law;

(k) at all times perform its obligations in the UK;

(l) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents to which the Servicer is a party in any material respect save in accordance with their terms;

(m) promptly upon determining that a breach of a Loan Warranty is likely to have a material adverse effect on the value of the relevant loan (for the purposes of the Mortgage Sale Agreement, a "**Relevant Breach**), notify the Issuer in writing of such event;

(n) deliver to the Issuer, the Back-Up Servicer Facilitator and the Security Trustee as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event, (or any event which with the giving of notice or lapse of time or certification would constitute the same);

(o) provide to the Cash Manager reports (as described more fully in the Servicing Agreement) and such other related data or information as the Cash Manager may reasonably request; and

(p) comply with the Seller's Policies.

"**Capitalisation**" means an arrangement to manage Arrears, which involves "zero-ising" the balance of Arrears and allowing that amount to be cleared over the remaining term of the Loan;

"**Capitalisation Policy**" means the section of the Seller's Policy relating to the capitalisation of Arrears, as such policy applies to the relevant Loans from time to time.

Setting of Interest Rates on the Loans

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set the standard variable rate applicable to SVR Mortgages in the Portfolio (the "**Issuer Standard Variable Rate**").

Prior to the occurrence of a Perfection Event, the Servicer will, on each Rate Fixing Date, set the Issuer Standard Variable Rate applicable to any Loans at the same level as the Seller Standard Variable Rate which applies to similar loans beneficially owned by the Seller outside the Portfolio.

"**Rate Fixing Dates**" means the first Business Day of March, June, September and December.

"**Seller Standard Variable Rate**" means the relevant standard variable rate set by the Seller in relation to SVR Mortgages beneficially owned by the Seller on the Seller's residential mortgage book.

Compensation of the Servicer

The Servicer receives a fee for servicing the Loans and their Related Security. The Issuer pays to the Servicer a servicing fee (exclusive of any applicable VAT), being the aggregate of:

(a) in relation to each Collection Period, a fee calculated on the basis of the number of days elapsed (for which the Servicer was performing the Services) in a 365 day year (or 366 day year in a leap year) at the rate of 0.0875 per cent. per annum on the aggregate average Current Balance of all Loans comprising the Portfolio as at the close of business on the last calendar day of each Collection Period, the average balance to be calculated as total Current Balance of all Loans comprising the Portfolio on the first day of the Collection Period *plus* the total Current Balance of all Loans comprising the Portfolio on the last day of the Collection Period divided by two;

(b) £50 per Loan which is in Arrears per month, charged once per Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period; and

(c) £100 per Loan which has been repaid in full during a Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period in which such repayment occurred.

The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the applicable Priority of Payments.

Removal or Resignation of the Servicer

The Issuer (subject to the prior written consent of the Security Trustee) or (following the service of a Note Acceleration Notice) the Security Trustee may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a "**Servicer Termination Event**") occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied;

- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document to which it is a party, which (i) in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee, is materially prejudicial to their interests, and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (following the service of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied, provided however that where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 30 Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may in its reasonable discretion specify to remedy such default and/or to indemnify and/or secure and/or pre-fund the

Issuer and/or the Security Trustee to its satisfaction (as applicable) against the consequences of such default;

- an Insolvency Event occurs in relation to the Servicer; or
- the Issuer ceases to have any interest in the Portfolio.

Upon service of a notice of termination of the appointment of the Servicer due to the occurrence of a Servicer Termination Event, then the Issuer will use reasonable endeavours (with the assistance of the Back-Up Servicer Facilitator) to appoint a substitute servicer with suitable experience and qualifications as specified in the Servicing Agreement.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer **provided that** a substitute servicer qualified to act as such under the FSMA with experience of servicing residential mortgages in England, Wales and Scotland has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on (i) the then current ratings of the Class A Notes issued by the Issuer not being withdrawn, qualified or downgraded as a result of such termination, unless the termination is otherwise agreed by an Extraordinary Resolution of the holders of the Class A Notes. Following resignation, the substitute servicer shall assume and perform all the duties and obligations of the Servicer on substantially the same terms as the Servicing Agreement.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the Title Deeds and Loan Files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Issuer. Unless terminated earlier pursuant to its terms, the Servicing Agreement will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

Liability of the Servicer

The Servicer will indemnify the Seller, the Issuer and the Security Trustee for any Liability suffered or incurred by the Seller, the Issuer and/or the Security Trustee in respect of any breach on the part of the Servicer (or any of its subcontractors or delegates) of its duties in carrying out its functions as Servicer under the Servicing Agreement or the other Transaction Documents (including, for the avoidance of doubt, a breach by the Servicer or its subcontractor or delegate in respect of any legal, regulatory or governmental requirements that brings about a Liability to be suffered or incurred by the Seller, the Issuer and/or the Security Trustee) or as a result of the Servicer's fraud, negligence or wilful default.

Without prejudice to such indemnity, the Servicer will not be liable in respect of any losses suffered by the Issuer and/or the Security Trustee and/or any other person as a result of the proper performance of the Services by the Servicer save where such loss is a result of any negligence, fraud or wilful default of the Servicer or as a result of a breach by the Servicer of the terms and provisions of the Servicing Agreement or the other Transaction Documents.

"**Irrecoverable VAT**" means any amount in respect of VAT incurred by a party to the Transaction Documents (for the purposes of this definition, a "**Relevant Party**") as part of a payment in respect of which it is entitled to be reimbursed or indemnified under the relevant Transaction Documents to the extent that the Relevant Party does not or will not receive and retain a credit or repayment of such VAT as input tax (as that expression is defined in section 24(1) of the Value Added Tax Act 1994).

"**Liability**" means, in respect of any person, any loss, damage, cost, charge, award, claim, demand, fee, expense, judgment, action, proceeding or other liability including, but without limitation, legal costs and expenses properly incurred (including, in each case, Irrecoverable VAT in respect thereof).

Back-up Servicer Facilitator

Upon the giving of notice of termination of the appointment of the Servicer due to the occurrence of a Servicer Termination Event, the Back-Up Servicer Facilitator shall use its best efforts to identify, on behalf of the Issuer or the Servicer, as the case may be, a suitable substitute servicer.

Third Party Collection Agent

Under the terms of the Servicing Agreement, the Third Party Collection Agent is appointed by the Issuer and Security Trustee as their lawful agent to administer the monies received in respect of the Mortgages in the Portfolio in the Collection Account and (where applicable) to operate the direct debiting scheme associated with the Collection Account. The Third Party Collection Agent will not be paid any consideration for so acting.

Governing Law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law and will be made by way of deed.

Deed of Charge

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the "**Security**") as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders):

(a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Note Purchase Agreement, the Trust Deed, the Deed of Charge, each Scottish Declaration of Trust, each Scottish Supplemental Charge, any Scottish Transfer and any Scottish Sub-Security);

(b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans (other than the Scottish Loans) and the Mortgages (other than the Scottish Mortgages) and their other Related Security and other related rights comprised in the Portfolio (other than in respect of the Scottish Loans);

(c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;

(d) an assignation in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Seller and PFL over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust) (the "**Scottish Supplemental Charge**");

(e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and any sums standing to the credit thereof;

(f) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Collateral Investments and Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and

(g) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of fixed charges or fixed security as aforesaid).

"**Authorised Collateral Investments**" means:

(a) except in the case of funds standing to the credit of the General Reserve Fund, money market funds that meet the European Securities and Markets Authority ("**ESMA**") Short-Term Money Market Fund definition, set out in Guideline reference 10-049 of the Committee for European Securities Regulators (provided, for the avoidance of doubt, that any such fund must hold an Aaa-mf money market fund rating from Moody's), or money market funds that hold Aaa-mf (or equivalent) money market fund ratings from Moody's, and, if rated by Fitch, an AAAmf money market fund rating from Fitch provided that in either case, any such fund does not itself invest in securitised products;

(b) sterling gilt-edged securities;

(c) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper); and

(d) euro or US dollar demand or time deposits,

provided that:

(i) in the case of paragraphs (b), (c) and (d) above, such investments have a maturity date falling on or before the next following Interest Payment Date in respect of the Notes;

(ii) with respect to securities and deposit investments specified under items (b), (c) and (d) above, with respect to investments with a maturity date of less than 90 days, the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) has (A) "Issuer Default Ratings" of at least F1 short-term or A long-term by Fitch, and (B) short-term unsecured, unguaranteed and unsubordinated debt obligations of at least P-1 by Moody's or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least A2 by Moody's;

(iii) with respect to securities and deposit investments specified under items (b), (c) and (d) above, with respect to investments with a maturity date of 90 days or more, the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) has (A) "Issuer Default Ratings" of at least F1+ short-term or AA- long-term by Fitch, and (B) short-term unsecured, unguaranteed and unsubordinated debt obligations of at least P-1 by Moody's or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least A2 by Moody's; and

(iv) in all cases such investments do not, nor could they, consist, in whole or in part, actually or potentially, of tranches of other asset-backed securities, credit-linked notes, swaps or other derivatives instruments or synthetic securities.

"**Authorised Investments**" means:

(a) except in the case of funds standing to the credit of the General Reserve Fund, money market funds that meet the European Securities and Markets Authority ("**ESMA**") Short-Term Money Market Fund definition, set out in Guideline reference 10-049 of the Committee for European Securities Regulators (provided, for the avoidance of doubt, that any such fund must hold an Aaa-mf money market fund rating from Moody's and, if rated by Fitch, AAA-mf from Fitch), or money market funds that hold Aaa-mf (or equivalent) money market fund ratings from at least two internationally recognised rating agencies, respectively, including, if rated by Fitch, an AAAmf money market fund rating from Fitch provided that in either case, any such fund does not itself invest in securitised products;

(b) sterling gilt-edged securities; and

(c) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that:

(i) in the case of paragraphs (b) and (c) above, such investments have a maturity date falling on or before the next following Interest Payment Date in respect of the Notes;

(ii) with respect to securities and deposit investments specified under items (b) and (c) above, with respect to investments with a maturity date of less than 90 days, the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) has (A) "Issuer Default Ratings" of at least F1 short-term or A long-term by Fitch, and (B) short-term unsecured, unguaranteed and unsubordinated debt obligations of at least P-1 by Moody's or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least A2 by Moody's;

(iii) with respect to securities and deposit investments specified under items (b) and (c) above, with respect to investments with a maturity date of 90 days or more, the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) has (A) "Issuer Default Ratings" of at least F1+ short-term or AA- long-term by Fitch, and (B) short-term unsecured, unguaranteed and unsubordinated debt obligations of at least P-1 by Moody's or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least A2 by Moody's; and

(iv) in all cases such investments do not, nor could they, consist, in whole or in part, actually or potentially, of tranches of other asset-backed securities, credit-linked notes, swaps or other derivatives instruments or synthetic securities,

"**Issuer Power of Attorney**" means each of the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge on the Closing Date and the power of attorney granted by the Issuer in favour of the Servicer under the Servicing Agreement on the Closing Date, and "**Issuer Powers of Attorney**" shall be construed accordingly.

"**Secured Creditors**" means the Security Trustee, the Note Trustee, any Receiver, any Appointee of the Note Trustee or the Security Trustee, the Noteholders, the Seller, the Servicer, the Cash Manager, the Citi Account Bank, the BNPP Account Bank, the Co-op Account Bank, the Back-Up Servicer Facilitator, the Back-Up Cash Manager Facilitator (if any), the Back-up Cash Manager, the Corporate Services Provider, the Paying Agents, the Registrar, the VFN Registrar, the Agent Bank, the Fixed Rate Swap Provider and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

"**Secured Obligations**" means any and all of the monies and liabilities which the Issuer covenants to pay or discharge under clause 2 of the Deed of Charge and all other amounts owed by it to the Secured Creditors under and pursuant to the Transaction Documents.

"**Seller Power of Attorney**" means the power of attorney granted by the Seller in favour of the Issuer and the Security Trustee on the Closing Date substantially in the form set out in Schedule 3 to the Mortgage Sale Agreement, and the power of attorney granted by the Seller in favour of the Servicer on the Closing Date substantially in the form set out in Schedule 4 to the Servicing Agreement, and "**Seller Powers of Attorney**" shall be construed accordingly.

"**Transaction Documents**" means the Servicing Agreement, the Agency Agreement, the Co-op Bank Account Agreement, the Citi Bank Account Agreement, the BNPP Bank Account Agreement, the Cash Management Agreement, the Back-up Cash Management Agreement, the Replacement Cash Management Agreement, the Corporate Services Agreement, the Note Purchase Agreement, the Deed of Charge (including each Scottish Supplemental Charge, any Scottish Sub-Security and any other documents entered into pursuant to the Deed of Charge), the Collection Account Declaration of Trust, the Share Trust Deed, the Issuer Powers of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement (including each Scottish Declaration of Trust, any Scottish Transfer and any other documents entered into pursuant to the Mortgage Sale Agreement), the Seller Powers of Attorney, the Trust Deed, the Conditions, the Fixed Rate Swap Agreement and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes (including any agreements governing a Swap Collateral Account).

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among other events, when an Event of Default occurs, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of administrative receiver or receiver or upon commencement of the winding up of the Issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

Pre-Acceleration Priorities of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Deposit Accounts as described in "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*" and "*Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" below.

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been revoked) on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, **provided that**, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of the relevant Priority of Payments) or the Security Trustee is of the opinion that the cashflow prospectively recoverable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of the relevant Priority of Payments), which opinion shall be binding on the Secured Creditors and reached after considering at anytime and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law and aspects relating to Scottish Loans and their Related Security (including the Scottish Supplemental Charge entered into pursuant thereto) will be governed by Scots law.

Trust Deed

On or about the Closing Date, the Issuer and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes on trust for the Noteholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee

together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

Retirement/removal of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason therefor and without being responsible for any Liabilities incurred by reason of such retirement. The holders of the Class A Notes may by Extraordinary Resolution remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement or removal of the Note Trustee shall not become effective unless there remains a trustee (being a Trust Corporation) in office after such retirement or removal. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as reasonably practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement, or the date of such Extraordinary Resolution of the Class A Noteholders, the Issuer has not appointed such replacement, the Note Trustee will be entitled to procure that a new trustee (being a Trust Corporation) be appointed.

"**Trust Corporation**" means a corporation entitled by rules made under the Public Trustee Act 1906 to carry out the functions of a custodian trustee.

