

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW).**

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES 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 REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY (A) TO "QUALIFIED INSTITUTIONAL BUYERS" ("**QIBS**") ACTING FOR THEIR OWN ACCOUNT, OR FOR THE ACCOUNT OR BENEFIT OF ONE OR MORE QIBS, IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") OR (B) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN RELIANCE ON REGULATIONS.

THIS DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("**EEA**"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "**EU MIFID II**") OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "**EU INSURANCE DISTRIBUTION DIRECTIVE**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF EU MIFID II. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) No 1286/2014 (THE "**EU PRIIPS REGULATION**") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE EU PRIIPS REGULATION.

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM ("**UK**"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018; OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "**FSMA**") AND ANY RULES OR REGULATIONS MADE UNDER FSMA WHICH WERE RELIED ON IMMEDIATELY BEFORE EXIT DAY TO IMPLEMENT THE EU INSURANCE DISTRIBUTION DIRECTIVE, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018. CONSEQUENTLY NO KEY

INFORMATION DOCUMENT REQUIRED BY EU PRIIPS REGULATION AS IT FORMS PART OF DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE "**UK PRIIPS REGULATION**") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

This Prospectus has been delivered to you on the basis that you are a person into whose possession this 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 this Prospectus to any other person.

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 neither Gemgarto 2021-1 Plc, the Joint Lead Managers (as defined herein) nor any person who controls any of them respectively (nor any director, officer, employee or agent of it 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 Joint Lead Managers.

**Confirmation of Your Representation:** In order to be eligible to view the Prospectus or make an investment decision with respect to the securities, investors must either be (a) QIBs or (b) persons who are not U.S. persons (as defined in Regulation S). The Prospectus is being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) a QIB acting for your own account or the account or benefit of one or more QIBs or (b) not a U.S. person (as defined in Regulation S) and that the electronic email address that you gave us and to which this email has been delivered is not located in the U.S., its territories and possessions or the District of Columbia, (2) such acceptance and access to the document by you and any customer that you represent is not unlawful in the jurisdiction where it is being made to you and any customers you represent, (3) you have understood and agree to the terms set out herein, (4) if you are a person in the United Kingdom, then you are a person who (A) has professional experience in matters relating to investments within Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the "**FPO**") or (B) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO, (5) if you are a person outside the United Kingdom, then you are a "professional client" or "eligible counterparty" as defined in the Markets in Financial Instruments Directive II 2014/65/EU (as amended, "**EU MiFID II**") and not a "retail client" (as defined in EU MiFID II), (6) if you are a person inside the United Kingdom, then you are a "professional client" or "eligible counterparty" as defined in the Markets in Financial Instruments Directive II 2014/65/EU as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFID II**") and (7) you consent to delivery of the document by electronic transmission.

# GEMGARTO 2021-1 PLC

(Incorporated under the laws of England and Wales with limited liability under registered number 13054383)

Notes	Initial Principal Amount	Issue Price	Interest Reference Rate on Floating Rate Notes	Fixed Rate of Interest on Fixed Rate Notes	Relevant Margin prior to Step-Up Date (March 2025)	Relevant Margin from and including Step-Up Date (March 2025)	Final Maturity Date	Expected Ratings DBRS/Fitch
A	£422,440,000	100%	Compounded Daily SONIA	N/A	0.590%	0.885%	December 2067	AAA (sf) by DBRS and AAAsf by Fitch
B	£21,240,000	100%	Compounded Daily SONIA	N/A	1.100%	1.650%	December 2067	AA (sf) by DBRS and AAAsf by Fitch
C	£11,800,000	100%	Compounded Daily SONIA	N/A	1.300%	1.950%	December 2067	A (sf) by DBRS and A+sf by Fitch
D	£2,360,000	100%	Compounded Daily SONIA	N/A	2.000%	3.000%	December 2067	A (low) (sf) by DBRS and A+sf by Fitch
E	£14,160,000	100%	Compounded Daily SONIA	N/A	3.000%	3.000%	December 2067	CCCSf by Fitch
X <sup>1</sup>	£23,600,000	100%	Compounded Daily SONIA	N/A	5.000%	5.000%	December 2067	BB (high) (sf) by DBRS and BBsf by Fitch
Z	£9,440,000	100%	Compounded Daily SONIA	N/A	5.000%	7.500%	December 2067	N/A
Certificate	N/A	N/A	N/A	N/A	N/A	N/A	December 2067	N/A

The date of this Prospectus is 18 February 2021

*Arranger*

**Lloyds Bank Corporate Markets**

*Joint Lead Managers*

**BNP PARIBAS**

**Lloyds Bank Corporate Markets**

**National Australia Bank Limited**

*ESG Structuring Banks*

**BNP PARIBAS**

**Lloyds Bank Corporate Markets**

**National Australia Bank Limited**

<sup>1</sup> The X Notes rank in priority to the E Notes, the Z Notes and the Certificates. See the relevant Priority of Payments.

<b>Issue Date</b> .....	The Issuer expects to issue the Notes and the Certificates in the classes set out above on 24 February 2021.
<b>Underlying Assets</b> .....	<p>The Issuer will make payments on the Notes and the Certificates from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans acquired by Kensington Holdco Limited and secured over residential properties located in England, Wales and Scotland which will be purchased by the Issuer (i) on the Issue Date and (ii) on any date during the Further Sale Period, in accordance with the conditions applicable to such period. Substitution of the Loans contained in the Mortgage Pool may occur in accordance with the terms described herein.</p> <p>Please refer to the section entitled "<i>Constitution of the Mortgage Pool—The Mortgage Pool</i>" for further information.</p>
<b>Credit Enhancement</b> .....	<ul style="list-style-type: none"> <li>• Amounts standing to the credit of the General Reserve Fund Ledger to support the A Notes, the B Notes, the C Notes and the D Notes;</li> <li>• Excess Spread; and</li> <li>• the subordination of junior ranking Notes upon enforcement.</li> </ul> <p>Please refer to the section entitled "<i>Credit Structure</i>" for further information.</p>
<b>Liquidity Support</b> .....	<ul style="list-style-type: none"> <li>• Following the Liquidity Reserve Fund Trigger Event, amounts standing to the credit of the Liquidity Reserve Fund Ledger to make up any Revenue Shortfalls in respect of the A Notes and, subject to the relevant PDL Condition, the B Notes;</li> <li>• amounts standing to the credit of the General Reserve Fund Ledger to make up any Shortfalls in respect of the A Notes, the B Notes, the C Notes and the D Notes;</li> <li>• Available Principal Funds applied to make up any Revenue Shortfall in respect of the A Notes; and</li> <li>• Available Principal Funds applied to make up any Interest Shortfall in respect of the B Notes, the C Notes and/or the D Notes in each case subject to the relevant PDL Condition.</li> </ul> <p>Please refer to the section entitled "<i>Credit Structure</i>" for further information.</p>
<b>Redemption Provisions</b> .....	Information on any optional and mandatory redemption of the Notes is summarised on page 16 (" <i>Transaction Overview—Terms and Conditions of the Notes and Certificates—Redemption</i> ") and set out in full in Notes Condition 5 ( <i>Redemption</i> ).
<b>Credit Rating Agencies</b> .....	In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under Regulation (EC) 1060/2009 of the European Parliament and the Council of 16 September 2009 on credit rating agencies, as amended (the " <b>EU CRA Regulation</b> ") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in

accordance with the EU CRA Regulation and such registration is not refused. In the case of ratings issued by third country non-EU credit rating agencies, third country credit ratings can either be: (a) endorsed by an EU registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the EU CRA Regulation.

Similarly, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the United Kingdom and registered under the EU CRA Regulation as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation.

Each of DBRS Ratings Limited ("**DBRS**") and Fitch Ratings Limited ("**Fitch**") (each a "**Rating Agency**" and together, the "**Rating Agencies**") is a credit rating agency established in the United Kingdom and registered under the UK CRA Regulation.

The FCA is obliged to maintain on its website, <http://www.fca.org.uk/>, a list of credit rating agencies registered and certified in accordance with the UK CRA Regulation. This list must be updated within five working days of the FCA's adoption of any decision to withdraw the registration of a credit rating agency under the UK CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated FCA list. The contents of this website do not form part of this Prospectus and are not incorporated by reference into this Prospectus. Each of DBRS and Fitch are included on the list of registered and certified credit rating agencies that is maintained by the FCA.