Governing Law

The Trust Deed and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Agency Agreement

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

Governing Law

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

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, the Seller, the Servicer and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Deposit Accounts and the Swap Collateral Account (if any). In addition, the Cash Manager will perform various services as set out more fully in the Cash Management Agreement, including the following:

(a) apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the relevant Priority of Payments;

(b) record credits to, and debits from, the General Reserve Ledger, the Class B VFN Drawdown Ledger, the Principal Deficiency Ledgers, the Principal Ledger, the Revenue Ledger, the Swap Provider Fee Amount Ledger, the Issuer Fee Amount Ledger, the Co-op Collateral Account Ledger, the Swap Collateral Ledger (if any) and the Issuer Profit Amount Ledger as and when required;

(c) provide the Issuer (or the Servicer on its behalf) any information that it has which is required by the Issuer (or the Servicer on its behalf) for the purposes of determining compliance with the Loan Warranties or Asset Conditions;

(d) make payments of the consideration for a Further Advance to the Seller;

(e) make withdrawals (after the Closing Date but on or prior to the first Interest Payment Date) from the Deposit Accounts to pay any amounts representing Accrued Interest Consideration due to the Seller;

(f) make a drawing under any VFN as required, including, without limitation, any drawing required to fund the Further Advance Purchase Price;

(g) for each Determination Period (i) calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Principal Receipts for such Determination Period and (ii) upon receipt by the Cash Manager of the relevant Servicer Reports in respect of such Determination Period, reconcile the calculations to the actual collections set out in such Servicer Report by allocating the Reconciliation Amount in accordance with the Cash Management Agreement;

(h) make any determinations required to be made by the Issuer under the Fixed Rate Swap Agreement;

(i) act as the designated reporting entity for the purposes of complying with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3); and

(j) *inter alia*, perform certain 'risk mitigation techniques' and reporting on behalf of the Issuer as required in accordance with the requirements of EMIR;

In addition, the Cash Manager will:

(a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:

(i) the "**Principal Ledger**", which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);

(ii) the "**Revenue Ledger**", which will record Available Revenue Receipts received by the Issuer and distribution of the same in accordance with the relevant Priority of Payments;

(iii) the "**General Reserve Ledger**" which will record amounts credited to the general reserve fund (the "**General Reserve Fund**") on the Closing Date and withdrawals from the General Reserve Ledger on each Interest Payment Date (see "*Credit Structure — General Reserve Fund and General Reserve Fund Ledger*" below);

(iv) the "**Class B VFN Drawdown Ledger**" which will record (A) amounts funded on any Business Day by the Class B VFN prior to the VFN Commitment Termination Date to be credited to the Class B VFN Drawdown Ledger in accordance with Condition 18.1 and (B) withdrawals from such ledger on any Business Day to fund any Further Advance Purchase Price (see "*Credit Structure — Class B VFN Drawdown Ledger*" and "*Cashflows – Definition of Available Principal Receipts*" below);

(v) the "**Principal Deficiency Ledger**" which will record on the appropriate sub-ledger as a debit, deficiencies arising from (i) Losses on the Portfolio as allocated against each of the Classes of Notes referenced above; and/or (ii) any use of Available Principal on an Interest Payment Date to fund a Revenue Deficiency (see "*Credit Structure — Principal Deficiency Ledger*" below);

(vi) the "**Swap Provider Fee Amount Ledger**" which shall record any Swap Provider Fee Amounts received by the Issuer from the Fixed Rate Swap Provider pursuant to the Fixed Rate Swap Agreement and withdrawals of any Swap Provider Fee Amounts used to repay the Class Z VFN Holder under the Class Z VFN or to the extent that the Class Z VFN has been repaid in full, as Available Revenue Receipts;

(vii) the "**Issuer Fee Amount Ledger**" which shall record any Issuer Fee Amounts received from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN or any payments made by the Seller pursuant to the Mortgage Sale Agreement and any withdrawals to make payments to the Fixed Rate Swap Provider;

(viii) the "**Co-op Collateral Account Ledger**" which will record any Co-op Collateral Amounts credited to such ledger and debit any withdrawals of amounts equal to the aggregate Account Bank Defaulted Amount if an Account Bank Non-Payment Event occurs;

(ix) the "**Issuer Profit Amount Ledger**" which shall record, as a credit, amounts retained by the Issuer as profit in accordance with the Pre-Acceleration Revenue Priority of Payments and the Post-Acceleration Priority of Payments; and

(x) the "**Swap Collateral Ledger**" (if any) which shall record as a credit any Swap Collateral received from the Fixed Rate Swap Provider and any debiting of the same, including, *inter alia*, any Swap Collateral transferred to the Fixed Rate Swap Provider debiting an amount up to the Fixed Rate Defaulted Swap Amount to provide for any Revenue Deficiency as Available Revenue Receipts where the Fixed Rate Swap Provider fails to make a payment to the Issuer in accordance with the terms of the Fixed Rate Swap Agreement and such default is continuing on an Interest Payment Date or an Early Termination Date has been designated in respect of the Fixed Rate Swap Agreement and no replacement swap agreement has been entered into on such Interest Payment Date];

(b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;

(c) provide the Issuer, the Seller, the Security Trustee, the Noteholders and the Rating Agencies with the Investor Report by no later than 20 Business Days following the relevant Monthly Period End Date;

(d) at its option, invest monies standing from time to time to the credit of a Deposit Account in Authorised Investments as determined by the Issuer or by the Cash Manager subject to the following provisions:

(i) any such Authorised Investment shall be made in the name of the Issuer;

(ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and

(iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the Relevant Deposit Account;

(e) if Swap Collateral is required to be posted by the Fixed Rate Swap Provider in respect of the Fixed Rate Swap Agreement and the Fixed Rate Swap Provider elects to post collateral in the form of cash, establish and maintain (on behalf of the Issuer) one or more Swap Collateral Accounts;

(f) if Swap Collateral is posted in a form other than cash, enter into such documentation as may be reasonably requested by the Issuer in connection with the provision of collateral under the Fixed Rate Swap Agreement, including without limitation, any documentation relating to the appointment of a custodian and any associated custody agreement to facilitate the posting of such collateral; and

(g) on each Monthly Test Date, test any Loans that have been subject to Further Advances or Product Switches in the previous Monthly Period.

In the event that neither the Citi Account Bank nor the BNPP Account Bank are rated at least the Account Bank Rating, the Cash Manager shall assist the Issuer to, within 30 days of the downgrade of the bank that was the last to lose the Account Bank Rating:

(a) open a replacement account with a financial institution (i) having the Account Bank Ratings, and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007 (a "**Replacement Deposit Account**"), and to transfer amounts deposited with the Citi Account Bank and/or BNPP Account Bank to such Replacement Deposit Account; or

(b) obtain an unconditional guarantee of the obligations of such Account Bank under the relevant Bank Account Agreement from a financial institution where short-term and long-term (as applicable) unsubordinated and unguaranteed debt obligations are rated the Account Bank Ratings.

Under the terms of the Cash Management Agreement, the Cash Manager may, subject to certain provisos, sub-contract or delegate the performance of all or any of its powers and obligations under the Cash Management Agreement to any party whom it reasonably believes is capable of, and experienced in, performing the functions to be given to it.

"**Account Bank Defaulted Amount**" means an amount equal to the amount which would have been paid by the Co-op Account Bank but for the occurrence of an Account Bank Non-Payment Event.

"**Account Bank Non-Payment Event**" means any failure to pay an amount in accordance with the Co-op Bank Account Agreement in the event the same has not been rectified within one Business Day.

Remuneration of Cash Manager

The Cash Manager will be paid a fee of £20,000 per annum (exclusive of any applicable VAT) for its cash management services under the Cash Management Agreement, such fee to be paid quarterly in arrear on each Interest Payment Date. Each payment will be made in the manner contemplated by and in accordance with the relevant Priority of Payments.

Termination of Appointment and Replacement of Cash Manager

In certain circumstances the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may terminate the appointment of the Cash Manager and use reasonable endeavours to appoint the Back-Up Cash Manager or otherwise a substitute cash manager (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have (i) in the case of the Back-Up Cash Manager, assume the core responsibility for cash management and certain other responsibilities referred to in the Replacement Cash Management Agreement, and (ii) in any other case, be expected to assume substantially similar rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher). Such circumstances are as follows (each a "**Cash Manager Termination Event**"):

(a) *Non-payment*: default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of ten Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following service of a Note Acceleration Notice, the Security Trustee, as the case may be, requiring the same to be remedied; or

(b) *Breach of other obligations*: default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Note Trustee (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default (where capable of remedy) and

receipt by the Cash Manager of written notice from the Issuer or the Security Trustee (following the service of a Note Acceleration Notice), as the case may be, requiring the same to be remedied (where capable of remedy);

(c) *Insolvency Event*: an Insolvency Event occurs with respect to the Cash Manager; or

(d) *No Interest*: the Issuer ceases to have any interest in the Portfolio.

Following the occurrence of a Cash Manager Termination Event, the Back-up Cash Manager shall assume the provision of the cash management services pursuant to the Replacement Cash Management Agreement.

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any losses, liabilities, claims, expenses (including any amounts in respect of applicable VAT (including Irrecoverable VAT) in relation thereto) or damages ("**Cash Manager Loss**") suffered or incurred by it as a direct result of the negligence, fraud or wilful default of the Cash Manager (or any of its sub-contractors or delegates) in carrying out its functions as Cash Manager under the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such).

Back-Up Cash Manager

The Issuer shall maintain the appointment of a back-up cash manager and a replacement cash manager so long as a Back-Up Cash Manager Event is subsisting. On the Closing Date, Citibank N.A., London Branch will be appointed as Back-Up Cash Manager and Replacement Cash Manager.

"**Back-up Cash Manager Event**" means the Cash Manager's long term counterparty risk assessment ceases to be at least Baa3 (cr) from Moody's or BBB- by Fitch or, if unavailable, the long-term, unsecured, unguaranteed and unsubordinated debt obligations of the Cash Manager cease to be rated at least Baa3 by Moody's / BBB- by Fitch (or such other long term rating as is otherwise acceptable).

Governing Law

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Back-Up Cash Manager Agreement and Replacement Cash Manager Agreement

The Issuer has appointed the Back-Up Cash Manager pursuant to the Back-Up Cash Management Agreement.

Following the occurrence of certain events (see, amongst others, the section entitled "*Triggers Tables – Non Rating Triggers Table*" for further information), the appointment of the Cash Manager will be terminated and the Back-Up Cash Manager will be appointed as successor Cash Manager in accordance with the terms of the Back-Up Cash Management Agreement. Pursuant to the Back-Up Cash Management Agreement, the Back-Up Cash Manager has agreed to accept such appointment on the terms of the Replacement Cash Management Agreement.

Governing Law

The Back-Up Cash Management Agreement and Replacement Cash Management Agreement and any non-contractual obligations arising out of or in connection with them will be governed by English law.

The Co-op Bank Account Agreement

Pursuant to the terms of the Co-op Bank Account Agreement entered into on or about the Closing Date between the Issuer, the Co-op Account Bank, the Cash Manager, the Seller and the Security Trustee, the Issuer will maintain with the Co-op Account Bank the Co-op Deposit Account, which will be operated in accordance with the Cash Management Agreement, the Fixed Rate Swap Agreement and the Deed of Charge.

The Issuer will deposit amounts in the Co-op Deposit Account in an amount up to the Co-op Deposit Limit. If amounts standing to the credit of the Co-op Deposit Account would exceed the Co-op Deposit Limit, the Cash Manager shall deposit the amount of any such surplus which it receives in the Relevant Deposit Account.

"**Co-op Deposit Limit**" means:

(a) if the Co-op Deposit Account is paying negative interest, will be limited to zero;

(b) otherwise,

(i) while the Co-op Account Bank does not have a rating at least equivalent to the Account Bank Rating, will be limited to the total of (1) the Co-op Collateral Amount, and (2) the maximum amount of any unconditional guarantee obtained by The Co-operative Bank of amounts which are not covered by the Co-op Collateral Account from an entity whose short-term and long-term (as applicable) unsubordinated and unguaranteed debt obligations are rated the Account Bank Rating (provided that the Cash Manager shall receive notice of the maximum amount under any such guarantee); or

(ii) if the Co-op Account Bank does have a rating at least equivalent to the Account Bank Rating, an unlimited amount.

The Cash Manager will deposit in excess of (a) and (b)(i) in the definition of "Co-op Deposit Limit" in another Relevant Deposit Account.

"**Co-op Collateral Amount**" means an amount equal to the amount deposited in a Relevant Deposit Account apart from the Co-op Deposit Account (and recorded on a ledger, the "**Co-op Collateral Account Ledger**", from time to time on that account) by The Co-operative Bank to collateralise its obligations under the Co-op Bank Account Agreement.

The Co-op Collateral Amount will be £100,000 on the Closing Date.

"**Relevant Deposit Account**" means:

(a) with respect to any transaction or transfer that would not cause the amount standing to the credit of the Co-op Deposit Account to exceed the Co-op Deposit Limit, the Co-op Deposit Account; and

(b) where the amount standing to the credit, or which would stand to the credit, of the Co-op Deposit Account is above the Co-op Deposit Limit:

(i) where the Citi Account Bank no longer satisfies the Account Bank Rating but the BNPP Account Bank satisfies the Account Bank Rating, the BNPP Deposit Account;

(ii) where the BNPP Account Bank no longer satisfies the Account Bank Rating but the Citi Account Bank satisfies the Account Bank Rating, the Citi Deposit Account;

(iii) where neither the Citi Account Bank nor the BNPP Account Bank satisfies the Account Bank Rating, a Replacement Deposit Account; or

(iv) where both the Citi Account Bank and the BNPP Account Bank satisfy the Account Bank Rating:

(A) where the deposit rate applicable to monies held in the Citi Deposit Account is less than zero per. cent. per annum and the deposit rate applicable to monies held in the BNPP Deposit Account is at least zero per. cent. per annum, the BNPP Deposit Account;

(B) where the deposit rate applicable to monies held in the Citi Deposit Account is at least zero per. cent. per annum and the deposit rate applicable to monies held

in the BNPP Deposit Account is less than zero per. cent. per annum, the Citi Deposit Account; or

(C) where the deposit rate applicable to monies held in each of the Citi Deposit Account and the BNPP Deposit Account is less than zero per. cent. per annum, the Cash Manager will use its reasonable endeavours to open a Replacement Deposit Account where the relevant deposit rate is at least equal to zero per cent. per annum and:

(1) if the Cash Manager has been able to open a Replacement Deposit Account where the deposit rate applicable to monies held in such account is at least zero per. cent. per annum, that Replacement Deposit Account; or

(2) if the Cash Manager has not been able to open a Replacement Deposit Account where the deposit rate applicable to monies held in such account is at least zero per. cent. per annum, then either or both of the Citi Deposit Account and BNPP Deposit Account at the discretion of the Cash Manager; or

(D) where the deposit rate applicable to monies held in each of the Citi Deposit Account and the BNPP Deposit Account is at least zero per. cent. per annum, then either or both of the Citi Deposit Account and BNPP Deposit Account at the discretion of the Cash Manager.

For the purposes of the definition of "**Relevant Deposit Account**", a BNPP Account Bank termination or a Citi Account Bank termination shall be construed as if that account bank no longer satisfies the Account Bank Rating.

Governing Law

The Co-op Bank Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The Citi Bank Account Agreement

Pursuant to the terms of the Citi Bank Account Agreement entered into on or about the Closing Date between the Issuer, the Citi Account Bank, the Back-Up Cash Manager, the Cash Manager, the Seller and the Security Trustee, the Issuer will maintain with the Citi Account Bank the Citi Deposit Account which will be operated in accordance with the Cash Management Agreement, the Fixed Rate Swap Agreement and the Deed of Charge.

The Cash Manager may deposit amounts in the Citi Deposit Account as long as it is a Relevant Deposit Account. In the event that the Citi Deposit Account ceases to have the Account Bank Rating it will cease to be a Relevant Deposit Account and the Cash Manager shall transfer amounts already deposited in the Citi Deposit Account to a then Relevant Deposit Account.

Governing Law

The Citi Bank Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

"**Account Bank Rating**" means:

(a) either a long-term issuer default rating of at least A by Fitch, or a short-term issuer default rating of at least F1 by Fitch; and

(b) a short-term deposit rating of at least P-1 by Moody's,

or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Notes.

The BNPP Bank Account Agreement

Pursuant to the terms of the BNPP Bank Account Agreement entered into on or about the Closing Date between the Issuer, the BNPP Account Bank, the Cash Manager, the Seller and the Security Trustee, the Issuer will maintain with the BNPP Account Bank the BNPP Deposit Account which will be operated in accordance with the Cash Management Agreement, the Fixed Rate Swap Agreement and the Deed of Charge.

The Cash Manager may deposit amounts in the BNPP Deposit Account as long as it is a Relevant Deposit Account. In the event that the BNPP Deposit Account ceases to have the Account Bank Rating it will cease to be a Relevant Deposit Account and the Cash Manager shall transfer amounts already deposited in the BNPP Deposit Account to a then Relevant Deposit Account.

Governing Law

The BNPP Bank Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The Corporate Services Agreement

On or prior to the Closing Date, *inter alia*, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings and the Seller will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

Governing Law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Other Agreements

For a description of the Fixed Rate Swap Agreement see "*Credit Structure*" below.

CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, the Seller, the Originators, the Arrangers, Holdings, the Servicer, the Cash Manager, the Back-up Cash Manager, the Corporate Services Provider, the Back-Up Servicer Facilitator, the Share Trustee, the Citi Account Bank, the BNPP Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar, the Note Trustee, the Security Trustee, The Co-operative Bank, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by the Seller, the Originators, the Arrangers, Holdings, the Servicer, the Cash Manager, the Back-up Cash Manager, the Corporate Services Provider, the Back-Up Servicer Facilitator, the Swap Collateral Account Bank (if any), the Share Trustee, the Citi Account Bank, the BNPP Account Bank. the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar the Note Trustee, the Security Trustee, The Co-operative Bank or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. **Credit Support for the Notes provided by Available Revenue Receipts**

   It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (g) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any excess payable under subsequent items of the Pre-Acceleration Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see "*Interest Rate Risk*") and the performance of the Portfolio.

   Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from (i) Losses on the Portfolio as allocated against each of the Class B VFN and the Class A Notes; and/or (ii) any use of Available Principal Receipts on an Interest Payment Date to fund a Revenue Deficiency.

   To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met under items (a) to (g) (inclusive) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

2. **General Reserve Fund and General Reserve Ledger**

   On the Closing Date, the Issuer will establish a fund called the "**General Reserve Fund**", to provide credit enhancement for the Class A Notes, which will be credited with the General Reserve Required Amount on the Closing Date.

   The General Reserve Fund will be funded from proceeds of the issue of the Class Z VFN on the Closing Date. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date. Any amounts standing to the credit of the General Reserve Fund will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments.

   The General Reserve Fund will be deposited in the Relevant Deposit Account with a corresponding credit being made to the General Reserve Ledger. The Issuer may invest the amounts standing to the credit of the Relevant Deposit Account in Authorised Investments. For more information about the application of the amounts standing to the credit of the General

Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

The Cash Manager will maintain the General Reserve Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

The "**General Reserve Required Amount**" will:

(a) on the Closing Date be an amount equal to 2.5 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes and the Class B VFN as at the Closing Date;

(b) on any Interest Payment Date falling after the Closing Date, be an amount equal to the lower of:

(i) 2.5 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes and the Class B VFN as at the Closing Date; and

(ii) 3.0 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes and the Class B VFN as at the Calculation Date immediately preceding that Interest Payment Date; and

(c) from the Interest Payment Date on which the Class A Notes will be redeemed in full pursuant to Condition 7 (*Redemption*), zero.

3. **Use of Principal Receipts to pay Revenue Deficiency**

On each Calculation Date, the Cash Manager will calculate whether there will be an excess or a deficit of Available Revenue Receipts to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (a "**Revenue Deficiency**"), then the Issuer (or the Cash Manager on its behalf) shall pay or provide for that Revenue Deficiency by the application of amounts standing to the credit of the Principal Receipts Ledger and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Ledger, as described in "Principal Deficiency Ledger" below as well as making a debit in the Principal Receipts Ledger. Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date. For more information about the application of Principal Receipts to pay a Revenue Deficiency, see the section "*Cashflows – Applications of Principal Receipts to Revenue Deficiency*".

4. **Class B VFN Drawdown Ledger**

The Cash Manager will maintain the Class B VFN Drawdown Ledger pursuant to the Cash Management Agreement. The Class B VFN Drawdown Ledger will be funded from drawings under the Class B VFN as required by Condition 18.1 (*Class B VFN*). Amounts standing to the credit of the Class B VFN Drawdown Ledger will be applied by the Issuer on each Monthly Pool Date to pay all Further Advance Purchase Prices to the extent not covered by Principal Receipts.

5. **Principal Deficiency Ledger**

A Principal Deficiency Ledger, comprising two sub ledgers, known as the "**Class A Principal Deficiency Sub-Ledger**" (relating to the Class A Notes) and the "**Class B Principal Deficiency Sub-Ledger**" (relating to the Class B VFN) (each a "**Principal Deficiency Sub-Ledger**" and, together, the "**Principal Deficiency Ledger**"), will be established on the Closing Date in order to record any: (i) Losses on the Portfolio as allocated against each of the Classes of Notes referenced above; and/or (ii) any use of Available Principal Receipts on an Interest Payment Date to fund a Revenue Deficiency.

Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B VFN. Available Revenue Receipts will include recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed. Losses of principal to be credited to the Principal

Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Losses on the Portfolio and/or the use of Available Principal Receipts to fund a Revenue Deficiency will be recorded:

(a) *first*, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Class B VFN Principal Deficiency Limit; and

(b) *second*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Amounts allocated to each Principal Deficiency Sub-Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the applicable Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

"**Class B Principal Deficiency Limit**" means the Principal Amount Outstanding of the subscription under the Class B VFN used to fund the Current Balance (calculated as at such corresponding funding date) of the Loans.

"**Losses**" means the aggregate of (a) all realised losses on the Loans which are not recovered from the proceeds following the sale of the Property to which such Loan relates or, if later, upon completion of all relevant enforcement procedures, (b) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Loan, and (c) any loss to the Issuer as a result of the Issuer being unable to access funds in the Collection Account due to an Insolvency Event occurring in respect of the Collection Account Bank;

6. **Available Revenue Receipts and Available Principal Receipts**

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the relevant Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer, which for the avoidance of doubt does not include the Issuer Profit Amount which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer or amounts standing to the credit of the General Reserve Ledger.

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest payable in respect of the Class B VFN and/or the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer may in accordance with Condition 17 be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the Class B VFN (unless there are no Class A Notes then outstanding), and/or the Class Z VFN (unless there are no Class A Notes and Class B VFN then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class B VFN and/or the Class Z VFN, as appropriate).

Failure to pay interest on the Class A Notes (or the Class B VFN where the Class A Notes have been redeemed in full, or the Class Z VFN where the Class A Notes and the Class B VFN have been redeemed in full) within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

7. **Interest Rate Risk**

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Three-Month Sterling LIBOR.

To provide a hedge against the possible variance between:

(a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and

(b) a rate of interest calculated by reference to Three-Month Sterling LIBOR,

the Issuer will enter into the Fixed Rate Swap Transaction with the Fixed Rate Swap Provider under the Fixed Rate Swap Agreement on the Closing Date.

Cashflows under the Fixed Rate Swap Transaction Documents

Under the Fixed Rate Swap Transaction, for each Swap Calculation Period falling prior to the termination date of the Fixed Rate Swap Transaction, the following amounts will be calculated:

(a) the amount produced by applying Three-Month Sterling LIBOR for the relevant Swap Calculation Period plus a spread to the Fixed Interest Notional Amount (as defined below) of the Fixed Rate Swap Transaction for such Swap Calculation Period multiplied by the Payment Ratio (as defined below) (the "**Fixed Interest Period Swap Provider Amount**"); and

(b) means the amount produced by applying a specified fixed rate to the Fixed Interest Notional Amount of the Fixed Rate Swap Transaction for such Swap Calculation Period multiplied by the Payment Ratio (the "**Fixed Interest Period Issuer Amount**"),

in each case on the basis of the day count fraction specified in the Fixed Rate Swap Transaction.

After these two amounts are calculated in relation to a Swap Payment Date, the following payments will be made on that Swap Payment Date:

(a) if the Fixed Interest Period Swap Provider Amount for that Swap Payment Date is greater than the Fixed Interest Period Issuer Amount for that Swap Payment Date, then the Fixed Rate Swap Provider will pay an amount equal to the amount by which the Fixed Interest Period Swap Provider Amount exceeds the Fixed Interest Period Issuer Amount to the Issuer;

(b) if the Fixed Interest Period Issuer Amount for that Swap Payment Date is greater than the Fixed Interest Period Swap Provider Amount for that Swap Payment Date, then the Issuer will pay an amount equal to the amount by which the Fixed Interest Period Issuer Amount exceeds the Fixed Interest Period Swap Provider Amount to the Fixed Rate Swap Provider; and

(c) if the two amounts are equal, neither party will make a payment to the other.

For the purposes of calculating both the Fixed Interest Period Issuer Amount and Fixed Interest Period Swap Provider Amount in respect of a Swap Calculation Period, the notional amount (the "**Fixed Interest Notional Amount**") of the Fixed Rate Swap Transaction in respect of such Swap Calculation Period will be, for each Swap Calculation Period (other than the first Swap Calculation Period), an amount in Sterling equal to the aggregate Current Balance of the Fixed Rate Loans in the Portfolio on the last calendar day of the calendar month immediately preceding the start of that Swap Calculation Period, as adjusted (subject always to a cap as set out in the Fixed Rate Swap Agreement) to reflect any Product Switches, Further Advances and repurchases by the Seller in accordance with the Mortgage Sale Agreement that take effect on the Monthly Pool Date immediately preceding the start of such Swap Calculation Period (if applicable). In respect of the first Swap Calculation Period, the notional amount of the Fixed Rate Swap Transaction will be an amount in Sterling equal to the aggregate Current Balance of the Fixed Rate Loans in the Closing Date Portfolio as at the Closing Date Portfolio Selection Date as adjusted for any non compliance with the Loan Warranties and redemptions on or prior to the Closing Date.

If a payment (other than a Net Payment as described below) is to be made by the Fixed Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Swap Payment Date according to the relevant Priority of Payments. If a

payment (other than a Net Payment as described below) is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

In addition to the scheduled payment and Early Termination Event provisions described below, if any back-to-back swap arrangement relating to the Fixed Rate Swap Transactions governed by the Fixed Rate Swap Agreement is terminated, and either (i) a Loan in the Portfolio is subject to a Product Switch or (ii) a Loan in the Portfolio is subject to a Further Advance, an amount (the "**Net Payment**") equal to the change in value of the applicable Fixed Rate Swap Transaction prior to the occurrence of such events and after may be payable either:

(a) by the Issuer to the Fixed Rate Swap Provider (such payment, an "**Issuer Fee Amount**"); or

(b) by the Fixed Rate Swap Provider to the Issuer (such payment, a "**Swap Provider Fee Amount**").

Any Swap Provider Fee Amount received by the Issuer shall be used to repay the Class Z VFN until the Class Z VFN is redeemed in full. Any excess Swap Provider Fee Amount following the redemption in full of the Class Z VFN will be applied as Available Revenue Receipts.

"**Payment Ratio**" means, in respect of a Swap Calculation Period, the ratio of X/Y, where:

> **X** = is the Fixed Interest Notional Amount for such Swap Calculation Period minus the aggregate Current Balance of the Fixed Rate Loans in the Portfolio that are three or more months in arrears (by balance) at the Collection Period End Date immediately preceding such Swap Calculation Period; and
>
> **Y** = is the Fixed Interest Notional Amount for such Swap Calculation Period;

Ratings Downgrade of Fixed Rate Swap Provider

Under the terms of the Fixed Rate Swap Agreement, in the event that the relevant rating(s) of the Fixed Rate Swap Provider assigned by a Rating Agency is below the rating specified in the Fixed Rate Swap Agreement (in accordance with the requirements of the Rating Agencies) (the "**Required Fixed Rate Swap Rating**"), the Fixed Rate Swap Provider will, in accordance with the Fixed Rate Swap Agreement, be required to elect to take certain remedial measures within the timeframe stipulated in the Fixed Rate Swap Agreement and at its own cost which may include providing collateral for its obligations under the Fixed Rate Swap Agreement, arranging for its obligations under the Fixed Rate Swap Agreement to be transferred to an entity with the Required Fixed Rate Swap Ratings, procuring another entity with the Required Fixed Rate Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Fixed Rate Swap Agreement. A failure to take such steps will allow the Issuer to terminate the Fixed Rate Swap Agreement.

Termination of Fixed Rate Swap Agreement

Each Fixed Rate Swap Transaction may be terminated in certain circumstances, including the following, each as more specifically defined in the Fixed Rate Swap Agreement (an "**Early Termination Event**"):

(a) if there is a failure by a party to pay amounts due under the Fixed Rate Swap Agreement and any applicable grace period has expired;

(b) if certain insolvency events occur with respect to a party;

(c) if a material misrepresentation is made by the Fixed Rate Swap Provider under the Fixed Rate Swap Agreement;

(d) if a breach of a provision of the Fixed Rate Swap Agreement by the Fixed Rate Swap Provider is not remedied within the applicable grace period;

(e) if a change of law results in the obligations of one of the parties becoming illegal;

(f) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Fixed Rate Swap Agreement;

(g) if the Fixed Rate Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Fixed Rate Swap Agreement and described above in the section "*Ratings Downgrade of Fixed Rate Swap Provider*";

(h) service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes;

(i) if there is a redemption of the Notes pursuant to Condition 7.4 (*Optional Redemption of Notes for Taxation or Other Reasons*) of the Notes; and

(j) if any of the Transaction Documents is amended (other than with the prior written consent of the Fixed Rate Swap Provider) such that the Fixed Rate Swap Provider would be reasonably required to pay more or receive less under the Fixed Rate Swap Agreement.

Under the terms of the Fixed Rate Swap Agreement, upon an early termination of a Fixed Rate Swap Transaction, depending on the type of Early Termination Event and circumstances prevailing at the time of termination, the Issuer or the Fixed Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the terminated Fixed Rate Swap Transaction in each case as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination.

Depending on the terms of the Fixed Rate Swap Transaction and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Issuer will apply any termination payment it receives on a termination of the Fixed Rate Swap Transaction first to purchase a replacement fixed rate swap in accordance with the Swap Collateral Account Priority of Payments. To the extent that the Issuer receives any premium under such replacement swap, it shall apply such premium first to make any termination payment under the related terminated swap.

Taxation

The Issuer is not obliged under the Fixed Rate Swap Agreement to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under any Fixed Rate Swap Transaction under the Fixed Rate Swap Agreement.

The Fixed Rate Swap Provider will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Fixed Rate Swap Agreement. However, if the Fixed Rate Swap Provider is required to gross up a payment under the Fixed Rate Swap Agreement due to a change in the law, the Fixed Rate Swap Provider may terminate the Fixed Rate Swap Agreement.

Estimations and Reconciliations

Where no Investor Report or other relevant information on the basis of which the notional amount of the Fixed Rate Swap Transactions would ordinarily be determined has been received, in respect of any Collection Period, the Fixed Interest Notional Amount will be estimated by the Cash Manager by reference to the change in the notional amount of each Swap Transaction over the three most recent Swap Calculation Periods thereunder (or, where there are not at least three previous Swap Calculation Periods, fewer than three Swap Calculation Periods) or other relevant available information (including any information in respect of Loans, the interest in relation to

which is scheduled to change from a fixed to a floating rate in the course of such Collection Period).

If a Servicer Report or such other relevant information is delivered in respect of any subsequent Collection Period, then (a) the Fixed Interest Notional Amount will be calculated by the Cash Manager on the basis of the information in such Servicer Report or such other relevant information and (b) one or more reconciliation payments may be required to be made, either by the Issuer or by the Fixed Rate Swap Provider in respect of each Swap Transaction, in order to account for any overpayment(s) or underpayment(s) made in respect of such Swap Transaction during the relevant period of estimations.

Governing Law

The Fixed Rate Swap Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Replacement of the Fixed Rate Swap Agreement

Replacement upon early termination

In the event that the Fixed Rate Swap Agreement is terminated prior to its scheduled termination date, and prior to the service of a Note Acceleration Notice or the redemption in full of all outstanding Notes, the Issuer shall use its reasonable efforts to enter into a replacement fixed rate swap agreement. There can be no assurance that the Issuer will be able to enter into a replacement fixed rate swap agreement or, if one is entered into, as to the terms of the replacement fixed rate swap agreement or the credit rating of the replacement swap provider.

Depending on the circumstances prevailing in the market at the time, the Issuer or the replacement fixed rate swap provider may be liable to pay the Replacement Swap Premium to the other in order to enter into a replacement swap agreement. If a Replacement Swap Premium is payable by the replacement fixed rate swap provider to the Issuer, any such amount received by the Issuer will be credited to any Swap Collateral Account (if established) and applied in accordance with the Swap Collateral Account Priority of Payments. If a Replacement Swap Premium is payable by the Issuer to the replacement swap provider, the Issuer may not have sufficient funds standing to the credit of any Swap Collateral Account (if established) in order to make such payment in accordance with the Swap Collateral Account Priority of Payments and therefore may be unable to enter into a replacement fixed rate swap agreement.

Replacement in other circumstances

The Seller has the right, at any time upon giving prior notice to the Issuer, the Security Trustee and the Fixed Rate Swap Provider, to require that the Fixed Rate Swap Transaction be transferred or novated by the Fixed Rate Swap Provider to the Seller, provided that, inter alia, (i) certain requirements of the Rating Agencies (as set out in the Fixed Rate Swap Agreement) are complied with or each of the Rating Agencies confirms that such transfer or novation will not have an adverse effect on the then current ratings of the Class A Notes and (ii) no unfunded additional amounts (including any swap termination payment) will become payable by the Issuer to the Fixed Rate Swap Provider as a result of such transfer or novation.

Swap Credit Support Annex

On or around the Closing Date, the Fixed Rate Swap Provider will enter into the Swap Credit Support Annex, which shall be a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer), with the Issuer in support of the obligations of the Fixed Rate Swap Provider under the Fixed Rate Swap Agreement. Pursuant to the terms of the Swap Credit Support Annex, if at any time the Fixed Rate Swap Provider is required to provide collateral in respect of any of its obligations under the Fixed Rate Swap Agreement, such Swap Credit Support Annex will provide that, from time to time, subject to the conditions specified in the Swap Credit Support Annex and the Fixed Rate Swap Agreement, the Fixed Rate Swap Provider will make transfers of collateral to the Issuer in respect of its obligations under the Fixed Rate Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Credit Support Annex.