The ratings Fitch has assigned to the Rated Notes are endorsed by Fitch Ratings Ireland Limited, which is established in the European Union and registered under the EU CRA Regulation. The rating DBRS has assigned to the Rated Notes are endorsed by DBRS Ratings GmbH, which is established in the European Union and registered under the EU CRA Regulation.

**Credit Ratings**.....

Ratings are expected to be assigned to the Rated Notes on or before the Issue Date. For the avoidance of doubt, the E Notes are not expected to be rated by DBRS and the Z Notes are not expected to be assigned ratings by DBRS or Fitch.

DBRS was engaged to provide a rating in respect of all the Rated Notes and as at the Issue Date declined to provide a rating in respect of the E Notes. The E Notes are therefore "Not Rated" by DBRS as at the Issue Date. Prospective investors should carefully consider, prior to making any investment decision, the fact that Fitch and DBRS made different and competing assessments of the E Notes and that only Fitch was able to provide a rating for the E Notes.

Please refer to the section entitled "*Credit Structure*" for further information.

<b>Listing</b> .....	This document comprises a prospectus for the purpose of the EU Prospectus Regulation. This Prospectus has been approved by the Central Bank of Ireland as competent authority under the EU Prospectus Regulation. The Central Bank of Ireland has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to Euronext Dublin for the Notes to be admitted to the official list and to trading on its regulated market. There can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The Regulated Market of Euronext Dublin is a regulated market for the purposes of the Markets in Financial Instruments Directive.
<b>Benchmarks</b> .....	Amounts payable under the Notes are calculated by reference to SONIA, which is provided by the Bank of England as the administrator. As at the date of this Prospectus, the Bank of England does not appear on the register of the administrators and benchmarks established and maintained by the European Securities and Markets Authority (" <b>ESMA</b> ") pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the " <b>EU Benchmark Regulation</b> ").  As far as the Issuer is aware, the Bank of England as administrator of SONIA is not required to be registered by virtue of Article 2 of the EU Benchmark Regulation.
<b>Obligations</b> .....	The Notes and the Certificates will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes and the Certificates will not be obligations of, and will not be guaranteed by, or be the responsibility of any Transaction Party other than the Issuer.
<b>The Notes and Certificates</b> .....	The Notes and the Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the Notes and the Certificates are being offered and sold only (A) in the case of the Notes, to QIBs acting for their own account, or for the account or benefit of one or more QIBs, in reliance on Rule 144A and (B) in the case of the Notes and/or the Certificates, outside the United States to persons other than U.S. Persons in reliance on Regulation S. The Notes and the Certificates may be resold or otherwise transferred, subject to other restrictions on transfer described herein, only (A) in the case of the Notes, to QIBs acting for their own account, or for the account of one or more QIBs, in reliance on Rule 144A or another exemption from registration under the Securities Act or (B) in the case of the Notes and/or the Certificates, outside the United States to persons other than U.S. Persons in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Notes and the Certificates may be relying on an exemption from the provisions of Section 5 of the Securities Act. For a description of certain further restrictions on offers, sales and transfers of Notes or Certificates in

this Prospectus, see "*Purchase and Sale*" and "*Transfer Restrictions*".

Only the A Notes, the B Notes, the C Notes and the D Notes are being offered in the United States pursuant to this Prospectus. The E Notes, the X Notes and the Z Notes and Certificates are not offered hereby.

**Definitions** ..... Please refer to the section entitled "*Glossary of Defined Terms*" for definitions of defined terms.

**UK Retention Undertaking and EU Retention Undertaking ...** KHL will undertake in the Retention Letter that it will retain on an ongoing basis (save as described in the paragraph below in respect of the EU Retention Requirements) as an originator within the meaning of (i) the UK Securitisation Regulation and (ii) EU Securitisation Regulation, a material net economic interest of at least 5 per cent. in the securitisation, as required by (i) Article 6 of the UK Securitisation Regulation together with any binding technical standards as amended, varied or substituted from time to time after the Issue Date (the "**UK Retention Requirement**") and (ii) Article 6 of the EU Securitisation Regulation together with any binding technical standards as in force on the Issue Date (the "**EU Retention Requirement**"), respectively. As at the Issue Date, the UK Retention Requirement and EU Requirement will each be satisfied by KHL holding the exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool (taking into account on the Issue Date the maximum nominal value of the Loans that the Issuer can hold at any time from the Issue Date to (but excluding) the Final Further Purchase Date pursuant to the KHL/Issuer Mortgage Sale Agreement), in respect of the UK Retention Requirement, the "**UK Retained Interest**" and in respect of the EU Retention Requirement, the "**EU Retained Interest**" in accordance with (i) Article 6(3)(d) of the UK Securitisation Regulation and (ii) Article 6(3)(d) of the EU Securitisation Regulation, respectively. Any change to the manner in which such interest is held will be notified to investors. Certain undertakings in respect of the UK Retention Requirement and EU Retention Requirement are given by KHL in the Retention Letter.

Each potential UK Affected Investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the UK Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Arranger, any Joint Lead Manager, KHL or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

Potential EU Affected Investors should note that the obligation of KHL to comply with the EU Retention Requirements is strictly contractual pursuant to the terms of the Retention Letter and apply with respect to Article 6 of the EU Securitisation Regulation together with any binding technical standards as in force on the Issue Date until such time when KHL is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirement will also satisfy the EU Retention Requirement due to the application of an equivalency regime or similar analogous concept. In addition, to the extent that

Article 6 of the EU Securitisation Regulation is amended or new binding technical standards are introduced, KHL will be under no obligation to comply with such amendments. Each potential EU Affected Investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the EU Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Arranger, any Joint Lead Manager, KHL or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

Please refer to the section entitled "*Certain Regulatory Disclosures – UK Retention Requirements and EU Retention Requirements and exposure to the UK Retained Interest and EU Retained Interest*" for further information regarding the EU Retention Requirement and KHL's compliance with respect thereto.

**U.S. Risk Retention** ..... KHL, as a "sponsor" for the purposes of the U.S. Risk Retention Rules, is required under the U.S. Risk Retention Rules to acquire and retain the U.S. Risk Retained Interest. KHL (in its capacity as the U.S. Risk Retention Holder) intends to comply with the requirements of the U.S. Risk Retention Rules by acquiring on the Issue Date and retaining, either directly and/or through one of its majority owned affiliates, the U.S. Risk Retained Interest in the form of an EHRI equal to at least 5 per cent of the fair value of the Notes and Certificates as determined under U.S. generally accepted accounting principles.

Please refer to the section entitled "*U.S. Credit Risk Retention*" for further information regarding the U.S. Risk Retention Rules and KHL's compliance with respect thereto.

**Simple, Transparent and Standardised (STS) Securitisation**..... KHL (in its capacity as the originator under the UK Securitisation Regulation) will on the Issue Date submit a notification to FCA as the relevant competent authority in the UK, in accordance with Article 27 of the UK Securitisation Regulation, confirming that the requirements of Articles 19 to 22 of the UK Securitisation Regulation (the "**UK STS Requirements**") have been satisfied with respect to the Notes (such notification, the "**UK STS Notification**").

The UK STS Notification, once notified to FCA, will be available for download on the FCA STS Register website at <https://data.fca.org.uk/#/sts/stssecuritisations> (or its successor website) (the "**FCA STS Register website**"). For the avoidance of doubt, the FCA STS Register website and the contents thereof do not form part of this Prospectus. The STS status of the Notes is not static and investors should verify the current status on the FCA STS Register website, which will be updated where the Notes are no longer considered to be a simple, transparent and standardised securitisation following a decision of the FCA or a notification by KHL.

In relation to the UK STS Notification, KHL has been designated as the first contact point for investors and competent authorities.