"**Swap Payment Date**" means, in respect of a Fixed Rate Swap Transaction, each date that corresponds to an Interest Payment Date under the Notes.

CASHFLOWS

Definition of Revenue Receipts

"**Revenue Receipts**" means (a) payments of interest and other fees due from time to time under the Loans (including any Early Repayment Fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, and (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed.

Definition of Available Revenue Receipts

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

(a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;

(b) interest payable to the Issuer on the Deposit Accounts and income from any Authorised Investments, in each case to be received on the last day of the immediately preceding Collection Period;

(c) the amounts standing to the credit of the General Reserve Ledger as at the immediately preceding Calculation Date;

(d) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts (except for amounts deemed to be Available Revenue Receipts in accordance with the Pre-Acceleration Principal Priority of Payments);

(e) amounts deemed to be Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments;

(f) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c);

(g) if the Class Z VFN is redeemed in full, any amounts standing to the credit of the Swap Provider Fee Amount Ledger;

(h) Accrued Interest received from the Seller in relation to repurchases;

(i) any Account Bank Defaulted Amounts received by the Issuer in replacement of those Available Revenue Receipts that have not been paid by The Co-operative Bank in its capacity as Co-op Account Bank as a result of an Account Bank Non-Payment Event;

(j) any insurance proceeds received beneficially; and

(k) amounts received or to be received by the Issuer under the Fixed Rate Swap Agreement on such Interest Payment Date, other than:

  (i) any early termination amount received by the Issuer under the Fixed Rate Swap Agreement on the applicable Interest Payment Date which is to be applied in acquiring a replacement swap;

  (ii) Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Rate Swap Provider to the Issuer on early termination of a Fixed Rate Swap Transaction under the Fixed Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap;

(iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Fixed Rate Swap Provider;

(iv) amounts in respect of Swap Tax Credits; and

(v) Net Payments,

less:

A. amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):

- payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
- amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
- fees charged by the providers of the Collection Accounts or any costs incurred by the Seller in relation to the Collection Accounts;
- any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller; and
- amounts due to the Account Banks (if any) towards payment of interest,

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

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

plus:

I. if a Revenue Deficiency occurs such that the aggregate of items (a) to (k) less (A) and (B) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Revenue Deficiency;

II. if a Revenue Deficiency occurs such that the aggregate of items (a) to (k) less (A) and (B) plus (I) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and the Fixed Rate Swap Provider has failed to make a payment under the Fixed Rate Swap Agreement and such default is continuing, the Swap Collateral contributed by the Fixed Rate Swap Provider in an aggregate amount equal to the lesser of (i) such Revenue Deficiency and (ii) the Fixed Rate Defaulted Swap Amount.

Definition of Available Principal Receipts

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

(a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Further Advance Purchase Prices during the immediately preceding Collection Period funded from

amounts standing to the credit of the Principal Receipts Ledger, as adjusted to take account of the purchase price paid by the Issuer for any Further Advances on the Monthly Pool Date immediately following the Collection Period End Date) and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;

(b) the amount (if any) calculated on that Interest Payment Date pursuant to the applicable Pre-Acceleration Priority of Payments to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger is reduced and/or the Class B Principal Deficiency Sub-Ledger is reduced;

(c) if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c),

less:

any amounts utilised to pay a Revenue Deficiency pursuant to paragraph (I) of the definition of Available Revenue Receipts.

Application of Monies Released from the General Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger as at the end of the immediately preceding Collection Period will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Principal Receipts to pay Revenue Deficiency

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger may be applied on each Interest Payment Date to make payments to items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Revenue Deficiency on such Interest Payment Date.

If any amounts are applied from the Principal Ledger to pay or provide for a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the Class A Principal Deficiency Sub-Ledger or Class B Principal Deficiency Sub-Ledger (as applicable).

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Amounts standing to the credit of the Class B VFN Drawdown Ledger

Monies standing to the credit of the Class B VFN Drawdown Ledger will be applied on any Business Day to pay all Further Advance Purchase Prices insofar as such Further Advance Purchase Prices could not be funded from Available Principal Receipts.

Accrued Interest Consideration

Pursuant to the terms of the Mortgage Sale Agreement and the Cash Management Agreement, the Issuer will agree to pay, on or before the first Interest Payment Date, an amount equal to the Accrued Interest Consideration to the Seller from Revenue Receipts received during the first Collection Period.

Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, on each Interest Payment Date the Cash Manager shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or

provisions of a higher priority have been made in full): (the "**Pre-Acceleration Revenue Priority of Payments**"):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein; and

(ii) any fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Agent Bank, the Registrar, the VFN Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;

(iii) any amounts then due and payable to the Citi Account Bank and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Citi Account Bank in the immediately succeeding Interest Period under the provisions of the Citi Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;

(iv) any amounts then due and payable to the BNPP Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the BNPP Account Bank in the immediately succeeding Interest Period under the provisions of the BNPP Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;

(v) any amounts then due and payable to the Back-up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Servicer Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with (if applicable) VAT thereon as provided therein; and

(vi) any amounts then due and payable to the Swap Collateral Account Bank (if any) and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Swap Collateral Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for

which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (l) below)); and

(ii) any Transfer Costs payable by the Issuer pursuant to Clause 19 of the Servicing Agreement;

(d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;

(ii) any amounts then due and payable to the Back-Up Servicer (if any) and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, a back-up servicing agreement or replacement servicing agreement, together with VAT (if payable) thereon as provided therein;

(iii) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein; and

(iv) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;

(v) any amounts then due and payable to any Back-Up Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement or any Back-Up Cash Management Agreement or Replacement Cash Management Agreement, together with VAT (if payable) thereon as provided therein;

(vi) any amounts then due and payable to any Back-Up Cash Manager Facilitator (if any) and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Cash Manager Facilitator in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement or any back-up cash management agreement or replacement cash management agreement, together with VAT (if payable) thereon as provided therein; and

(vii) any amounts then due and payable to the Co-op Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Co-op Account Bank in the immediately succeeding Interest Period under the provisions of the Co-op Bank Account Agreement, together with VAT (if payable) thereon as provided therein;

(e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction of any amounts due to the Fixed Rate Swap Provider in respect of the Fixed Rate Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Fixed Rate Swap Provider of any

Replacement Swap Premium or from the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Fixed Rate Swap Excluded Termination Amount);

(f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class A Notes;

(g) *seventh* (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);

(h) *eighth*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit the General Reserve Ledger up to the General Reserve Required Amount;

(i) *ninth* (so long as the Class B VFN will remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);

(j) *tenth*, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class B VFN;

(k) *eleventh*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Fixed Rate Swap Agreement to the Fixed Rate Swap Provider in respect of any Fixed Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to the Fixed Rate Swap Provider by the Issuer of any applicable Replacement Swap Premium or from the Swap Collateral Account Priority of Payments);

(l) *twelfth*, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class Z VFN;

(m) *thirteenth*, to pay to the Issuer an amount equal to the Issuer Profit Amount;

(n) *fourteenth*, subject to condition 7.2(b), to provide for amounts due on the relevant Interest Payment Date to repay principal due and payable on the Class Z VFN;

(o) *fifteenth*, (so long as any Class A Notes will remain outstanding following such Interest Payment Date) if such Interest Payment Date falls immediately after a Determination Period, then the excess (if any) to the Co-op Deposit Account to be applied as Available Revenue Receipts on the next following Interest Payment Date; and

(p) *sixteenth*, any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

Application of Available Principal Receipts Prior to the service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall, after application of the Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments, apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Acceleration Principal Priority of Payments**" and, together with the Pre-Acceleration Revenue Priority of Payments, the "**Pre-Acceleration Priorities of Payment**") (in each case only if and to the extent that such payments have not already been made as a result of the operation of the Pre-Acceleration Revenue Priority of Payments and payments or provisions of higher priority have been paid in full):

(a) *first*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;

(b) *second*, subject to condition 7.2(a), in or towards repayment *pro rata* and *pari passu* of the principal amount outstanding on the Class B VFN; and

(c) *third*, the excess (if any) to be applied as Available Revenue Receipts.

If any amounts are applied from the Principal Ledger to cover a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the Class A Principal Deficiency Sub-Ledger or Class B Principal Deficiency Sub-Ledger (as applicable).

As used in this Prospectus:

"**Accrued Interest**" means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date.

"**Appointee**" means any attorney, manager, agent, delegate, nominee, Receiver, receiver and manager, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions.

"**Arrears of Interest**" means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date.

"**Capitalised Arrears**" means, in relation to a Loan, at any date, amounts which are overdue in respect of that Loan and which as at that date have been included in the Current Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

"**Capitalised Expenses**" means, in relation to a Loan, the amount of all expenses charges, fees, premiums or payments capitalised and included in the Current Balance in respect of such Loan in accordance with the relevant Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

"**Capitalised Interest**" means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Current Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date).

"**Early Repayment Fee**" means any fee (other than a Redemption Fee) which a Borrower is required to pay in the event that the Borrower is in default or his or her Loan becomes repayable for any other mandatory reason or he or she repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions.

"**Early Repayment Fee Receipts**" means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Fees.

"**Excess Swap Collateral**" means, in respect of the Fixed Rate Swap Agreement and the Fixed Rate Swap Provider, an amount (which will be transferred directly to the Fixed Rate Swap Provider in accordance with the Fixed Rate Swap Agreement) equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the Fixed Rate Swap Provider to the Issuer pursuant to the Fixed Rate Swap Agreement exceeds the Fixed Rate Swap Provider's liability under the Fixed Rate Swap Agreement as at the date of termination of the Fixed Rate Swap Agreement or which it is otherwise entitled to have returned to it under the terms of the Fixed Rate Swap Agreement. Any amount of Swap Collateral in respect of the Fixed Rate Swap Agreement used towards curing any Revenue Deficiency will be deducted from the amount due to the Fixed Rate Swap Provider;

"**Fixed Rate Swap Agreement**" means the ISDA master agreement, schedule and confirmations (as amended or supplemented from time to time) relating to the Fixed Rate Swap Transaction to be entered into on the Closing Date between the Issuer and the Fixed Rate Swap Provider as such may be amended from time to time and/or any successive or replacement swap agreement entered into from time to time.

"**Fixed Rate Swap Excluded Termination Amount**" means, in relation to the Fixed Rate Swap Agreement, the amount of any termination payment due and payable to the Fixed Rate Swap Provider as a result of a Swap Provider Default or a Swap Provider Downgrade Event, except to the extent such amount has already been paid pursuant to the Swap Collateral Account Priority of Payments.

"**Fixed Rate Swap Provider**" means HSBC Bank plc in its capacity as the fixed interest rate swap provider pursuant to the Fixed Rate Swap Agreement and any successor or transferee in respect thereof.

"**Fixed Rate Swap Transaction**" means the fixed interest rate swap documented under the Fixed Rate Swap Agreement pursuant to which the Issuer will hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes.

"**Interest Period**" means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note to (but excluding) the next Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date).

"**Issuer Fee Amount**" means the amount if any owing by the Issuer to the Fixed Rate Swap Provider and described as a "Net Payment" pursuant to the Fixed Rate Swap Agreement in connection with any Further Advance or Product Switch which occurred in the immediately preceding Monthly Period.

"**Issuer Fee Amount Ledger**" means the ledger in connection with the Relevant Deposit Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of the Issuer Fee Amount and any debiting of the same.

"**Issuer Profit Amount**" means an aggregate of £21,000, paid in equal instalments on each Interest Payment Date falling in 2017, and £250 on each Interest Payment Date falling thereafter, which shall be credited to the Issuer Profit Amount Ledger for the Issuer to retain as a profit for entering into the transaction;

"**Redemption Fee**" means the standard redemption fee charged to the Borrower by the Seller where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan.

"**Replacement Swap Premium**" means an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into an agreement with such replacement swap provider to replace one or more Fixed Rate Swap Transactions.

"**Swap Collateral**" means an amount equal to the value of collateral (other than Excess Swap Collateral) provided by the Fixed Rate Swap Provider to the Issuer under the Fixed Rate Swap Agreement and includes any interest and distributions in respect thereof.

"**Swap Collateral Account**" means one or more accounts (if any) to which Swap Collateral is posted in accordance with the terms of the Fixed Rate Swap Agreement.

"**Swap Collateral Account Bank**" means a bank appointed to operate the Swap Collateral Account.

"**Swap Collateral Excluded Amounts**" means, at any time, the amount of Swap Collateral which may not be applied under the terms of the Fixed Rate Swap Agreement at that time in satisfaction of the Fixed Rate Swap Provider's obligations to the Issuer including Swap Collateral, which is to be returned to the Fixed Rate Swap Provider from time to time in accordance with the terms of the Fixed Rate Swap Agreement and ultimately upon termination of the Fixed Rate Swap Agreement.

"**Swap Provider Default**" means the occurrence of an Event of Default (as defined in the Fixed Rate Swap Agreement) where the Fixed Rate Swap Provider is the Defaulting Party (as defined in the Fixed Rate Swap Agreement).

"**Swap Provider Downgrade Event**" means the occurrence of an Additional Termination Event (as defined in the Fixed Rate Swap Agreement) following the failure by the Fixed Rate Swap Provider to comply with the requirements of the "*Rating Events*" provisions set out in the Fixed Rate Swap Agreement.

"**Swap Provider Fee Amount**" means the amount (if any) owing by the Fixed Rate Swap Provider to the Issuer and described as a "Net Payment" pursuant to the Fixed Rate Swap Agreement in connection with any Further Advance or Product Switch which occurred in the immediately preceding Monthly Period.

"**Swap Tax Credits**" means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Fixed Rate Swap Provider to the Issuer.

"**Transfer Costs**" means the Issuer's costs and expenses associated with the transfer of servicing to a substitute servicer.

Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) other than:

(a) amounts representing any Excess Swap Collateral which shall be returned directly to the Fixed Rate Swap Provider under the Fixed Rate Swap Agreement;

(b) any Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Rate Swap Agreement to reduce the amount that would otherwise be payable by the Fixed Rate Swap Provider to the Issuer on early termination of that Fixed Rate Swap Transaction under the Fixed Rate Swap Agreement, which shall be returned directly to the Fixed Rate Swap Provider;

(c) any Swap Tax Credits which shall be returned directly to the Fixed Rate Swap Provider; and

(d) Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Fixed Rate Swap Provider) which shall be paid directly to the Fixed Rate Swap Provider,

in the following order of priority (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Priorities of Payments, the "**Priorities of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due and payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and

(ii) any fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts then due and payable to the Agent Bank, the Registrar, the VFN Registrar and the Paying Agents and any fees, costs, charges, liabilities, expenses and any other amounts (including by way of indemnity) then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities, expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the

Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;

(iii) any amounts then due and payable to the Citi Account Bank and any fees, costs, charges, liabilities, expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Citi Account Bank in the immediately succeeding Interest Period under the provisions of the Citi Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;

(iv) any amounts then due and payable to the BNPP Account Bank and any fees, costs, charges, liabilities, expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the BNPP Account Bank in the immediately succeeding Interest Period under the provisions of the BNPP Account Bank Agreement, together with (if applicable) VAT thereon as provided therein; and

(v) any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities, expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Swap Collateral Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;

(c) *third*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;

(ii) any amounts then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, a back-up servicing agreement or replacement servicing agreement, together with VAT (if payable) thereon as provided therein;

(iii) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;

(iv) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;

(v) any amounts then due and payable to any Back-Up Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement or any Back-Up Cash Management Agreement or Replacement Cash Management agreement, together with VAT (if payable) thereon as provided therein;

(vi) any amounts then due and payable to the Back-Up Cash Manager Facilitator (if any) and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Cash Manager Facilitator in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein; and

(vii) any amounts then due and payable to the Co-op Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Co-op Account Bank in the immediately succeeding Interest Period under the provisions of the Co-op Bank Account Agreement, together with VAT (if payable) thereon as provided therein;

(d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction of any amounts due to the Fixed Rate Swap Provider in respect of the Fixed Rate Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Fixed Rate Swap Provider of any Replacement Swap Premium or from the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Fixed Rate Swap Excluded Termination Amount and any Net Payment);

(e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest due and payable on the Class A Notes;

(f) *sixth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;

(g) *seventh*, to pay *pro rata* and *pari passu* interest due and payable on the Class B VFN;

(h) *eighth*, subject to condition 7.2(a), to pay *pro rata* and *pari passu* principal due and payable on the Class B VFN until the Principal Amount Outstanding on the Class B VFN has been reduced to zero;

(i) *ninth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Fixed Rate Swap Agreement to the Fixed Rate Swap Provider in respect of any Fixed Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to the Fixed Rate Swap Provider by the Issuer of any applicable Replacement Swap Premium or from the Swap Collateral Account Priority of Payments);

(j) *tenth*, to pay *pro rata* and *pari passu* interest due and payable on the Class Z VFN;

(k) *eleventh*, subject to condition 7.2(b), to pay *pro rata* and *pari passu* principal due and payable on the Class Z VFN until the Principal Amount Outstanding on the Class Z VFN has been reduced to zero;

(l) *twelfth*, to pay to the Issuer an amount equal to the Issuer Profit Amount; and

(m) *thirteenth*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

"**Back-Up Cash Manager Facilitator**" means a back-up cash manager facilitator that may be appointed in relation to the transaction contemplated by the Transaction Documents.