KHL has used the services of Prime Collateralised Securities (PCS) UK Limited ("**PCS**") as a verification agent authorised under Article 28 of the UK Securitisation Regulation in connection with an assessment of the compliance of the Notes with the requirements of



Articles 19 to 22 of the UK Securitisation Regulation (the "**UK STS Verification**") and to prepare an assessment of compliance of the Notes with the relevant provisions of Article 243 of the UK CRR ("**UK CRR Assessment**") and Article 13 of the UK LCR Regulation ("**UK LCR Assessment**", together with the UK CRR Assessment and the UK STS Verification, the "**UK STS Assessments**"). It is expected that the UK STS Assessments prepared by PCS will be available on the PCS website (<https://www.pcsmarket.org/sts-verification-transactions/>) together with detailed explanations of its scope at <https://pcsmarket.org/disclaimer/> on and from the Issue Date. For the avoidance of doubt, this PCS website and the contents thereof do not form part of this Prospectus.

No assurance can be provided that the securitisation transaction described in this Prospectus does or will continue to qualify as an STS securitisation under the UK Securitisation Regulation as at the date of this Prospectus or at any point in time in the future.

The verification by PCS does not affect the liability of the Seller, as originator and the Issuer, as SSPE in respect of their legal obligations under the UK Securitisation Regulation. Furthermore, such verification does not remove the obligation placed on investors to assess whether a securitisation labelled as 'STS' or 'simple, transparent and standardised' has actually satisfied the criteria as set out in Article 5 of the UK Securitisation Regulation. Notwithstanding PCS' verification of compliance of a securitisation with Articles 19 to 22 of the UK Securitisation Regulation, such verification by PCS does not ensure the compliance of a securitisation with the general requirements of the UK Securitisation Regulation. Investors must not solely or mechanically rely on any STS notification or PCS' verification to this extent.

Further, when performing a UK CRR or UK LCR assessment, PCS is not confirming or indicating that the securitisation subject to such assessments will be allowed to have a specific regulatory allocation under UK CRR or UK LCR regulation. PCS is addressing the specific UK CRR and UK LCR criteria and determining whether, in PCS' opinion, these criteria have been met. Therefore, no investor should rely on such assessments in determining the status of any securitisation in relation its regulatory requirements and must make its own determination.

The Issuer intends that this Prospectus constitutes a transaction summary overview of the main features of the transaction contemplated herein for the purposes of Article 7(1)(c) of the UK Securitisation Regulation.

For further information please refer to the section entitled "*Risk Factors—Simple, Transparent and Standardised (STS) Securitisations*".

**Social Bond**..... The transaction has been structured in contemplation of complying with the International Capital Markets Association's ("**ICMA**") Voluntary Process Guidelines for issuing social bonds published in June 2020 (the "**Social Bond Guidelines**"). The Social Bond Guidelines include certain social bond principles ("**Social Bond Principles**"). Social Bond Principles include social projects that provide or promote access to essential services and/or socioeconomic advancement and empowerment.

The Legal Title-Holder has developed and defined a formal approach for its social bond framework (the "**Social Bond Framework**") which looks to incorporate such Social Bond Principles. The origination of mortgage loans to the specific target population by the Legal Title-Holder comprises an eligible social project ("**Eligible Social Project**") for the purposes of the Social Bond Principles as this directly contributes to improving access to banking services and socioeconomic advancement and empowerment through equitable access and control over assets, in each case, by making home loan finance available to applicants who are underserved by high street lenders using automated scoring processes given the complexity and characteristics of their income.

The issue of the Notes by the Issuer and associated purchase of the Loans in the Mortgage Pool comprises part of the funding arrangements by the Legal Title Holder for the Eligible Social Project and in accordance with its Social Bond Framework. The purchase price of the Loans will be used to repay short term funding arrangements which forms part of the Legal Title-Holder's funding cycle relating to the origination of owner-occupied mortgages aimed at the target population as described above.

Please refer to the section entitled "*Certain Regulatory Disclosures – Social Bond*" and "*Risk Factors - For Notes being issued under the Social Bond Guidelines, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor*".

**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 conclusion is based on the determination that the Issuer qualifies for the exclusion from the definition of "investment company" in the Investment Company Act provided by Section 3(c)(5)(C) thereunder.

Please refer to the section entitled "*Certain Regulatory Disclosures— Volcker Rule*" and "*Risk Factors—Risks relating to U.S. Volcker Rule*".

**Significant Investor** .....

On the Issue Date, KHL will hold the entire Principal Amount Outstanding of the E Notes, the X Notes and the Z Notes. **As a result, KHL, as at the Issue Date, will be able to pass or block Noteholder resolutions of such Classes.**

On the Issue Date, it is expected that an investor or related investors will acquire the entire Principal Amount Outstanding of the D Notes. **As a result, such an investor (or related investors), as at the Issue Date, will be able to pass or block Noteholder resolutions of such Class.**

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

## IMPORTANT NOTICES

THE NOTES AND THE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES AND THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES AND THE CERTIFICATES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE AND LOCAL SECURITIES LAWS. ACCORDINGLY, THE NOTES AND THE CERTIFICATES WILL BE OFFERED AND SOLD ONLY (A) IN THE CASE OF THE NOTES, TO QIBS ACTING FOR THEIR OWN ACCOUNT, OR FOR THE ACCOUNT OR BENEFIT OF ONE OR MORE QIBS IN RELIANCE ON RULE 144A, OR (B) IN THE CASE OF THE NOTES AND/OR THE CERTIFICATES, OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS AS DEFINED IN AND PURSUANT TO THE REQUIREMENTS OF REGULATION S. THERE IS NO UNDERTAKING TO REGISTER THE NOTES OR THE CERTIFICATES UNDER ANY STATE OR FEDERAL SECURITIES LAW. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER "*PURCHASE AND SALE*" AND "*TRANSFER RESTRICTIONS*".

IT IS EXPECTED THAT THE A NOTES, B NOTES, C NOTES AND D NOTES WILL BE "**ERISA-ELIGIBLE SECURITIES**". EACH PURCHASER OF ERISA-ELIGIBLE SECURITIES WILL BE DEEMED BY SUCH PURCHASE TO HAVE REPRESENTED, WARRANTED AND AGREED FOR SO LONG AS IT HOLDS SUCH A SECURITY (OR ANY INTEREST THEREIN) THAT EITHER (I) IT IS NOT AND WILL NOT BE, AND IS NOT AND WILL NOT BE ACTING ON BEHALF, OF (A) AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (C) A PERSON OR ENTITY WHOSE ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, "PLAN ASSETS" BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**") OR (D) A "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, A "CHURCH PLAN" WITHIN THE MEANING OF SECTION 3(33) OF ERISA THAT HAS MADE NO ELECTION UNDER SECTION 410(d) OF THE CODE, A NON-U.S. PLAN DESCRIBED IN SECTION 4(b)(4) OF ERISA OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR BUT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") OR (II) ITS ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF SUCH NOTE WILL NOT RESULT IN ANY NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY APPLICABLE SIMILAR LAW. EACH PURCHASER OF ANY NOTE OR CERTIFICATE THAT IS NOT AN ERISA-ELIGIBLE SECURITY WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED FOR SO LONG AS IT HOLDS SUCH A NOTE OR CERTIFICATE THAT (I) IT IS NOT AND WILL NOT BE, AND IS NOT AND WILL NOT BE ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR AND (II) ITS ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF ANY SUCH NOTE OR CERTIFICATE WILL NOT RESULT IN A VIOLATION OF ANY APPLICABLE SIMILAR LAW. SEE "*CERTAIN ERISA CONSIDERATIONS*".

EACH INITIAL AND SUBSEQUENT PURCHASER OF NOTES OR CERTIFICATES WILL BE DEEMED, BY ITS ACCEPTANCE OF SUCH NOTES OR CERTIFICATES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER THEREOF AS SET FORTH THEREIN AND DESCRIBED HEREIN UNDER "*TRANSFER RESTRICTIONS*" AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE OR OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. ANY RESALE OR TRANSFER OF NOTES WHICH IS NOT MADE IN COMPLIANCE WITH THE APPLICABLE TRANSFER RESTRICTIONS WILL BE SUBJECT TO CERTAIN FORCED TRANSFER PROVISIONS.

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance is or can be given by the Joint Lead Managers or the Trustee or anyone other than the Issuer as to the adequacy, accuracy or completeness of such information and this Prospectus does not constitute and shall not be construed as any representation or warranty by the Joint Lead Managers or the Trustee or anyone other than the Issuer as to the adequacy, accuracy or completeness of such information contained herein. None of the Joint Lead Managers or the Trustee or anyone other than the Issuer have independently verified any of the information contained herein (financial, legal or otherwise) and in making an investment decision, investors must rely on their own examination of the terms of this Prospectus, including the merits and risks involved. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Notes or Certificates is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Notes or Certificates is strictly prohibited. A prospective investor shall not be entitled to, and must not rely on, this Prospectus unless it was furnished to such prospective investor directly by the Issuer or the Joint Lead Managers in connection with the initial distribution of the Notes on the Issue Date.

#### INFORMATION AS TO PLACEMENT WITHIN THE UNITED STATES

The Notes of each Class offered pursuant to an exemption from registration requirements under Rule 144A will be sold only to QIBs and will each be represented on issue by beneficial interests in one or more global notes of such Class (each, a "**Rule 144A Global Note**" and together, the "**Rule 144A Global Notes**"), in each case in fully registered form, without interest or principal receipts, which will be deposited on or about the Issue Date with, and registered in the name of, a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes of each Class sold outside the United States to non-U.S. Persons in reliance on Regulation S ("**Regulation S**") under the Securities Act will each be represented on issue by beneficial interests in one or more global notes of such Class (each, a "**Regulation S Global Note**" and together, the "**Regulation S Global Notes**"), in each case in fully registered form, without interest or principal receipts, which will be deposited on or about the Issue Date with, and registered in the name of, a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg. U.S. Persons may not hold an interest in any Notes sold in reliance on Regulation S.

Ownership interests in the Regulation S Global Notes and the Rule 144A Global Notes (together, the "**Global Notes**") will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking *société anonyme* ("**Clearstream, Luxembourg**") and their respective participants. Notes in definitive certificated form will be issued only in limited circumstances, and will be registered in the name of the holder (or a nominee thereof). In each case, purchasers and transferees of Notes will be deemed and in certain circumstances will be required to have made certain representations and agreements. See "*Description of the Notes in Global Form*" and "*Transfer Restrictions*" below.

The Issuer has not been registered and does not intend to register under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). The Issuer has been structured so as not to constitute a "covered fund" for the purposes of Section 619 of the Dodd-Frank Act and its implementing regulations (the "**Volcker Rule**"). Although other exclusions may be available to the Issuer, this conclusion is based on the determination that the Issuer qualifies for the exclusion from the definition of "investment company" in the Investment Company Act provided by Section 3(c)(5)(C) thereunder. See "*Certain Regulatory Disclosures – Volcker Rule*" for more detail.

Each purchaser of an interest in the Notes will be deemed to have made the representations set out in "Transfer Restrictions" herein. The purchaser of any Note, by such purchase, agrees that such Note is being acquired for its own account and not with a view to distribution and may be resold, pledged or otherwise transferred only (1) to the Issuer (upon redemption thereof or otherwise), (2) to a person the purchaser reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, or (3) outside the United States to a person who is not a U.S. Person in an offshore transaction in reliance on Regulation S in each case, in compliance with the Trust Deed and all applicable securities laws of any state of the United States or any other jurisdiction. See "Transfer Restrictions" herein.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes and the offering thereof described herein, including the merits and risks involved.

#### **AVAILABLE INFORMATION**

To permit compliance with the Securities Act in connection with the sale of the Notes in reliance on Rule 144A, the Issuer has agreed that, for so long as any Notes sold in reliance on Rule 144A remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon request of a holder or beneficial owner who is a QIB of such Note sold in reliance on Rule 144A or of a prospective investor who is a QIB designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. All information made available by the Issuer pursuant to the terms of this paragraph may also be obtained during usual business hours free of charge at the office of the Issuer.

#### **GENERAL NOTICE**

EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUER, THE JOINT LEAD MANAGERS, (OR ANY OF THEIR AFFILIATES), OR THE TRUSTEE (OR ANY OF THEIR RESPECTIVE AFFILIATES) SHALL HAVE ANY RESPONSIBILITY THEREFOR.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE RESTRICTIONS ON TRANSFER DESCRIBED HEREIN. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

#### **ENFORCEABILITY OF JUDGEMENTS**

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States. None of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

#### **ADDITIONAL INFORMATION**

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge, 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.

The information contained in this Prospectus in the section headed "*Characteristics of the Provisional Completion Mortgage Pool*" has been extracted from information provided by the Mortgage Administrator. The Issuer accepts responsibility for the accurate reproduction of such extracted information. So far as the

Issuer is aware and/or able to ascertain from such information, no facts have been omitted which would render the information inaccurate or misleading. The Issuer has not been responsible for, nor has it undertaken, any investigation or verification of statements, including statements as to foreign law, contained in the information. The Issuer does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information and prospective investors in the Notes and/or Certificates should not rely upon, and should make their own independent investigations and enquiries in respect of, the same.

Where third party information has been used in this Prospectus, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. As far as the Issuer is aware and able to ascertain from the information published by such third party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

None of the Issuer, the Joint Lead Managers, the Trustee or any other person makes any representation to any prospective investor or purchaser of the Notes and/or Certificates regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations and prospective investors should consult their legal advisers to determine whether and to what extent the investment in the Notes and/or Certificates constitute a legal investment for them.

None of the Arranger, Joint Lead Managers or ESG Structuring Banks makes any representation as to the suitability of the Notes to fulfil social and sustainability criteria required by prospective investors. The Arranger, Joint Lead Managers and ESG Structuring Banks have not undertaken, nor are responsible for, any assessment of the Social Bond Framework and any verification of whether the notes or the Social Bond Framework achieve any of ICMA's Social Bond Principles. None of the Arranger, Joint Lead Managers or ESG Structuring Banks will verify or monitor the proposed use of proceeds of the Notes issued. Investors should refer to the Legal Title-Holder's Social Bond Framework, the Legal Title-Holder's website and Second Party Opinion for information. The Second Party Opinion provider has been appointed by the Legal Title-Holder. For the avoidance of doubt, none of the Social Bond Framework, the Legal Title-Holder's website or the Second Party Opinion form part of this Prospectus. EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT (I) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (II) SUCH PERSON HAS NOT RELIED ON THE JOINT LEAD MANAGERS OR ANY PERSON AFFILIATED WITH THE JOINT LEAD MANAGERS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (III) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE NOTES OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED, AND (IV) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND/OR CERTIFICATES.

KENSINGTON MORTGAGE COMPANY LIMITED ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE ORIGINATOR, THE MORTGAGE ADMINISTRATOR AND THE LEGAL TITLE-HOLDER*", "*THE LEGAL TITLE-HOLDER*", "*CONSTITUTION OF THE MORTGAGE POOL*", "*CHARACTERISTICS OF THE PROVISIONAL COMPLETION MORTGAGE POOL*" AND "*TITLE TO THE MORTGAGE POOL*". TO THE BEST OF THE KNOWLEDGE OF KENSINGTON MORTGAGE COMPANY LIMITED, 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.

KENSINGTON HOLDCO LIMITED ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*CERTAIN REGULATORY DISCLOSURES*" AND "*U.S. CREDIT RISK RETENTION*". TO THE BEST OF THE KNOWLEDGE OF KENSINGTON HOLDCO LIMITED, 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.

KENSINGTON HOLDCO LIMITED, BNP PARIBAS, CITIBANK, N.A., LONDON BRANCH, BARCLAYS BANK PLC AND CSC CAPITAL MARKETS UK LIMITED ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE SELLER AND THE SUBORDINATED LOAN PROVIDER*", "*THE INITIAL SWAP COUNTERPARTY*", "*THE ACCOUNT BANK, THE SWAP COLLATERAL ACCOUNT BANK, THE AGENT BANK, THE PRINCIPAL PAYING AGENT AND THE REGISTRAR*", "*THE CASH/BOND ADMINISTRATOR*", "*THE COLLECTION ACCOUNTS PROVIDER*", "*THE MORTGAGE ADMINISTRATOR FACILITATOR, THE LEGAL TITLE-HOLDER FACILITATOR, THE CASH/BOND ADMINISTRATOR FACILITATOR AND THE CORPORATE SERVICES PROVIDER*" RESPECTIVELY. TO THE BEST OF THE KNOWLEDGE OF KENSINGTON HOLDCO LIMITED, BNP PARIBAS, CITIBANK, N.A., LONDON BRANCH, BARCLAYS BANK PLC, CSC CAPITAL MARKETS UK LIMITED, THE INFORMATION CONTAINED IN THE RELEVANT 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 ARRANGER AND THE JOINT LEAD MANAGERS DO NOT ACCEPT ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE ISSUER, THE RISK RETENTION HOLDER, THE ORIGINATOR, THE SELLER OR ANY OTHER TRANSACTION PARTY WITH REQUIREMENTS OF THE UK SECURITISATION REGULATION OR THE EU SECURITISATION REGULATION.