Definition of Principal Receipts

"**Principal Receipts**" means (a) principal repayments under the Loans (including any overpayments, payments of arrears of principal, Capitalised Interest and Capitalised Expenses and Capitalised Arrears), (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (for the avoidance of doubt excluding (i) any Accrued Interest thereon as at the relevant repurchase date, and (ii) amounts attributable to Arrears of Interest thereon as at the relevant repurchase date)**.**

Swap Collateral

In the event that the Fixed Rate Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Fixed Rate Swap Agreement in accordance with the terms of the Credit Support

Annex of the Fixed Rate Swap Agreement (the "**Swap Credit Support Annex**"), that collateral (and any interest and/or distributions earned thereon) will be credited to a separate Swap Collateral Account Bank and credited to the Swap Collateral Ledger. Any cash credited to the Swap Collateral Account may be invested by the Cash Manager, in accordance with the terms of the Fixed Rate Swap Agreement and the Cash Management Agreement, in eligible swap collateral investments (which includes money market funds). In addition, upon any early termination of the Fixed Rate Swap Agreement, (a) any Replacement Swap Premium received by the Issuer from a replacement swap provider and/or (b) any termination payment received by the Issuer from the outgoing Fixed Rate Swap Provider will be credited to the Swap Collateral Account or recorded on the Swap Collateral Ledger.

Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger (other than amounts set out in paragraph (a) of the definition of Fixed Rate Defaulted Swap Amounts which will be applied as set out in "Credit Structure – Definition of Available Revenue Receipts") will not be available for the Issuer or the Security Trustee to make payments to the Secured Creditors generally, but may be applied only in accordance with the following provisions (the "**Swap Collateral Account Priority of Payments**"):

(a) prior to the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement, solely in or towards payment or discharge of any Return Amounts, Interest Amounts and Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Fixed Rate Swap Provider in accordance with the terms of the Swap Credit Support Annex;

(b) following the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement where (A) such Early Termination Date has been designated following a Swap Provider Default or Swap Provider Downgrade Event and (B) the Issuer enters into a replacement swap agreement in respect of the Fixed Rate Swap Agreement on or around the Early Termination Date of the Fixed Rate Swap Agreement, on the later of the day on which such replacement swap agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:

(i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Fixed Rate Swap Agreement being terminated;

(ii) *second*, in or towards payment of any termination payment due to the outgoing Fixed Rate Swap Provider; and

(iii) *third*, the surplus (if any) (a "**Swap Collateral Account Surplus**") on such day to be transferred to the Deposit Accounts;

(c) following: (i) the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement where (A) such Early Termination Date has been designated otherwise than as a result of one of the events specified at items (b)(A) above and (B) the Issuer enters into a replacement swap agreement in respect of the Fixed Rate Swap Agreement on or around the Early Termination Date of the Fixed Rate Swap Agreement, on the later of the day on which such replacement swap agreement; or (ii) any novation of the Fixed Rate Swap Provider's obligations to a replacement fixed rate swap provider is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:

(i) *first*, in or towards payment of any termination payment due to the outgoing Fixed Rate Swap Provider;

(ii) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Fixed Rate Swap Agreement being terminated or novated; and

(iii) *third*, any Swap Collateral Account Surplus on such day to be transferred to the Deposit Accounts;

(d) following the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement for any reason where the Issuer does not enter into a replacement swap agreement in respect of the Fixed Rate Swap Agreement on or around the Early Termination Date of the Fixed Rate Swap Agreement and, on any day, in or towards payment of any termination payment due to the outgoing Fixed Rate Swap Provider; and

(e) following payments of amounts due pursuant to (d) above, if amounts remain standing to the credit of a Swap Collateral Account or the Swap Collateral Ledger, such amounts may be applied only in accordance with the following provisions:

(i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Fixed Rate Swap Agreement to which such Swap Collateral Account relates;

(ii) *second*, any Swap Collateral Account Surplus remaining after payment of such Replacement Swap Premium to be transferred to the Deposit Account to be applied as Available Revenue Receipts or Available Principal Receipts, as applicable,

provided that for so long as the Issuer does not enter into a replacement swap agreement with respect to the Fixed Rate Swap Agreement to which such Swap Collateral Account relates, on each Interest Payment Date the Issuer or the Cash Manager on its behalf will be permitted to withdraw an amount from the applicable Swap Collateral Account or the Swap Collateral Ledger (as the case may be) in respect of the Fixed Rate Swap Transaction, equal to the excess of the Fixed Interest Period Swap Provider Amount over the Fixed Interest Period Issuer Amount which would have been paid by the Fixed Rate Swap Provider to the Issuer on such Interest Payment Date but for the designation of an Early Termination Date under the Fixed Rate Swap Agreement to be applied as Available Revenue Receipts on such date; and

provided further that for so long as the Issuer does not enter into a replacement swap agreement with respect to the Fixed Rate Swap Agreement to which such Swap Collateral Account relates on or prior to the earlier of:

(A) the Calculation Date immediately before the Interest Payment Date on which the Principal Amount Outstanding of all Classes of Notes; or

(B) the day on which a Note Acceleration Notice is given pursuant to Condition 10,

then the amount standing to the credit of such Swap Collateral Account on such day shall be a Swap Collateral Account Surplus and shall be transferred to the Deposit Accounts as soon as reasonably practicable thereafter.

The Swap Collateral Accounts will be opened in the name of the Issuer and will be held at a financial institution which meets the relevant ratings requirements. A separate Swap Collateral Account and Swap Collateral Ledger will be established and maintained in respect of each Swap Agreement. As security for the payment of all moneys payable in respect of the Notes and the other Secured Amounts, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Accounts and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

DESCRIPTION OF THE GLOBAL NOTES AND THE VARIABLE FUNDING NOTE

The issue of the Notes is authorised by resolutions of the Board of Directors of the Issuer passed on 26 May 2017. The Notes will be constituted by a trust deed (the "**Trust Deed**") expected to be dated the Closing Date between the Issuer and the Note Trustee as trustee for the Noteholders. The Notes will be freely transferable.

General

The Notes as at the Closing Date will each be represented by a global note certificate (a "**Global Note**"). All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes in respect of the Class A Notes will be deposited on our about the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**"). It is intended that the Class A Notes will be held under the new safekeeping structure in a manner to enable Euroclear eligibility, however, it cannot be confirmed that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any times during their life. Such recognition will depend on the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

The Global Note in respect of the Class A Notes will be deposited with the Common Safekeeper and registered in the name of a nominee of the Common Safekeeper. The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper (in respect of the Class A Notes). The VFN Registrar will maintain a register in which it will register the holder of the VFNs as the owner of the VFNs.

Upon confirmation by the Common Safekeeper (in respect of the Class A Notes) that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto ("**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof (an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the 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.

So long as a nominee for the Common Safekeeper in respect of the Class A Notes is the registered holder of the Global Note, underlying the Book-Entry Interests, the nominee for the Common Safekeeper (in respect of the Class A Notes) will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set forth under "*Issuance of Registered Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and

obligations of a holder of Notes under the Trust Deed. See — "*Action in Respect of the Global Note and the Book-Entry Interests*", below.

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

In the case of the Global Note unless and until Book-Entry Interests are exchanged for Definitive Certificates, the Global Note, held by the Common Safekeeper (in respect of the Class A Notes) may not be transferred except as a whole by the Common Safekeeper (in respect of the Class A Notes) to a successor of the Common Safekeeper (in respect of the Class A Notes).

Purchasers of Book-Entry Interests in a Global Note pursuant to Regulation S will hold Book-Entry Interests in the Global Note, relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the notes held through Euroclear and Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearsteam, Luxembourg, will be conducted in accordance with the normal operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

Payments on the Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Citibank, N.A., London Branch (the "**Principal Paying Agent**") on behalf of the Issuer to Euroclear or Clearstream, Luxembourg. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper (in respect of the Class A Notes) or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Safekeeper (in respect of the Class A Notes), the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Class A Notes shall be at the close business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and

customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arrangers, the Note Trustee, the Paying Agents or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that 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 order of the clearing systems and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*General*" above.

Beneficial interests in the Global Notes may be held only through Euroclear and Clearstream, Luxembourg. Neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.

Settlement and transfer of notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note the ("**beneficial owner**") will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Issuance of Registered Definitive Certificates

Holders of Book-Entry Interests in the Global Note will be entitled to receive certificates evidencing definitive notes or the Global Note in registered form ("**Definitive Certificates**") in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.

Any Definitive Certificates issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Certificates issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Definitive Certificates for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above and **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be (in the case of Notes), the due date for redemption. Definitive Certificates will not be issued in a denomination that is

not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £1000. As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent.) In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

Action in Respect of the Global Note and the Book-Entry Interests

Not later than ten days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note, and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to each of Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**") for communication by them to the holders of the relevant Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are admitted to trading and listed on the Official List) any notice shall also be published in accordance with the relevant guidelines of the London Stock Exchange. See also Condition 15 (*Notice to Noteholders*) of the Notes.

Class B Variable Funding Note and Class Z Variable Funding Note

The Class B VFN and the Class Z VFN will be issued in dematerialised registered form and no certificate evidencing entitlement to either the Class B VFN or the Class Z VFN will be issued. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the VFN Registrar, in which the Class B VFN and the Class Z VFN will be registered in the name of the Class B VFN Holder and the Class Z VFN Holder, respectively. Transfers of the Class B VFN and/or the Class Z VFN may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 2.2 (Title).

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the "**Conditions**" of the Notes and any reference to a "**Condition**" shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

1. GENERAL

The £1,271,830,000 Class A mortgage backed floating rate Notes due 2060 (the "**Class A Notes**"), the £200,000,000 Class B variable funding rate note due 2060 (the "**Class B VFN**"), and the £100,000,000 Class Z variable funding rate note due 2060 (the "**Class Z VFN**" and together with the Class A Notes and the Class B VFN, the "**Notes**"), in each case of Silk Road Finance Number Four PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 2 June 2017 (the "**Closing Date**") and made between, *inter alios*, the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the "**Conditions**") to a "Class" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B VFN or the Class Z VFN, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on the Closing Date and made between the Issuer, the Note Trustee, HSBC Bank plc as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agents**"), HSBC Bank plc as registrar (in such capacity, the "**Registrar**") and HSBC Bank plc as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the Master Definitions and Construction Schedule (the "**Master Definitions and Construction Schedule**") entered into by, *inter alios*, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Class A Notes will initially be represented by a global note certificate in registered form (a "**Global Note**"). Each of the Class B VFN and the Class Z VFN will be in dematerialised registered form.

For so long as any of the Class A Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme*

("**Clearstream, Luxembourg**"), as appropriate. The Global Note will be deposited with and registered in the name of a nominee of Euroclear and Clearstream, Luxembourg as their common safekeeper, and the other common depositary functions will be performed by the entity appointed by Euroclear and Clearstream, Luxembourg as their common service provider.

For so long as the Class A Notes are represented by the Global Note and Euroclear and Clearstream, Luxembourg so permit, the Class A Notes shall be tradable only in the minimum nominal amount of £100,000 and integral multiples of £1,000 in excess thereof.

The Global Note will be exchanged for the relevant Class A Notes in definitive registered form (such exchanged Global Note, the "**Registered Definitive Notes**") only if either of the following applies:

(a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system is available; or

(b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Class A Notes which would not be required were the relevant Class A Notes in definitive registered form.

If Registered Definitive Notes are issued in respect of the Class A Notes originally represented by the Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Class A Notes in registered definitive form. The aggregate principal amount of the Registered Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Class A Notes in global and (if issued and printed) definitive form will be £100,000.

Each Class of the VFNs will have a minimum denomination of £100,000 and may be issued and redeemed in integral multiples of £1. No certificate evidencing entitlement to any of the VFNs will be issued.

Prior to the delivery of a Note Acceleration Notice, the Principal Amount Outstanding of the Class B VFN shall be at least equal to £100 unless the Available Principal Receipts and Available Revenue Receipts as at such date are sufficient to repay all the Notes in full. Prior to the delivery of a Note Acceleration Notice, the Principal Amount Outstanding of the Class Z VFN shall be at least equal to £100 unless the Available Principal Receipts and Available Revenue Receipts as at such date are sufficient to repay all the Notes in full.

The Class B VFN will be issued on the Closing Date with a nominal principal amount of £200,000,000.00 and a Principal Amount Outstanding of £110,594,000.00 will be subscribed for on the Closing Date. The Class Z VFN will be issued on the Closing Date with a nominal principal amount of £100,000,000 and a Principal Amount Outstanding of £34,670,600 will be subscribed for on the Closing Date.

References to "**VFN**" in these conditions mean each of the Class B VFN and the Class Z VFN (together, the "**VFNs**").

References to "**Notes**" in these Conditions shall include the Global Note, the VFNs and the Registered Definitive Notes.

2.2 **Title**

Title to the Global Note shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note or a VFN shall only pass by and upon registration of the transfer in the Register or the VFN Register (as applicable) provided that no transferee shall be registered as a new Class B VFN Holder or a new Class Z VFN Holder (as the case may be) unless (a) the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee has been obtained (the Note Trustee shall only give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders) and (b) such transferee has certified to, inter alios, the VFN Registrar that it is (i) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (ii) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (iii) a Qualifying Noteholder. The Issuer shall procure that the register in respect of the VFNs (the "**VFN Register**") is kept by the VFN Registrar.

"**Qualifying Noteholder**" means:

(a) a person which is beneficially entitled to interest in respect of the VFN and is;

  (i) a company resident in the United Kingdom for United Kingdom tax purposes;

  (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of section 19 of the Corporation Tax Act 2009 (the "**CTA**")) of that company; or

  (iii) a partnership each member of which is;

    (A) a company resident in the United Kingdom; or

    (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or

(b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 (ITA 2007) and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 2.1 (*Form and Denomination*) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set forth on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the

Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity and/or security and/or prefunding as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 Status and relationship between the Notes

(a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times.

(b) The Class B VFN and the Class Z VFN constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provisions in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class B VFN ranks *pari passu* without preference or priority amongst themselves but junior to the Class A Notes, as provided in these Conditions and the Transaction Documents. The Class Z VFN rank *pari passu* without preference or priority amongst themselves, but junior to the Class A Notes and the Class B VFN as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B VFN Holder will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding), and the interests of the Class Z VFN Holder will be subordinated to the interests of the Class A Noteholders and the Class B VFN Holder (so long as any Class A Notes or Class B VFN remain outstanding).

(c) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee in any such case to have regard only to the interests of (i) the Class A Noteholders if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is a conflict between the interests of, on the one hand, the Class A Noteholders and, on the other, the Class B VFN Holder and/or the Class Z VFN Holder; or (ii) the Class B VFN Holder if, in the Note Trustee's, or as the case may be, the Security Trustee's opinion, there is a conflict between the interests of, on the one hand, the Class B VFN Holder and, on the other, the Class Z VFN Holder. As long as the Notes are outstanding but subject to Condition 12.5, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

(d) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class B VFN Holder and the Class Z VFN Holder to request or direct the Note Trustee or the Security Trustee to take any action or to sanction a direction according to the effect thereof on the interests of the Class A Noteholders.

(e) Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B VFN Holder and the Class Z VFN Holder.