This Prospectus comprises a prospectus for the purposes of the EU Prospectus Regulation and for the purpose of giving information with regard to the Issuer, the Notes, and the Certificates, which according to the particular nature of the Issuer, the Notes, and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, 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.

This Prospectus is valid for a period of twelve months from the date of approval. The obligation to prepare a supplement to this Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Prospectus is no longer valid. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the closing of the offer period or the time when trading of such securities on a regulated market begins, whichever occurs later.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers (as the case may be through any of its affiliates) to subscribe for or purchase any of the Notes or the Certificates in any jurisdiction where such an offer or solicitation is not authorised or is unlawful. The distribution of this Prospectus and the offering of the Notes and the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. 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.

A potential investor should not invest in the Notes or Certificates, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes or Certificates will perform under changing conditions, the resulting effects on the value of the Notes or Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes or the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes or Certificates, the merits and risks of investing in the Notes or Certificates and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes or Certificates and the impact the Notes or Certificates will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes or Certificates, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes or Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

For a description of further restrictions on offers and sales of the Notes and the Certificates and distribution of this Prospectus, see "*Purchase and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Trustee or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes or Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Joint Lead Managers or the Trustee or anyone other than the Issuer accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Joint Lead Managers or the Trustee or any other person or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee or anyone other than the Issuer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The Notes and the Certificates have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Other than as described herein, the Notes and the Certificates may not be offered, sold or delivered within the United States or to U.S. Persons.

Payments of interest and principal in respect of the Notes and the Certificates will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts thereof. References in this Prospectus to "**£**", "**pounds**" or "**sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to "**Euro**", "**EUR**" and "**€**" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time.

Certain matters contained in this Prospectus are forward looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from



the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Additional factors that could cause future results to differ materially include, but are not limited to, those discussed under "*Risk Factors*". This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**"). Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Joint Lead Managers or the Trustee 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 Joint Lead Managers or the Trustee assumes any obligation to update these forward looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward looking statements or Statistical Information, as applicable.

## **EU MIFID II PRODUCT GOVERNANCE**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes and the Certificates has led to the conclusion that: (i) the target market for the Notes and the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2015/65/EU (as amended, "**EU MIFID II**"); and (ii) all channels for distribution of the Notes and the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes and the Certificates (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

## **UK MIFIR PRODUCT GOVERNANCE**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes and the Certificates has led to the conclusion that: (i) the target market for the Notes and the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes and the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes and Certificates (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes and Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

## PRIIPS REGULATION

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** The Notes and the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "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 EU MiFID II (as amended); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes and the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes and the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

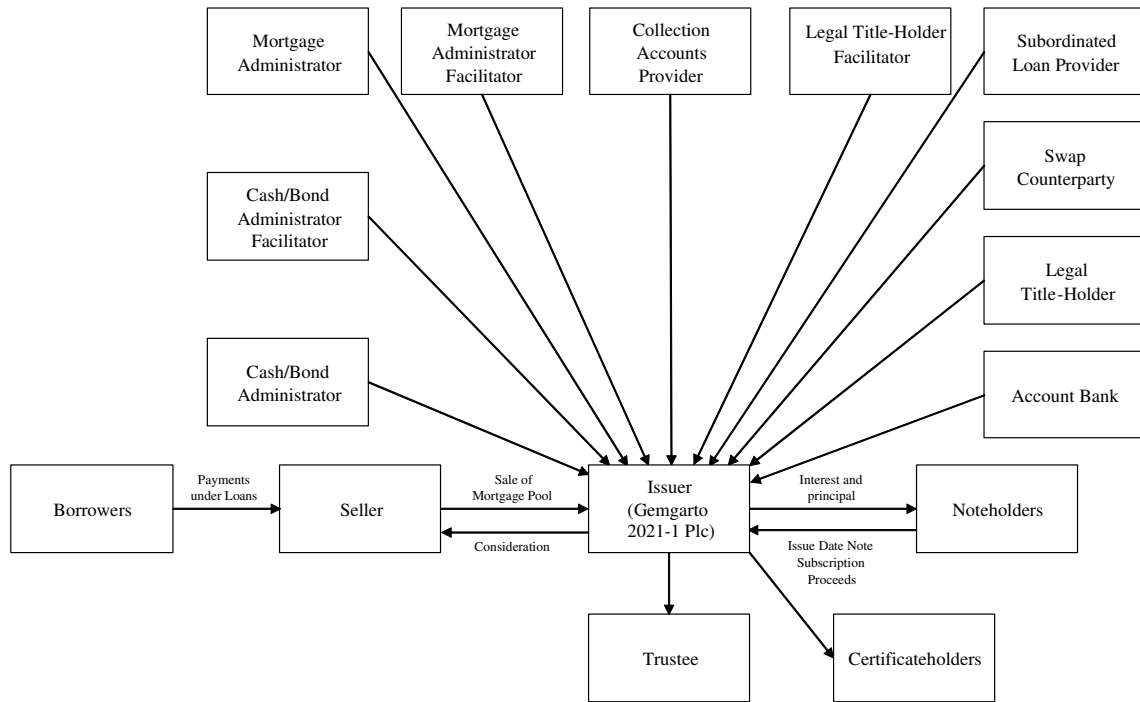
**PROHIBITION OF SALES TO UK RETAIL INVESTORS** –The Notes and the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement the EU Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK PRIIPs Regulation**") for offering or selling the Notes and Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes and Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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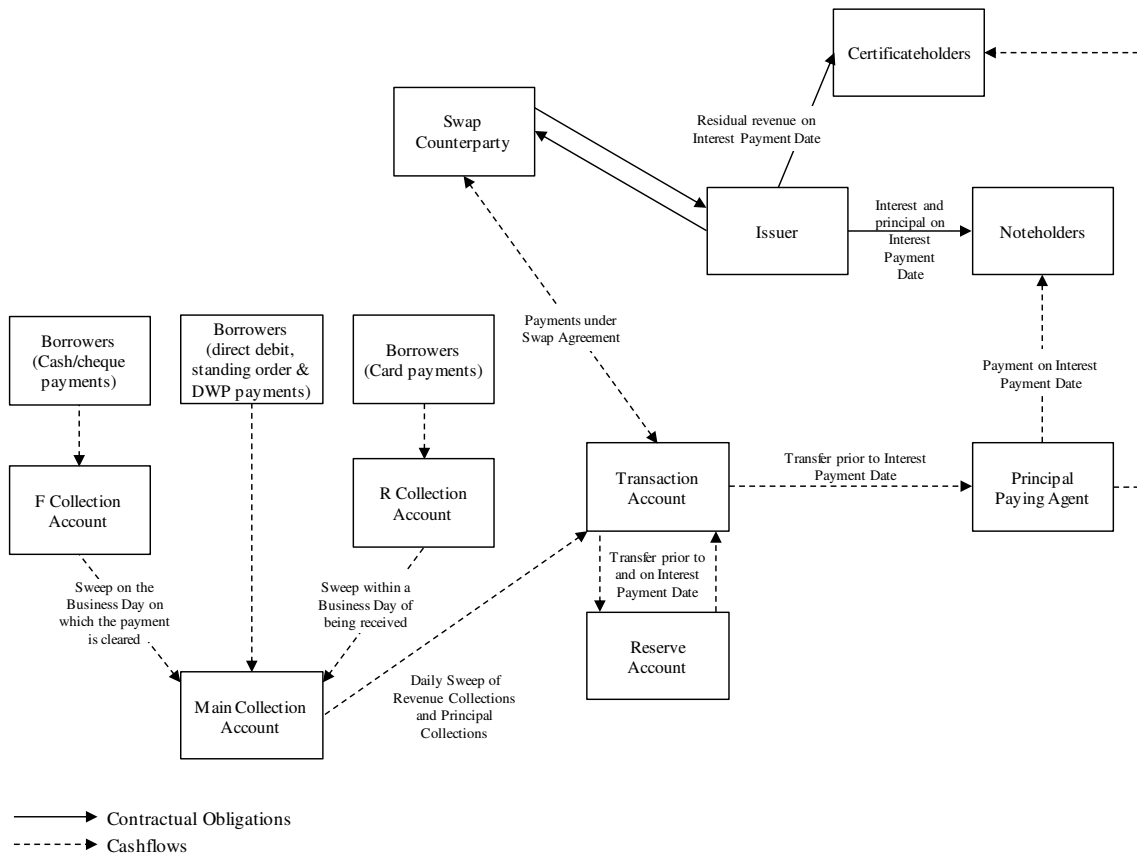
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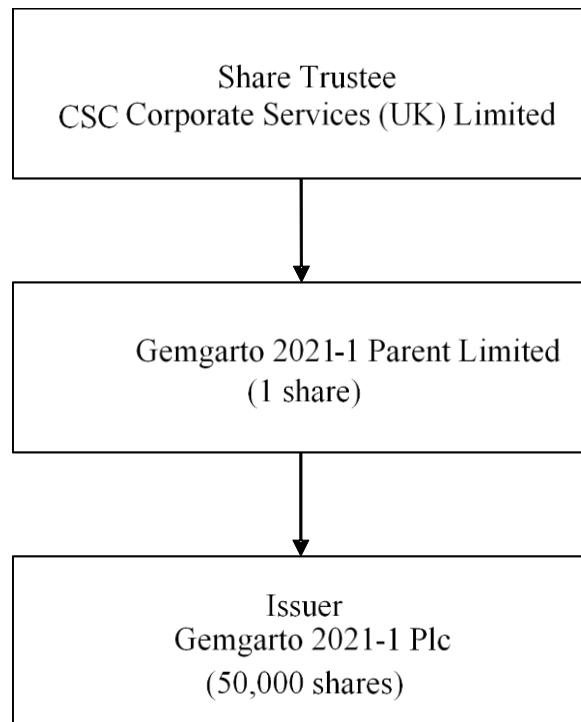
**TRANSACTION OVERVIEW - DIAGRAMMATIC OVERVIEW OF THE TRANSACTION**



**TRANSACTION OVERVIEW - DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOW**



**TRANSACTION OVERVIEW - DIAGRAMMATIC OVERVIEW OF THE OWNERSHIP  
STRUCTURE**





## TRANSACTION OVERVIEW

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

### Transaction Parties on the Issue Date

Party	Name	Address	Document under which appointed/Further information
<b>Arranger</b> .....	Lloyds Bank Corporate Markets plc	10 Gresham Street, London, EC2V 7AE United Kingdom	N/A.
<b>Joint Lead Managers</b>	Lloyds Bank Corporate Markets plc	10 Gresham Street, London, EC2V 7AE United Kingdom	Note Purchase Agreement.
	BNP Paribas	10 Harewood Avenue, London NW1 6AA, United Kingdom	Note Purchase Agreement.
	National Australia Bank Limited	52 Lime Street, London EC3M 7AF United Kingdom	Note Purchase Agreement.
<b>Issuer</b> .....	Gemgarto 2021-1 Plc	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	N/A.
<b>Parent</b> .....	Gemgarto 2021-1 Parent Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	N/A.
<b>Share Trustee</b> .....	CSC Corporate Services (UK) Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	N/A.
<b>Seller</b> .....	Kensington Holdco Limited	Ascot House Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom	N/A.
<b>Mortgage Administrator</b> .....	Kensington Mortgage Company Limited	Ascot House Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom	Mortgage Administration Agreement. See the sections entitled " <i>The Originator, the Mortgage Administrator and the Legal Title-Holder</i> " and " <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
<b>Mortgage Administrator Facilitator and Legal Title-Holder Facilitator</b> .....	CSC Capital Markets UK Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Mortgage Administration Agreement. See the sections entitled " <i>The Mortgage Administrator Facilitator, the Legal Title-Holder Facilitator, the Cash/Bond Administrator Facilitator and the Corporate Services Provider</i> " and " <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> " for further information.
<b>Legal Title-Holder</b> .....	Kensington Mortgage Company Limited	Ascot House Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom	KHL/Issuer Mortgage Sale Agreement. See the section entitled " <i>The Originator Mortgage Administrator and the Legal Title-Holder</i> ".
<b>Trustee</b> .....	Apex Corporate Trustees (UK) Limited	6 <sup>th</sup> Floor, 125 Wood Street, London EC2V 7AN, United Kingdom	Trust Deed and Deed of Charge. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Corporate Services Provider</b> .....	CSC Capital Markets UK Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Corporate Services Agreement. See the section entitled " <i>The Mortgage Administrator Facilitator, the Legal Title-Holder Facilitator, the Cash/Bond Administrator Facilitator and the Corporate Services Provider</i> ".
<b>Cash/Bond Administrator</b> .....	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom	Cash/Bond Administration Agreement. See the sections entitled " <i>The Cash/Bond Administrator</i> " and " <i>Administration,</i>

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
			<i>Servicing and Cash Management of the Mortgage Pool</i> " for further information.
<b>Cash/Bond Administrator Facilitator</b> .....	CSC Capital Markets UK Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Cash/Bond Administration Agreement. See the sections entitled " <i>The Mortgage Administrator Facilitator, the Legal Title-Holder Facilitator, the Cash/Bond Administrator Facilitator and the Corporate Services Provider</i> " and " <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> " for further information.
<b>Initial Swap Counterparty</b> .....	BNP Paribas	10 Harewood Avenue, London NW1 6AA, United Kingdom	Initial Swap Agreement. The Issuer may also enter into further Permitted Swap Agreements with a different Permitted Swap Counterparty.  See the sections entitled " <i>The Swap Agreements</i> " and " <i>The Initial Swap Counterparty</i> " for further information.
<b>Account Bank</b> .....	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom	Bank Agreement.
<b>Swap Collateral Account Bank</b> .....	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom	Swap Collateral Account Bank Agreement.
<b>Collection Accounts Provider</b> .....	Barclays Bank PLC	1 Churchill Place, London E14 5HP, United Kingdom	Main Collection Account Agreement, F Collection Account Agreement, the F Collection Account Accession Agreement,

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
			R Collection Account Agreement and the R Collection Account Accession Agreement
<b>Principal Paying Agent</b> .....	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom	Paying Agency Agreement.
<b>Agent Bank</b> .....	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom	Paying Agency Agreement.
<b>Registrar</b> .....	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom	Paying Agency Agreement.
<b>Subordinated Loan Provider</b> .....	Kensington Holdco Limited	Ascot House Office Park, Maidenhead SL6 3QQ, United Kingdom	Subordinated Loan Agreement.
<b>Listing Agent</b> .....	McCann Fitzgerald Services Limited	Riverside One, 37 - 42 Sir John Rogerson's Quay, Dublin 2, Ireland	N/A.
<b>Listing Authority and Stock Exchange</b> .....	Euronext Dublin	28 Anglesea Street, Dublin 2, Ireland	N/A.
<b>Clearing Systems</b> .....	Euroclear	33 Cannon Street, London EC4M 5SB, United Kingdom	N/A.
	Clearstream, Luxembourg	42 Avenue JF Kennedy, L 1855 Luxembourg	N/A.
<b>Rating Agencies</b> .....	DBRS Ratings Limited	20 Fenchurch Street, 31 <sup>st</sup> Floor, London EC3M 3BY, United Kingdom	N/A.
	Fitch Ratings Limited	30 North Colonnade, London E14 5GN, United Kingdom	N/A.
<b>Auditors</b> .....	KPMG LLP	15 Canada Square, Canary Wharf, London E14 5GL United Kingdom	N/A.

## TRANSACTION OVERVIEW - MORTGAGE POOL AND SERVICING

Please refer to the sections entitled "*Constitution of the Mortgage Pool*", "*Title to the Mortgage Pool*" and "*Sale of the Mortgage Pool*" for further detail in respect of the characteristics of the Mortgage Pool and the sale and the servicing arrangements in respect of the Mortgage Pool.