3.2 Security

(a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

(b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. **COVENANTS**

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

(a) **Negative pledge**:

create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;

(b) **Restrictions on activities**:

(i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;

(c) **Disposal of assets**:

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) **Equitable Interest**:

permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Dividends or distributions**:

pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;

(f) **Indebtedness**:

incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;

(g) **Merger**:

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(h) **No modification or waiver**:

permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

(i) **Bank accounts**:

have an interest in any bank account other than the Deposit Accounts, unless such account or interest therein is charged to the Security Trustee for itself and on trust for the other Secured Creditors on terms acceptable to the Security Trustee;

(j) **US activities**:

engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles;

(k) **Corporation tax**: prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006; or

(l) **VAT**: apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same.

5. INTEREST

5.1 Interest Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 Interest Payment Dates

The first Interest Payment Date will be the Interest Payment Date falling in September 2017.

Interest will be payable quarterly in arrear on the 21st day of March, June, September and December, in each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an "**Interest Payment Date**"), for all classes of Notes.

In these Conditions, "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding Interest Payment Date.

5.3 Rate of Interest and Step-up Margins

(a) The rate of interest payable from time to time in respect of each class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be determined on the basis of the following provisions:

(i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for three and six month deposits in Sterling) of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London

time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (I) the Relevant Margin and (II) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)); and

(ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest, subject to a floor of zero.

(b) From the Interest Payment Date falling in March 2022 (the "**Step-up Date**") and thereafter, a higher interest amount will be payable by the Issuer with respect to the Class A Notes. The Class A Notes (or, in the case of the redemption of part only of a Class A Note, that part only of such Class A Note) will cease to attract a relevant Step-up Margin from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Class A Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event the Step-up Margin shall continue to accrue as provided in the Trust Deed.

(c) The Step-up Margin set out in paragraph (d)(vi) below will be payable quarterly in arrear on each Interest Payment Date from (and including) the Interest Payment Date following the Step-up Date for each of the Class A Notes.

(d) In these Conditions (except where otherwise defined), the expression:

(i) "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;

(ii) "**Interest Determination Date**" means the first Business Day of the Interest Period for which the Relevant Screen Rate will apply;

(iii) "**Reference Banks**" means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;

(iv) "**Relevant Margin**" means:

(A) prior to the Step-up Date, in respect of each Class of the Notes the following percentage per annum:

(1) in respect of the Class A Notes, 0.50 per cent. per annum (the "**Class A Margin**");

(2) in respect of the Class B VFN, 0 per cent. per annum (the "**Class B Margin**");

(3) in respect of the Class Z VFN, 0 per cent. per annum (the "**Class Z Margin**"); and

(B) on and after the Step-up Date, the Step-up Margin;

(v) "**Relevant Screen Rate**" means in respect of the Notes the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for three and six month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;

(vi) "**Step-up Margin**" means, from and including the Step-Up Date in respect of the Class A Notes, 1.00 per cent. per annum;

5.4 **Determination of Rates of Interest and Interest Amounts**

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the Sterling amount (the "**Interest Amounts**") in respect of the Notes payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the figure downwards to the nearest penny.

5.5 **Publication of Rates of Interest and Interest Amounts**

The Agent Bank shall cause the Rates of Interest, the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Registrar, the VFN Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 **Determination by the Note Trustee**

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 **Notifications, etc to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the VFN Registrar, the Paying Agents and all

Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar, the VFN Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 **Agent Bank**

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

5.9 **Determinations and Reconciliation**

(a) In the event that the Cash Manager does not receive the Servicer Reports with respect to a Collection Period (each such period, a "**Determination Period**"), then the Cash Manager may use the Servicer Reports in respect of the three most recent Collection Periods (or, where there are not Servicer Reports in respect of the three most recent Collection Periods, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.9 (*Determinations and Reconciliation*). When the Cash Manager receives the Servicer Reports relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 5.9(b) and/or 5.9(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 5.9(b) and/or 5.9(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

(b) In respect of any Determination Period the Cash Manager shall:

(i) determine the Interest Determination Ratio (as defined below) by reference to the most recent three Collection Periods for which there are Servicer Reports available for each of the three months in such Collection Period (or, where there are not at least three such Collection Periods, any previous Collection Periods) received in the preceding Collection Periods;

(ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and

(iii) calculate the Principal Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Receipts**").

(c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 5.9(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined below) as follows:

(i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and

(ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

"**Interest Determination Ratio**" means (a) the aggregate Revenue Receipts calculated in the most recent three Collection Periods for which there are Servicer Reports available for each of the three months in such Collection Period (or, where there are not at least three such Collection Periods, any previous Collection Periods) divided by (b) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Collection Periods.

"**Reconciliation Amount**" means in respect of any Collection Period, (a) the actual Principal Receipts as determined in accordance with the Servicer Reports available for each of the three months in such Collection Period, *less* (b) the Calculated Principal Receipts in respect of such Collection Period, *plus* (c) any Reconciliation Amount not applied in previous Collection Periods.

"**Servicer Reports**" means the reports to be provided by the Servicer to the Cash Manager in accordance with Clause 12.5 the Servicing Agreement (each a "**Servicer Report**").

6. PAYMENTS

6.1 Payment of Interest and Principal

Payments of principal and interest shall be made upon application by the relevant Noteholder to the specified office of the Principal Paying Agent (or the VFN Registrar in respect of any VFN) not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London and (in the case of final redemption of a Class A Note) upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent.

6.2 Laws and Regulations

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, U.S. Treasury regulations or administrative guidance promulgated thereunder or any law or agreement implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and Condition 5.3(b) (*Rate of Interest and Step-up Margins*) will be paid in accordance with this Condition 6.

6.4 **Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar or the VFN Registrar and to appoint additional or other agents **provided that** there will at all times be (i) a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London and (ii) a Registrar and a VFN Registrar with a specified office in Luxembourg or in London.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents, the Registrar or the VFN Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 **No Payment on non-Business Day**

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 **Partial Payment**

If a Paying Agent or the VFN Registrar makes a partial payment in respect of any Note, the Registrar and/or VFN Registrar (as applicable) will, in respect of the relevant Note, annotate the Register and/or the VFN Register (as applicable), indicating the amount and date of such payment.

6.7 **Payment of Interest**

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

7. **REDEMPTION**

7.1 **Redemption at Maturity**

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in March 2060 (and for the avoidance of doubt, the order of priority on such redemption shall be as set out in the Pre-Acceleration Priority of Payments).

7.2 **Mandatory Redemption**

(a) Each of the Class A Notes and the Class B VFN shall, subject to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) and 7.4 (*Optional Redemption for Taxation or Other Reasons*), be redeemed on each Interest Payment Date and prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose according to the Principal Priority of Payments which shall be applied (i) to repay the Class A Notes until they are each repaid in full and thereafter be applied (ii) to repay the Class B VFN until (A) on any Interest Payment Date prior to the delivery of a Note Acceleration Notice where all other Classes of Notes are to be redeemed in full, the Class B VFN is repaid in full; or (B) on any Interest Payment Date prior to the delivery of a Note Acceleration Notice where all other Classes of Notes will

not be redeemed in full, until a Principal Amount Outstanding of at least £100 remains outstanding in respect of the Class B VFN.

(b) The Class Z VFN will be redeemed on each Interest Payment Date prior to the service of a Note Acceleration Notice in an amount equal to the Available Revenue Receipts available for such purpose according to the Pre-Acceleration Revenue Priority of Payments until (A) on any Interest Payment Date prior to the delivery of a Note Acceleration Notice where all other Classes of Notes are to be redeemed in full, the Class Z VFN is repaid in full; or (B) on any Interest Payment Date prior to the delivery of a Note Acceleration Notice where all other Classes of Notes will not be redeemed in full, until a principal amount of £100 remains outstanding on the Class Z VFN.

(c) The principal amount redeemable in respect of each of the Notes (the "**Note Principal Payment**") on any Interest Payment Date shall be in the case of the Notes (other than the Class Z VFN), the Available Principal Receipts available for such purpose on the Calculation Date immediately preceding the Interest Payment Date to be applied in redemption of that Class divided by the number of Notes in that Class in the relevant denomination then outstanding. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of the Class A Notes, is 100,000 and, in the case of the Class B VFN and the Class Z VFN, is 100. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

(d) The Issuer or Cash Manager will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Class A Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange) the London Stock Exchange, and will immediately cause notice of each such determination to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on any Class of Notes on any Interest Payment Date a notice to this effect will be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

7.3 **Optional Redemption of the Class A Notes in Full**

(a) On giving not more than 60 nor less than 10 days' notice to the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and the Note Trustee and the Fixed Rate Swap Provider, and provided that:

(i) on or prior to the Interest Payment Date on which such notice expires (such Interest Payment Date on which the redemption occurs, the "**Optional Redemption Date**"), no Note Acceleration Notice has been served;

(ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee (upon which certificate the Note Trustee may rely without further enquiry or liability to any person) that it will have the necessary funds to pay all principal and interest due in respect of the Class A Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Class A Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority

shall be as set out in the Pre-Acceleration Revenue Priority of Payments and Principal Priority of Payments, as applicable); and

(iii) the Optional Redemption Date is (A) the Step-Up Date or any Interest Payment Date thereafter; or (B) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount outstanding of the Class A Notes on the Closing Date,

the Issuer may redeem on any Optional Redemption Date all of the Class A Notes on such Optional Redemption Date.

(b) Any Class A Notes redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Class A Notes to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Class A Notes up to but excluding the Optional Redemption Date.

7.4 **Optional Redemption for Taxation or Other Reasons**

If by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, either (i) on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes), or the Issuer or the Fixed Rate Swap Provider would be required to deduct or withhold from any payment in respect of the Fixed Rate Swap Agreement any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; (ii) the total amount payable in respect of interest in relation to any of the Mortgages for an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period; or (iii) 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, then the Issuer shall, if the same would avoid the effect of such relevant event described above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, provided that;

(I) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Class A Noteholders (and in making such determination, the Note Trustee may rely absolutely, without liability and without investigation or inquiry, on:

(a) any written confirmation from each of the Rating Agencies that the then current ratings of the Class A Notes would not be adversely affected by such substitution) or:

(b) a written certification from the Issuer (on the basis of the appropriate advice having been received by the Issuer) to the Note Trustee that such proposed action:

(i) (while any Class A Notes remain outstanding) has been notified to the Rating Agencies;

(ii) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Notes;

(iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and;

(iv) would not have an adverse effect on the rating of the Class A Notes (upon which confirmation or certificate the Note Trustee shall be entitled to rely

absolutely, without further enquiry and without liability to any person for so doing), and;

(II) such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer certifies to the Note Trustee (upon which certification the Note Trustee may be entitled to rely absolutely and without further enquiry or liability), immediately before giving the notice referred to below that the event described above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Fixed Rate Swap Provider and the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Class A Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that, prior to giving any such notice, the Issuer shall have provided to the Note Trustee;

(a) a certificate signed by two directors of the Issuer stating that:

(i) the circumstances referred to above prevails;

(ii) setting out details of such circumstances; and

(iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, and;

(b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer and each of the Paying Agents has or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept without enquiry or liability such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Class A Noteholders.

The Issuer may only redeem the Class A Notes as described above if the Issuer has certified to the Note Trustee (upon which certification the Note Trustee may be entitled to rely absolutely and without further enquiry) that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments to be paid in priority to or *pari passu* with the Class A Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 **Principal Amount Outstanding**

(a) The "**Principal Amount Outstanding**" of the Class A Notes on any date shall be their original principal amount of £1,271,830,000.00 less the aggregate amount of all principal payments in respect of such Class A Notes which have been made since the Closing Date.

(b) The Principal Amount Outstanding of the Class B VFN shall be, as at a particular day (the "**Reference Date**"), the total principal amount of all drawings under the Class B VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class B VFN which have been made since the Closing Date and not later than the Reference Date.

(c) The Principal Amount Outstanding of the Class Z VFN shall be, as at a Reference Date, the total principal amount of all drawings under the Class Z VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such

Class Z VFN which have been made since the Closing Date and not later than such Reference Date.

7.6 **Notice of Redemption**

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*), Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation or liability and, if so relied on, shall be conclusive and binding on the Noteholders.

Amounts to be applied towards redemption of Notes pursuant to this Condition 7 shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments.

7.7 **Purchase by the Issuer**

The Issuer may at any time purchase Notes using Principal Receipts provided that all of the Notes in each Class in respect of which payment of principal ranks in order of priority ahead of payment of principal in respect of the Notes to be purchased have been redeemed in full and, in the case of any purchase of Definitive Notes, all unmatured coupons, receipts appertaining thereto are attached thereto or surrendered therewith.

7.8 **Cancellation**

All Class A Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

Each VFN will be cancelled when redeemed in full on the VFN Commitment Termination Date and may not be resold or re-issued once cancelled.

"**VFN Commitment Termination Date**" means the date on which the commitment of the VFN Holder in respect of the Class B VFN and the Class Z VFN will be extinguished, such date being the earlier to occur of:

(a) the Interest Payment Date falling in March 2060; or

(b) an Event of Default.

8. **TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 7.4, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. **PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date

on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

10. EVENTS OF DEFAULT

10.1 Class A Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Notes shall, (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction) give a notice (a "**Note Acceleration Notice**") to the Issuer and the Fixed Rate Swap Provider that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, if any of the following events (each, an "**Event of Default**") occur:

(a) subject to Condition 17, if default is made in the payment of any principal or interest due in respect of the Class A Notes and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders; or

(d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

(e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or

(f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect

of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 **Class B VFN**

This Condition 10.2 (*Class B VFN*) shall not apply as long as any Class A Note is outstanding. Subject thereto, for so long as the Class B VFN is outstanding, the Note Trustee shall if so directed by the Class B VFN Holder, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a Note Acceleration Notice to the Issuer in any of the following events (each, an "**Event of Default**"):

(a) if default is made in the payment of any principal or interest due in respect of the Class B VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (*Class A Notes*) occurs with references, where applicable, to Class A Noteholders being read as Class B VFN Holder.

10.3 **Class Z VFN**

This Condition 10.3 (*Class Z VFN*) shall not apply as long as any Class A Note or the Class B VFN is outstanding. Subject thereto, for so long as the Class Z VFN is outstanding, the Note Trustee shall if so directed by the Class Z VFN Holder, (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a Note Acceleration Notice to the Issuer in any of the following events (each, an Event of Default):

(a) if default is made in the payment of any principal or interest due in respect of the Class Z VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (*Class A Notes*) occurs with references, where applicable, to Class A Noteholders being read as Class Z VFN Holder.

10.4 **General**

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (*Class A Notes*), Condition 10.2 (*Class B VFN*) or Condition 10.3 (*Class Z VFN*) all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

11. **ENFORCEMENT**

11.1 **General**

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

(a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders (including the provisions set out in Clause 10 (*Action, Proceedings and Indemnification*) and Schedule 3 to the Trust Deed), it shall have been so directed (or the Note Trustee shall have been

directed to direct the Security Trustee) by an Extraordinary Resolution of the Class A Noteholders for so long as there are any Class A Notes outstanding or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or (if there are no Class A Notes outstanding) it shall have been directed in writing by the Class B VFN Holder or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class Z VFN Holder; and

(b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to their satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of the Class B VFN Holder or the Class Z VFN Holder so long as any Class A Notes are outstanding.

No Noteholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing. Any proceeds received by a Noteholder pursuant to any such proceedings shall be paid promptly following receipt thereof to the Note Trustee (for application pursuant to the relevant Priority of Payments).

11.2 **Preservation of Assets**

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders) (or (i) once all of the Class A Noteholders have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto) or (ii) once all the Class A Noteholders and the Class B VFN Holder have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto)), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (or (A) once all of the Class A Noteholders have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto) or (B) once all the Class A Noteholders and the Class B VFN Holder have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto). The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 11.2 without further enquiry and shall incur no liability to any person for so doing.

11.3 **Limitations on Enforcement**

No Noteholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

11.4 **Limited Recourse**

If at any time following:

(a) the occurrence of either:

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

(ii) the service of a Note Acceleration Notice; and

(b) realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities,

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

For the purposes of this Condition 11:

"**Realisation**" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Relevant Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

"**Charged Property**" means the property of the Issuer which is subject to the Security.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 The Trust Deed contains provisions for convening meetings of the Class A Noteholders, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

12.2 An Extraordinary Resolution (other than in relation to a Basic Terms Modification) passed at any meeting of the Class A Noteholders shall be binding on the Class B VFN Holder and the Class Z VFN Holder irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed will not take effect unless: (a) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B VFN Holder or it shall have been sanctioned by a direction of the Class B VFN Holder; and (b) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class Z VFN Holder or it shall have been sanctioned by a direction of the Class Z VFN Holder, subject to Condition 12.4 (*Quorum*) and shall be notified by the Issuer to Moody's and Fitch.