**Sale of Mortgage Pool** ..... The Mortgage Pool will consist of the Loans, the Collateral Security, and all monies derived therein from time to time, which will be sold by the Seller to the Issuer on the Issue Date and on any date during the Further Sale Period, pursuant to the KHL/Issuer Mortgage Sale Agreement, and shall also comprise any Substitute Loans which shall be sold on the Repurchase Date for any Loan in respect of which there has been a breach of Warranty.

The Mortgage Pool comprises Loans secured over properties in England, Wales and Scotland.

Each Loan and Collateral Security in respect of properties located in England and Wales is governed by English law and each Loan and Collateral Security in respect of properties located in Scotland is governed by Scots law.

In this Prospectus, unless otherwise noted, all references to specified percentages of the Loans are references to those Loans as a percentage of the aggregate Principal Balance of the Provisional Completion Mortgage Pool.

**Features of Loans** ..... The following is a summary of certain features of the Loans in the Provisional Completion Mortgage Pool as at the Cut-Off Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in "*Characteristics of the Provisional Completion Mortgage Pool*".

Type of Borrower	Prime
Type of Loan	Repayment Loans or Interest Only Loans or a combination of both
Charge ranking	First charge mortgages only
Self-certified Loans	No
Fast track Loans	No
Buy-to-Let Loans	No
Right to Buy Loans	1.01 per cent. of the aggregate Principal Balance of the Loans
Help to Buy Loans	13.24 per cent. of the aggregate Principal Balance of the Loans
Number of Loans	2,826

See the section entitled "*Characteristics of the Provisional Completion Mortgage Pool*" for further information.

**Consideration**..... Consideration payable by the Issuer to KHL in respect of the sale of the Loans and Collateral Security by KHL pursuant to the KHL/Issuer Mortgage Sale Agreement shall be (i) in respect of the Completion Mortgage Pool, £492,748,019.10 (being the Initial Purchase Consideration for the Loans in the Completion Mortgage Pool) and (ii) in respect of any Additional Loan, the Additional Loan Purchase Consideration for that Loan and (iii) in respect of the Completion Mortgage Pool, any Additional Loans and any Substitute Loans, issuance of the Certificates. The amount in relation to the Completion Mortgage Pool may be settled by way of set-off in the event KHL agrees to subscribe for some or all of the Notes.

In the event of a breach of any Warranties, the Seller and KMC will be required, on a joint and several basis, to (x) repurchase, or procure that an affiliate repurchases, the relevant Loan which is subject to a breach of warranty or (y) substitute in Substitute Loans in an amount equal to the Repurchase Price. See "*Repurchase of the Loans and Collateral for breach of Warranty.*"

Upon the occurrence of an Asset Repurchase Trigger Event in respect of an Additional Loan, the Seller and KMC will be required, on a joint and several basis, to repurchase, or procure that an affiliate repurchases, the relevant Loan which has caused the Asset Repurchase Trigger Event in an amount equal to the Repurchase Price. See "*Repurchase of the Loans and Collateral following the occurrence of an Asset Repurchase Trigger Event.*"

**Proceeds of the X Notes and the Z Notes**..... The proceeds of the X Notes will be used to fund:

- (a) the Issuer Costs and Expenses; and
- (b) part of the Initial Purchase Consideration.

See the section entitled "*Credit Structure*" for further information.

£1,530,000 shall on the Issue Date be credited to the Start-Up Costs Ledger for the payment by the Issuer of such Issuer Costs and Expenses.

Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall be paid directly to the Certificateholders on the second Interest Payment Date and will not form part of the Available Revenue Funds.

The proceeds of the Z Notes will be used to fully fund the General Reserve Fund in an amount equal to the General Reserve Fund Required Amount.

**Representations and Warranties** ..... The Seller will make the Warranties to the Issuer and the Trustee in relation to the relevant Loans in the Completion Mortgage Pool on the Issue Date and on the relevant Purchase Date, in relation to any Additional Loans.

The Seller will also give a small number of additional warranties to the Issuer and the Trustee on each Product Switch Effective Date with respect to a Product Switch Loan to be retained within the Mortgage Pool following the relevant Product Switch Effective Date.

See the section entitled "*Sale of the Mortgage Pool—Warranties and Repurchase*" for further information.

**Repurchase of the Loans and Collateral Security.....**

Upon breach of any Warranties given in respect of the Loans in the Mortgage Pool which could have a material adverse effect on the value of the relevant Loan, its related Mortgage and Mortgage Rights (other than where such breach was disclosed at the point of sale to the Issuer) and which, if capable of remedy, is not so remedied by the Seller, KMC or, where applicable, an affiliate within 21 days of notification of such breach to the Seller and KMC by the Mortgage Administrator on behalf of the Issuer, the Seller or KMC shall at the option of KMC or the Seller: (i) repurchase, or shall procure that an affiliate repurchases, on a joint and several basis, the Loans and their Collateral Security; or (ii) substitute the relevant Loan with one or more Substitute Loans, in each case in accordance with the KHL/Issuer Mortgage Sale Agreement.

Upon the occurrence of an Asset Repurchase Trigger Event in respect of any Additional Loan, the Seller and KMC will be required, on a joint and several basis, to repurchase, or procure that an affiliate repurchases, the relevant Additional Loan which has caused the Asset Repurchase Trigger Event in accordance with the KHL/Issuer Mortgage Sale Agreement.

In addition, if an Asset Repurchase Trigger Event has occurred or will occur in relation to a Product Switch Loan on the Product Switch Effective Date, then the Legal Title-Holder will be required to repurchase that Product Switch Loan from the Issuer on or prior to the relevant Product Switch Effective Date. See "*Product Switches*" below.

The Seller or KMC may, but will not be obliged to, repurchase from the Issuer any Loan sold to the Issuer pursuant to the KHL/Issuer Mortgage Sale Agreement which (A) is not of a type described in or has otherwise caused the Notes to cease to comply with the requirements of (i) Article 13 of the Commission Delegated Regulation (EU) 2018/1620 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; (ii) Article 243 of the EU CRR as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; or (iii) Article 19 to 22 of the UK Securitisation Regulation; or (B) is not of a type described in or has otherwise caused the Notes to cease to comply with the requirements of (i) Article 13 of the Commission Delegated Regulation (EU) 2018/1620; or (ii) Article 243 of the EU CRR (each such Loan a "**Non-Compliant Loan**").

**Consideration for Repurchase .**

Consideration payable by the Seller, KMC or, where applicable, an affiliate, in respect of the repurchase of any relevant Loans and their Collateral Security shall be equal to the Repurchase Price.

**Ongoing purchase of Additional Loans during the Further Sale Period**

Pursuant to the terms of the KHL/Issuer Mortgage Sale Agreement, the Seller may, but will not be obliged to, sell Additional Loans and their Collateral Security to the Issuer during the Further Sale Period.

The Issuer will pay the Additional Loan Purchase Consideration for any Additional Loans and their Collateral Security to the Seller on the applicable Further Purchase Date utilising:

- (a) if the Further Purchase Date is a Business Day other than an Interest Payment Date (i) Principal Collections received

by the Issuer during the corresponding Determination Period, provided that the amount standing to the credit of the Principal Ledger on the Further Purchase Date will be sufficient to redeem the A Notes in the amount necessary (as determined by the Mortgage Administrator) to ensure that the aggregate Principal Amount Outstanding of the A Notes following the application of Available Principal Funds on the Interest Payment Date immediately following the corresponding Determination Period is equal to or less than the Class A Target Notional Amount, and/or (ii) from any amounts then standing to the credit of the Retained Principal Ledger; and

- (b) if the Further Purchase Date is an Interest Payment Date, Available Principal Funds in accordance with the Pre-Enforcement Priority of Payments,

in each case, subject to the satisfaction of the Additional Loan Criteria.

The applicable Additional Loan Purchase Consideration for any Additional Loans will be equal to the Principal Balance of the relevant Additional Loan as at the applicable Additional Loan Cut-Off Date.

See "*Sale of the Mortgage Pool – Ongoing purchase of Additional Loans*".