12.3 Other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice:

(a) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of only one Class of Notes shall be deemed to have been duly passed if passed at a separate meeting or by a separate Extraordinary Written Resolution of the holders of that Class of Notes;

(b) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of more than one Class of Notes but does not give rise to a conflict of interest between the holders of one Class of Notes and the holders of another Class of Notes so affected shall be deemed to have been duly passed if passed at a single meeting or single Extraordinary Written Resolution of the holders of all the Classes of Notes so affected;

(c) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of more than one Class of Notes and gives or may give rise to a conflict of interest between the holders of one Class of Notes or group of Classes of Notes so affected and the holders of another Class of Notes or group of classes so affected shall be deemed to have been duly passed only if passed at separate meetings or by separate Extraordinary Written Resolutions of the holders of each Class of Notes or group of classes so affected.

12.4 **Quorum**

(a) Subject as provided below, the quorum at any meeting of Class A Noteholders for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes, or, at any adjourned meeting, one or more persons being or representing not less than 10 per cent. of the number of the relevant Class or Classes of Notes.

(b) Subject as provided below, the quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes, or, at any adjourned meeting, one or more persons being or representing not less than 25 per cent. of the number of the relevant Class or Classes of Notes.

(c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (iv) alter the currency in which payments under the Notes are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal or substitution for the sale, conversion or cancellation of the Notes; (vii) alter the definition of "outstanding" in the Master Definitions and Construction Schedule; or (viii) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 50 per cent. of the Principal Amount Outstanding of the Class A Notes.

The Trust Deed contains similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee is bound to act.

12.5 Subject to Condition 12.15 (*Mandatory Consents*) and Condition 12.16 (*Additional Right of Modification*) the Note Trustee may, from time to time and at any time, without the consent or sanction of the Noteholders or the other Secured Creditors, concur with the Issuer or any other person or instruct the Security Trustee to concur with the Issuer or any other person, in making or sanctioning any modification:

(a) to the Conditions, the Trust Deed or any other Transaction Document, other than in respect of a Basic Terms Modification, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the Noteholders or the interests of the Note Trustee or the Security Trustee; or

(b) to the Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error,

provided that in respect of any changes to any of the Transaction Documents which would have the affect of altering the amount, timing or priority of any payments due from the Issuer to the Fixed Rate Swap Provider, the written consent of the Fixed Rate Swap Provider is required.

The Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Note Trustee or the Security Trustee, as applicable, to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights, powers, authorities, indemnification or protections, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.

12.6 The Note Trustee may also without the consent or sanction of the Noteholders or the other Secured Creditors and without prejudice to its rights in respect of any subsequent breach or Event of Default at any time and from time to time but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Trust Deed or any other Transaction Document or determine that any Event of Default shall not be treated as such (and so long as there are any Notes outstanding direct the Security Trustee to do any of the foregoing), provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution of the Class A Noteholders (or, if there are no Class A Notes outstanding, the Class B VFN Holder, or if there are no Class A Notes outstanding and no Class B VFN outstanding, the Class Z VFN Holder) or by a direction under Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

12.7 Any such modification, waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Note Trustee shall determine and shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*).

12.8 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.

12.9 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption for Taxation Reasons*), the Note Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders of any Class.

12.10 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Class A Notes. It is agreed and acknowledged by the Note Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Class A Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.

The Note Trustee may for the purposes of determining whether any action or omission of the Note Trustee would be materially prejudicial to the Class B VFN Holder and/or Class Z VFN Holder, rely upon a written direction from such Class B VFN Holder and/or Class Z VFN Holder (as applicable). Where the Note Trustee requests such a direction, it shall not be bound to take any action until such direction is received by the Note Trustee.

12.11 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class as a whole but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose

domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.12 "**Extraordinary Resolution**" means:

(a) a resolution passed at a meeting of the Class A Noteholders duly convened and held in accordance with the Trust Deed and the Conditions by a majority consisting of not less than two thirds of the Eligible Persons to attend and vote at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or

(b) a resolution in writing, in each case signed by or on behalf of:

(i) the Class A Noteholders (of not less than three-quarters in aggregate Principal Amount Outstanding of the Class A Notes then outstanding);

(ii) the Class B VFN Holder; or

(iii) the Class Z VFN Holder,

which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the relevant Noteholders ("**Extraordinary Written Resolutions**" and each an "**Extraordinary Written Resolution**").

12.13 "**Ordinary Resolution**" means:

(a) a resolution passed at a meeting duly convened and held in accordance with these presents by a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or

(b) a resolution in writing, in each case signed by or on behalf of:

(i) the Class A Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the Class A Notes then outstanding;

(ii) the Class B VFN Holder; or

(iii) the Class Z VFN Holder,

which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the relevant Noteholders ("**Ordinary Written Resolutions**" and each an "**Ordinary Written Resolution**").

12.14 **Issuer Substitution Condition**

The Note Trustee may concur, with the Issuer to any substitution under these Conditions and subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.14, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction

Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

12.15 **Mandatory consents**

Without prejudice to the provisions of Conditions 12.5 and 12.6, the Issuer, the Cash Manager and/or the Fixed Rate Swap Counterparty (each a "**Requesting Party**") may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Notes remain outstanding) direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect:

(a) the appointment of one or more Swap Collateral Account Banks and the entry into of related documentation (including any Swap Collateral Account Bank Agreement), in accordance with the terms of the Fixed Rate Swap Agreement and the Cash Management Agreement; and/or

(b) the closure of the Collection Account held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be The Co-operative Bank) as the replacement collection account bank (the "**Replacement Collection Account Bank**"), the opening of one or more replacement collection accounts with the Replacement Collection Account Bank (which may each be used to collect direct debit payments in respect of the Seller and/or other payments in respect of loans not in the Portfolio) (each a "**Replacement Collection Account**"), the transfer of any monies from the Collection Account to a Replacement Collection Account and the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account),

(together the "**Transaction Amendments**"),

irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the Amendment Conditions are satisfied.

"**Amendment Conditions**" means:

(i) a certificate in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such certificate to be countersigned by the Cash Manager for so long as The Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee (as applicable) that the Ratings Agencies have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objections thereto;

(ii) a certificate in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such certificate to be countersigned by the Cash Manager for so long as The Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and

(iii) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (A) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or the Security Trustee or (B) exposing the Note Trustee or the Security Trustee to any

liability which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

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

Reference in this Condition 12.15 to a confirmation in writing of a Requesting Party shall be to a written confirmation signed by, in the case of the Issuer, two directors thereof and in all other cases two authorised signatories of such Requesting Party.

12.16 **Additional Right of Modification**

Notwithstanding any of the provisions of Condition 12 (Me*etings of Noteholders, Modifications, Consents, Waiver and Substitution*) the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, or, subject to proviso (iii) below, any of the other Secured Creditors, to concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modification (other than in respect of a Basic Terms Modification) to these Conditions or any other Transaction Document to which either the Note Trustee or the Security Trustee is a party or in relation to which the Security Trustee holds Security that the Issuer considers necessary in accordance with this Condition 12.16:

(a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that the Issuer (or the Cash Manager on its behalf) certifies in writing to the Note Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and

(b) for the purpose of complying with any changes in the requirements of Article 405 of Regulation (EU) No. 575/2013 (the "**CRR**"), Article 17 of the Alternative Investment Fund Managers Directive ("**AIFMD**"), Article 51(1) of Regulation (EU) No 231/2013 (the "**AIFMR**") and Article 254(2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**") after the Closing Date, including as a result of any changes to the regulatory technical standards in relation to the CRR, AIFMD, AIFMR or Solvency II Delegated Act or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;

(c) in order to enable the Issuer and/or the Fixed Rate Swap Provider to comply with any requirements which apply to them in relation to any Swap Agreement (including any further hedging under any Swap Agreement) under Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) ("**EMIR**"), provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as

applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;

(d) for the purpose of enabling the Class A Notes to be (or to remain) listed on the London Stock Exchange, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;

(e) for the purposes of enabling the Issuer or any other person that is party to a Transaction Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or the Servicer on its behalf) or the relevant Transaction Party, as applicable, provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect; or

(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, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (f) above being a "**Modification Certificate**"), (upon which the Note Trustee and the Security Trustee (as applicable) may rely absolutely and without further enquiry or liability to any person for so doing), provided that:

(i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee;

(ii) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee (as applicable) both at the time the Note Trustee and the Security Trustee (as applicable) is notified of the proposed modification and on the date that such modification takes effect;

(iii) the prior written consent of each Secured Creditor (other than any Noteholder) which is party to the Relevant Document has been obtained by the Issuer;

(iv) either:

(A) the Issuer (or the Cash Manager on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); or

(B) the Issuer (or the Cash Manager on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated

that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and

(v) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Class A Notes;

(vi) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding (or if no Class A Notes are outstanding, the Class B VFN Holder or, if neither Class A Notes nor the Class B VFN is outstanding, the Class Z VFN Holder) have not contacted the Principal Paying Agent or the Issuer in writing (or, in respect of the Class A Notes, otherwise in accordance with the then current practice of any applicable clearing system through which such Class A Notes may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders object to the modification; and

(vii) the Note Trustee has confirmed with the Principal Paying Agent and the Issuer in writing that the Principal Paying Agent has not received objections from Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Class of Notes pursuant to Condition 12.16 (vi).

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding (or if no Class A Notes are outstanding, the Class B VFN Holder or, if neither Class A Notes nor the Class B VFN is outstanding, the Class Z VFN Holder) have notified the Principal Paying Agent or the Issuer in writing (or, in respect of the Class A Notes, otherwise in accordance with the then current practice of any applicable clearing system through which such Class A Notes may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Class A Noteholders then outstanding is passed in favour of such modification or (if there are no Class A Notes outstanding) it shall have been directed in writing by the Class B VFN Holder, or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class Z VFN Holder.

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

Where such Noteholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Class A Noteholders then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modifications, Waiver and Substitution*) or (if there are no Class A Notes outstanding) it shall have been directed in writing by the Class B VFN Holder, or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class Z VFN Holder, then the Note Trustee shall be obliged to agree to the modification and such modification will be made.

Other than where specifically provided in this Condition 12.16 (*Additional Right of Modification*) or any Transaction Document:

(a) when implementing any modification pursuant to this Condition 12.16 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee or the Security Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and absolutely and without further investigation or liability on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 12.16 (*Additional Right of Modification*) and shall not be liable to the Noteholders, any other

Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(b) the Note Trustee (or as the case may be, the Security Trustee) shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or these Conditions.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

(a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;

(b) the Secured Creditors; and

(c) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

12.17 **Non-responsive rating agency**

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 Note Trustee shall be entitled but not obliged to take into account (and may rely without further enquiry and without liability on) any written confirmation or affirmation (in any form acceptable to the Note Trustee) from the relevant Rating Agencies that the then current ratings of the Class A Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Ratings Confirmation**").

If a Ratings Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee) and:

(a)

(i) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Ratings Confirmation necessary in the circumstances or that it does not, as a matter of practice or policy provide such Ratings Confirmation; or

(ii) within 30 days of delivery of such request, no Ratings Confirmation is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and

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

then such condition to receive a Ratings Confirmation from each Rating Agency shall be modified so that there shall be no requirement for the Ratings Confirmation from the Non-Responsive Rating Agency if the Issuer (or the Administrator on its behalf) provides to the Note Trustee a certificate (upon which the Note Trustee can rely) certifying and confirming that the events in one of paragraphs (a)(i) or (ii) and the event in subparagraph (b) above have occurred, the Issuer having sent a written request to each Rating Agency.

12.18 The Note Trustee shall not, and shall not be bound to, act at the direction of:

(a) the Class B VFN Holder or the Class Z VFN Holder as aforesaid so long as any Class A Notes are outstanding; or

(b) the Class Z VFN Holder as aforesaid so long as any Class A Notes or Class B VFN are outstanding.

13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. REPLACEMENT OF CLASS A NOTES

If any Class A Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Class A Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Class A Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 Publication of Notice

(a) Subject to paragraph (c) below any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, **provided that** if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.

(b) In respect of Class A Notes in definitive form, notices to Class A Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the 4th day after the date of posting.

(c) Whilst the Class A Notes are represented by Global Note, notices to Noteholders (other than the Class B VFN Holder and the Class Z VFN Holder) will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class B VFN Holder and the Class Z VFN Holder). Any notice delivered to Euroclear

and/or Clearstream, Luxembourg as aforesaid shall be deemed to have been given on the day of such delivery.

(d) In respect of the VFN, notices to VFN Holders will be sent to them by the fax number or email address notified to the Issuer in writing from time to time.

15.2 **Note Trustee's Discretion to Select Alternative Method**

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

16. **REPLACEMENT NOTES**

16.1 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Noteholders, issue one or more Classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of the Notes, each Class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, **provided that** the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*).

16.2 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is not satisfied, the Issuer may, without the consent of the Noteholders, issue one or more Classes of Replacement Notes to replace one or more Classes of the Notes, each class of which shall have the same terms and conditions in all respects as the Class of Notes which is replaced (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the Class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a "**Financial Guarantee**")) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Class of Notes which it replaces, **provided that** the Class or Classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*), in respect of such issue of Replacement Notes and **provided further that**, for the purposes of this Condition 16.2, where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

17. **SUBORDINATION BY DEFERRAL**

17.1 **Interest**

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 17, include any interest previously deferred under this Condition 17.1 and accrued interest thereon) payable in respect of the Class B VFN and/or the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the Class B VFN (unless there are no Class A Notes then outstanding), and/or the Class Z VFN (unless there are no Class A Notes and Class B VFN then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of

Payments than interest payable in respect of the Class B VFN and/or the Class Z VFN, as appropriate).

17.2 **General**

Any amounts of Deferred Interest in respect of the Class B VFN and/or the Class Z VFN shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 17.1 (*Interest*) applies) or on such earlier date as the Class B VFN and/or the Class Z VFN become due and repayable in full in accordance with these Conditions.

17.3 **Notification**

As soon as practicable after becoming aware that any part of a payment of interest on the Class B VFN and/or the Class Z VFN will be deferred or that a payment previously deferred will be made in accordance with this Condition 17, the Issuer will give notice thereof to the Class B VFN Holder and/or the Class Z VFN Holder in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 17 will not constitute an Event of Default. The provisions of this Condition 17 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all Deferred Interest and Additional Interest thereon shall become due and payable.

18. **INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF EACH VFN AND ADJUSTING THE MAXIMUM B VFN AMOUNT AND/OR MAXIMUM Z VFN AMOUNT**

18.1 **Class B VFN**

(a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer that a Further Advance has been made, and there are insufficient funds standing to the credit of the Principal Receipts Ledger to fund Further Advance Purchase Prices, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class B VFN (the Class B VFN Holder) requesting that such Class B VFN Holder further funds the Class B VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:

(i) the Further Advance Purchase Price less the amounts standing to the credit of the Principal Receipts Ledger available to pay such Further Advance Purchase Price; or

(ii) the Maximum B VFN Amount less the current Principal Amount Outstanding of the Class B VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class B VFN on the following Interest Payment Date).

(b) The Class B VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class B VFN Holder further funds the Class B VFN, shall notify the Issuer that the relevant Class B VFN Holder is prepared to make such further funding (the "**Further B VFN Funding**"), provided that the relevant Class B VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 18.1(d) below.

(c) The proceeds of the Further B VFN Funding shall be applied by the Issuer to the Class B VFN Drawdown Ledger to be used towards the Further Advance Purchase Price on the relevant Monthly Pool Date.

(d) The Class B VFN Holder shall advance the amount of such Further B VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:

(i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further B VFN Funding (or such lesser time as may be agreed by the Class B VFN Holder), the relevant Class B VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase (or other written direction to advance such funds) therefore, receipt of which shall oblige the relevant Class B VFN Holder to accept the amount of the Further B VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;

(ii) as a result of the making of such Further B VFN Funding, the aggregate amount of drawings made under the Class B VFN plus all Further B VFN Funding made in respect of the relevant Class B VFN (provided that no reference shall be made in respect of any principal amount due on the relevant Class B VFN which has already been repaid) would not exceed the Maximum B VFN Amount;

(iii) either:

(A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further B VFN Funding; or

(B) the relevant Class B VFN Holder agrees in writing (notwithstanding any matter mentioned at 18.1(d)(i) above) to make such Further B VFN Funding available; and

(iv) the proposed date of such Further B VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

18.2 **Class Z VFN**

(a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer that;

(i) amounts standing to the credit of the General Reserve Fund are less than the General Reserve Required Amount;

(ii) the Issuer Fee Amount is required to be paid under the Fixed Rate Swap Agreement;

(iii) the Co-op Collateral Amount has increased;

(iv) any premiums are required to be paid under the Fixed Rate Swap Agreement; and

(v) there is a shortfall in respect of the Issuer Profit Amount,

the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class Z VFN (the "**Class Z VFN Holder**") requesting that such Class Z VFN Holder further funds the Class Z VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:

(A)

(1) in respect of (i) above, the General Reserve Required Amount less all amounts standing to the credit of the General Reserve Fund;

(2) in respect of (ii) above, the Issuer Fee Amount;

(3) in respect of (iii) above, the amount of increase in the Co-op Collateral Amount;

(4) in respect of (iv) above, the amount of any premium payable under any Fixed Rate Swap Agreement; or

(5) in respect of (vi) above, the amount of any shortfall in respect of the Issuer Profit Amount; and

(B) the Maximum Z VFN Amount less the current Principal Amount Outstanding of the Class Z VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class Z VFN on the following Interest Payment Date).

(b) The Class Z VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class Z VFN Holder further funds the Class Z VFN, shall notify the Issuer that the Class Z VFN Holder is prepared to make such further funding (the "**Further Z VFN Funding**")), provided the Class Z VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 18.2(d) below.

(c) The proceeds of the Further Z VFN Funding shall be applied by the Issuer towards (i) funding the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount, (ii) funding the Issuer Fee Amount, (iii) funding the increase in the Co-op Collateral Amount, (iv) funding any premiums payable under the Fixed Rate Swap Agreement and (v) funding any shortfall in respect of the amount to be retained by the Issuer in respect of the Issuer Profit Amount.

(d) The Class Z VFN Holder shall advance the amount of such Further Z VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:

(i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further Z VFN Funding (or such lesser time as may be agreed by the Class Z VFN Holder), the relevant Class Z VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase (or other written direction to advance such funds) therefore receipt of which shall oblige the relevant Class Z VFN Holder to accept the amount of the Further Z VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;

(ii) as a result of the making of such Further Z VFN Funding, the aggregate amount of drawings made under the Class Z VFN plus all Further Z VFN Funding made in respect of the relevant Class Z VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class Z VFN which has already been repaid) would not exceed the Maximum Z VFN Amount;

(iii) either

(A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further ZVFN Funding; or

(B) the relevant Class Z VFN Holder agrees in writing (notwithstanding any matter mentioned at 18.2(iii)(A) above) to make such Further Z VFN Funding available; and

(iv) the proposed date of such Further Z VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

In this Condition, the expression:

"**Maximum B VFN Amount**" for the Class B VFN shall be £200,000,000.00 or such other amount as may be agreed from time to time by the Issuer and the Class B VFN Holder, and notified such amount to the Note Trustee.

"**Maximum Z VFN Amount**" for the Class Z VFN shall be £100,000,000.00 or such other amount as may be agreed from time to time by the Issuer and the Class Z VFN Holder, and notified such amount to the Note Trustee.

"**Notice of Increase**" means a notice, substantially in the form set out in the Trust Deed.

19. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law (other than certain supplemental security documents to be granted pursuant to the Deed of Charge which will be governed by and shall be construed in accordance with Scots law).

20. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

UNITED KINGDOM TAXATION

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

UK Withholding Tax - Payments of interest on the Notes

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and they are included in the United Kingdom Official List (within the meaning of Part 6 of the Financial Services and Markets Act 2000).

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom Official List and admitted to trading on the Regulated Market of that Exchange.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Other Rules Relating to United Kingdom Withholding Tax

1. Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

2. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

3. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

4. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 12.13 of the Notes or otherwise and does not consider the tax consequences of any such substitution.

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

ERISA CONSIDERATIONS FOR INVESTORS

The Notes may not be acquired by a "Benefit Plan Investor" or a governmental, church or non-U.S. plan which is subject to federal, state, local or non-U.S. laws which are similar to the prohibited transaction provisions of Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). A Benefit Plan Investor is defined as (i) an employee benefit plan as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, (ii) a plan described in and subject to Section 4975 of the Code, or (iii) an entity whose underlying assets include plan assets by reason of a plan's investment in the entity under U.S. Department of Labor Regulations § 2510.3-101 (29 C.F.R. § 2510.3-101) as modified by ERISA. Each investor, in purchasing and holding the Notes shall be deemed to represent that it is not, and is not using the assets of, a Benefit Plan Investor or such a governmental, church or non-U.S. plan.

SUBSCRIPTION AND SALE

The Co-operative Bank p.l.c, pursuant to a note purchase agreement dated on or about 31 May 2017 between The Co-operative Bank p.l.c., Bank of America Merrill Lynch, HSBC Bank plc and The Royal Bank of Scotland plc (trading as NatWest Markets) (the "**Arrangers**") and the Issuer (the "**Note Purchase Agreement**"), has agreed with the Issuer (subject to certain conditions) to subscribe and pay for (a) 100 per cent. of the Class A Notes at the issue price of 100.00% (b) 100 per cent. of the Class B VFN at the issue price of 100.00 per cent. and (c) 100 per cent. of the Class Z VFN at the issue price of 100.00 per cent..

The Issuer has agreed to indemnify The Co-operative Bank and the Arrangers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Class A Notes to the Official List and the admission to trading on the London Stock Exchange's Regulated Market, no action has been taken by the Issuer, The Co-operative Bank p.l.c. or the Arrangers 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.

Pursuant to the Note Purchase Agreement, The Co-operative Bank will covenant that it will retain a material economic interest of at least 5 per cent. of the nominal value of the securitised exposure by holding an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred to investors, as required by Article 405(1) of the CRR, Article 51(1) of the AIFMR, Article 17 of the AIFMD and 254(2) of the Solvency II Delegated Act. Such retention requirement will be satisfied by The Co-operative Bank holding the Class B VFN and the Class Z VFN. Any change to the manner in which such interest is held will be notified to the Noteholders.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

Each Arranger and The Co-operative Bank has agreed that, except as permitted by the Note Purchase Agreement, it will not offer or sell the Notes as part of its distribution (if any) at any time or otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. See "*Transfer Restrictions and Investor Representations*" below.

Except with the prior written consent of The Co-operative Bank p.l.c. and where such sale falls within the exemption provided by Rule 20 of the U.S. Risk Retention Rules, the Notes offered and sold by the Issuer may not be purchased by, or for the account or benefit of, any "U.S. Person" as defined in the U.S. Risk Retention Rules.

United Kingdom

Each Arranger and The Co-operative Bank has represented to and agreed with the Issuer that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Arranger and The Co-operative Bank have acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, having applied for the admission of the Class A Notes to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange, no further action has been or will be taken in any jurisdiction by any Arranger or The Co-operative Bank that would, or is intended to, permit a public offering of the Class A Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Class A Notes, in any country or jurisdiction where such further action for that purpose is required.

General

Each Arranger and The Co-operative Bank have undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

The Arrangers and The Co-operative Bank have acknowledged that the Notes may not be purchased or held by, any "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject thereto, any "plan" as defined in Section 4975 of the Code to which Section 4975 of the Code applies, any person any of the assets of which are, or are deemed for purposes of ERISA or Section 4975 of the Code to be, assets of such an "employee benefit plan" or "plan", or by any governmental, church or non-U.S. plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, and each purchaser of such Notes will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds such Notes will not be, such an "employee benefit plan", "plan" or person, or such governmental, church or non-U.S. plan.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales

The Notes (including the VFNs) (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (including the VFNs) (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

(a) the Notes (including the VFNs) have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; **provided**, **that** the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;

(b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;

(c) on each day from the date on which the purchaser or transferee acquires such Notes through and including the date on which the purchaser or transferee disposes of such Notes, it is not and will not be a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, and that in purchasing and holding such Notes it is not, will not be acting on behalf of and will not be using the assets of a Benefit Plan Investor or any such governmental, church or non-U.S. plan.

In addition, each purchaser of Notes from the Issuer, including beneficial interests therein, will be deemed, and in certain circumstances will be required, to have represented and agreed that it (1) is not a Risk Retention U.S. Person (unless it has obtained the prior written consent of The Co-operative Bank p.l.c.), (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note, and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules. Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of "U.S. person" in Regulation S.

The Issuer, the Registrar, the VFN Registrar, the Arrangers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY

SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

EACH PURCHASER OR HOLDER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED BY SUCH PURCHASE AND/OR HOLDING THAT (I) IT IS NOT AND IS NOT USING THE ASSETS OF A BENEFIT PLAN INVESTOR, AND SHALL NOT AT ANY TIME HOLD THIS NOTE FOR OR ON BEHALF OF A BENEFIT PLAN INVESTOR AND (II) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"). THE TERM "BENEFIT PLAN INVESTOR" SHALL MEAN (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), WHICH IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY UNDER U.S. DEPARTMENT OF LABOR REGULATIONS § 2510.3-101 (29 C.F.R. § 2510.3-101) AS MODIFIED BY ERISA."

Retail investors

Each Arranger and The Co-operative Bank has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes (including the VFNs) 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) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive 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 Directive 2003/71/EC (as amended, the "Prospectus 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 the Notes.

Additional representations and restrictions applicable to a VFN

Any holder of a VFN may only make a transfer of the whole of its VFN or create or grant any Encumbrance in respect of such VFN if all of the following conditions are satisfied:

(a) the holder of such VFN making such transfer or subjecting the VFN to such Encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such VFN or any other person in relation to such transfer or Encumbrance;

(b) the holder of such VFN has received the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee (the Note Trustee shall only give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders);

(c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A to the Insolvency Act;

(d) the transferee of such VFN is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and

(e) the transferee is a Qualifying Noteholder.

"**Encumbrance**" has the same meaning as Security Interest.

The VFN Registrar shall not pay any relevant Interest Amount to the holder of a VFN and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 2 (Form of Tax Certificate) to the Agency Agreement (the Tax Certificate) and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the VFN Registrar that such Interest Amount in respect of the VFN can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the VFN Register. These transfer provisions are subject to the covenant of The Co-operative Bank to maintain a material net economic interest of at least 5% of the nominal value of the securitised exposures as required under Article 405(1) of the CRR, Article 51(1) of the AIFMR, Article 17 of the AIFMD and Article 254(2) of the Solvency II Delegated Act.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Class A Notes to the Official List and the admission of the Class A Notes to trading on the London Stock Exchange's Regulated Market will be granted on or around 2 June 2017. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The entirety of each Class of Notes will be listed. The VFNs will not be listed

2. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since 19 May 2016 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer (as the case may be).

3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Class A Notes are admitted to trading on the London Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.

4. For so long as the Class A Notes are admitted to the Official List and to trading on the London Stock Exchange's Regulated Market, the Issuer shall maintain a Paying Agent in the United Kingdom.

5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.

6. Since 19 May 2016 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.

7. The issue of the Class A Notes and the VFNs was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 26 May 2017.

8. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

Class of Notes	ISIN	Common Code
Class A Notes	XS1434562002	143456200

9. From the date of this Prospectus and for so long as the Class A Notes are listed on the London Stock Exchange's Regulated Market, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

   (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;

   (b) copies of the following documents:

      (i) the Agency Agreement;

      (ii) the Deed of Charge;

      (iii) the Cash Management Agreement;

      (iv) the Back-Up Cash Management Agreement;

      (v) the Replacement Cash Management Agreement;

(vi) the Master Definitions and Construction Schedule;

(vii) the Mortgage Sale Agreement;

(viii) the Corporate Services Agreement;

(ix) the Co-op Bank Account Agreement;

(x) the Citi Bank Account Agreement;

(xi) the BNPP Bank Account Agreement;

(xii) the Fixed Rate Swap Agreement;

(xiii) the declaration of trust dated on or about the Closing Date between, *inter alios*, the Issuer, the Third Party Collection Agent and the Security Trustee (the "**Collection Account Declaration of Trust**");

(xiv) the Swap Collateral Bank Account Agreement (if any);

(xv) the Servicing Agreement;

(xvi) the Issuer ICSD Agreement; and

(xvii) the Trust Deed.

10. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the website at http://www.co-operativebank.co.uk/investorrelations/debtinvestors. and on Bloomberg. Investor Reports will also be made available to the Seller and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.

11. The Issuer confirms that the Loans backing the issue of the Class A Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Class A 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 Class A Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

INDEX OF DEFINED TERMS

ISSUER

Silk Road Finance Number Four PLC
35 Great St. Helen's
London
EC3A 6AP

SELLER, CO-OP ACCOUNT BANK, CASH MANAGER AND VFN REGISTRAR

The Co-operative Bank p.l.c.
1 Balloon Street
Manchester
England
M60 4EP

SERVICER

Western Mortgage Services Limited
17 Rochester Row,
London SW1P 1QT

ARRANGERS

Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ

HSBC Bank plc
8 Canada Square
London
E15 5HQ

The Royal Bank of Scotland plc (trading as NatWest Markets)
250 Bishopsgate
London
EC2M 4AA

CITI ACCOUNT BANK AND BACK-UP CASH MANAGER

Citibank, N.A., London Branch
Citigroup Centre
Canada Square London
Canary Wharf
E14 5LB

NOTE TRUSTEE AND SECURITY TRUSTEE

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London
E14 5HQ

PAYING AGENT, AGENT BANK, FIXED RATE SWAP PROVIDER AND REGISTRAR

HSBC Bank plc
8 Canada Square
London
E14 5HQ

BNPP ACCOUNT BANK

BNP Paribas Securities Services, London Branch
10 Harewood Avenue
London NW1 6AA

LEGAL ADVISERS TO THE SELLER AND THE ISSUER

As to English Law:
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

As to Scots Law:
Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

LEGAL ADVISERS TO THE ARRANGERS

Dentons UKMEA LLP
One Fleet Place

London EC4M 7WS

LEGAL ADVISERS TO THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

Dentons UKMEA LLP
One Fleet Place
London EC4M 7WS

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING. THE FOLLOWING APPLIES TO THE PROSPECTUS ATTACHED TO THIS ELECTRONIC TRANSMISSION, AND YOU ARE THEREFORE ADVISED TO READ THIS CAREFULLY BEFORE READING, ACCESSING OR MAKING ANY OTHER USE OF THE PROSPECTUS. IN ACCESSING THE PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS, INCLUDING ANY MODIFICATIONS TO THEM ANY TIME YOU RECEIVE ANY INFORMATION FROM US AS A RESULT OF SUCH ACCESS.

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

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

YOU ARE REMINDED THAT THE PROSPECTUS HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THE PROSPECTUS MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED AND YOU MAY NOT, NOR ARE YOU AUTHORISED TO, DELIVER THE PROSPECTUS TO ANY OTHER PERSON.

THE MATERIALS RELATING TO THE OFFERING DO NOT CONSTITUTE, AND MAY NOT BE USED IN CONNECTION WITH, AN OFFER OR SOLICITATION IN ANY PLACE WHERE OFFERS OR SOLICITATIONS ARE NOT PERMITTED BY LAW. IF A JURISDICTION REQUIRES THAT THE OFFERING BE MADE BY A LICENSED BROKER OR DEALER AND BANK OF AMERICA MERRILL LYNCH, HSBC BANK PLC AND THE ROYAL BANK OF SCOTLAND PLC (TRADING AS NATWEST MARKETS) (THE "**ARRANGERS**") OR ANY AFFILIATE OF THE ARRANGERS IS A LICENSED BROKER OR DEALER IN THAT JURISDICTION, THE OFFERING SHALL BE DEEMED TO BE MADE BY THE ARRANGERS OR SUCH AFFILIATE ON BEHALF OF THE ISSUER IN SUCH JURISDICTION.

BY ACCESSING THE PROSPECTUS, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THE PROSPECTUS BY ELECTRONIC TRANSMISSION, (C) YOU ARE NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS E-MAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA AND (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, nor the Arrangers, nor the 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 or The Co-operative Bank.