**Product Switches .....**

The Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. Should a Product Switch be accepted by the Borrower, the Legal Title-Holder shall have the option to repurchase the Product Switch Loan from the Issuer on or prior to the relevant Product Switch Effective Date.

Alternatively if an Asset Repurchase Trigger Event has occurred or will occur in relation to a Product Switch Loan on the Product Switch Effective Date, then the Legal Title-Holder will be required to repurchase that Product Switch Loan from the Issuer on or prior to the relevant Product Switch Effective Date.

Consideration payable by the Legal Title-Holder in respect of the repurchase of any relevant Product Switch Loans and their Collateral Security shall be equal to the Repurchase Price.

See "*Sale of the Mortgage Pool – Product Switch Loans*" and "*Administration, Servicing and Cash Management of the Mortgage Pool - Mortgage Administration Agreement – Product Switches*" below.

**Shortfall Loans .....**

Where the Seller has been notified of the existence of a Shortfall Loan the Seller may repurchase (i) all Shortfall Loans outstanding at that time or (ii) a random selection of the Shortfall Loans existing at that time by making a cash payment to the Issuer or to such person as the Issuer may direct, in an amount equal to the Shortfall Loan Repurchase Amount. No assurance can be given that any such Loan will be repurchased by the Seller on such an event.

See "*Sale of the Mortgage Pool – Shortfall Loans*".

**Perfection Events.....**

See "*Perfection Events*" in the section entitled "*Triggers Tables— Non Rating Triggers Table*" below.



Legal title to the Loans will not be vested in the Issuer until the Issuer (with the consent of the Trustee) or, following the service of an Enforcement Notice, the Trustee so decides, which it may do upon the occurrence of certain Perfection Events. Prior to the completion of the transfer of the legal title to the Loans, the Issuer will be subject to certain risks as set out in the sections entitled "*Risk Factors – Set-off risk*".

The Legal Title-Holder may transfer legal title in the Loans to a duly authorised third party or substitute entity at its discretion subject to (i) a Rating Agency Confirmation being provided to the Issuer and (ii) the proposed legal title-holder granting an irrevocable power of attorney in favour of the Issuer. If the proposed transfer of legal title in the Loans is to the Seller, the consent of the Issuer and the Trustee will also be required.

The occurrence of a Perfection Event will not require the automatic liquidation of the Loans at market value.

**Servicing of the Mortgage Pool,  
the Mortgage Administrator  
and the Legal Title-Holder .....**

The Mortgage Administrator agrees to service the Loans on behalf of the Issuer and the Legal Title-Holder in accordance with the Mortgage Administration Agreement.

In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Loans and their Collateral Security against Borrowers in default and other discretionary matters, the Issuer has delegated certain decision-making powers to the Legal Title-Holder, who will retain those discretionary powers and exercise such discretionary powers pursuant to and in accordance with the Mortgage Administration Agreement.

Under the Mortgage Administration Agreement, the Issuer will grant the Legal Title-Holder full right, liberty and authority from time to time to determine and set the rate or rates of interest applicable to the Loans in accordance with the terms of such Loans and subject to the terms and conditions of the Mortgage Administration Agreement.

See the sections entitled "*The Originator, the Mortgage Administrator and the Legal Title-Holder*" and "*Administration, Servicing and Cash Management of the Mortgage Pool*".

See "*Mortgage Administrator Termination Events*" and "*Legal Title-Holder Termination Events*" in the section entitled "*Rights of Noteholders and Certificateholders and Relationship with Other Secured Creditors – Triggers Tables – Non-Rating Triggers Table*" below.

**Cash/Bond Administrator .....**

Pursuant to the terms of the Cash/Bond Administration Agreement, the Cash/Bond Administrator will agree to perform the duties relating to the note administration and investor reporting in accordance with the Cash/Bond Administration Agreement.

For more information see the sections entitled "*The Cash/Bond Administrator*" and "*Administration, Servicing and Cash Management of the Mortgage Pool*".

## FULL CAPITAL STRUCTURE OF THE NOTES AND CERTIFICATES

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

	Class A	Class B	Class C	Class D	Class E	Class X	Class Z	Certificates	
Currency .....	£	£	£	£	£	£	£		
Initial Principal Amount..	422,440,000	21,240,000	11,800,000	2,360,000	14,160,000	23,600,000	9,440,000	N/A	
Credit Enhancement.....	Subordination of B Notes, C Notes, D Notes and E Notes; Excess Spread; General Reserve Fund		Subordination of C Notes, D Notes and E Notes; Excess Spread; General Reserve Fund		Subordination of D Notes and E Notes; Excess Spread; General Reserve Fund		Subordination of E Notes; Excess Spread		N/A
Liquidity Support.....	General Reserve Fund, Liquidity Reserve Fund and Available Principal Funds to make up a Revenue Shortfall or Shortfall subject to the relevant PDL Condition		General Reserve Fund and Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition		General Reserve Fund and Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition		N/A	N/A	N/A
Issue Price .....	100%	100%	100%	100%	100%	100%	100%	N/A	
Interest Reference Rate on Floating Rate Notes....	Compounded Daily SONIA	Compounded Daily SONIA	Compounded Daily SONIA	Compounded Daily SONIA	Compounded Daily SONIA	Compounded Daily SONIA	Compounded Daily SONIA	N/A	
Relevant Margin prior to Step-Up Date .....	0.590% per annum	1.100% per annum	1.300% per annum	2.000% per annum	3.000% per annum	5.000% per annum	5.000% per annum	N/A	
Relevant Margin from and including Step-Up Date .....	0.885% per annum	1.650% per annum	1.950% per annum	3.000% per annum	3.000% per annum	5.000% per annum	7.500% per annum	N/A	
Step-Up Date .....	Interest Payment Date falling in March 2025.								
Interest Accrual Method..	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	
Interest Payment Dates ...	Interest will be payable in respect of the Notes quarterly in arrear on 16 <sup>th</sup> day in March, June, September and December in each year or, if such day is not a Business Day, the next following Business Day								
Business Day Convention .....	Following	Following	Following	Following		Following	Following	Following	
First Interest Payment Date .....	Interest Payment Date falling in June 2021	Interest Payment Date falling in June 2021	Interest Payment Date falling in June 2021	Interest Payment Date falling in June 2021	Interest Payment Date falling in June 2021	Interest Payment Date falling in June 2021	Interest Payment Date falling in June 2021	Interest Payment Date falling in June 2021	
First Interest Period	The period from the Issue Date to the first Interest Payment Date.								
Pre-Enforcement Redemption Profile .....	Sequential pass-through redemption. Please refer to Notes Condition 5 ( <i>Redemption</i> ).								
Post-Enforcement Redemption Profile .....	Pass-through redemption in accordance with the Post-Enforcement Priority of Payments. Please refer to Notes Condition 2(d) ( <i>Post-Enforcement Priority of Payments</i> ).								
Call Option Date .....	Any Interest Payment Date falling on or after March 2025.								
Mortgage Pool Option.....	On the Step-Up Date and on any Interest Payment Date thereafter, the Issuer may redeem the Notes with the proceeds of a sale of the Charged Property pursuant to the Deed Poll <b>provided that</b> such sale proceeds, together with amounts standing to the credit of the Bank Accounts and any other funds available to the Issuer, are sufficient to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes and, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or <i>pari passu</i> with the Senior Notes on such Interest Payment Date, and (III) any other costs associated with the exercise of the optional call. See Notes Condition 5(d)(i) ( <i>Optional Redemption in Full</i> ).								
Risk Retention Regulatory Change Option .....	The Risk Retention Regulatory Change Option Holder shall have the right (but not the obligation) pursuant to the Risk Retention Regulatory Change Deed Poll to require the Issuer to sell and transfer to the Risk Retention Regulatory Change Option Holder or its nominee (as specified in the Risk Retention Regulatory Change Option Exercise Notice) the Mortgage Pool and its Collateral Security for an amount equal to the Risk Retention Regulatory Change Option Purchase Price following the occurrence of a Risk Retention Regulatory Change Event.								
	On the Interest Payment Date on or following the sale of the Mortgage Pool and its Collateral Security following the exercise of the Risk Retention Regulatory Change Option, the sale proceeds, together with amounts standing to the credit of the Bank Accounts (other than any Swap Excluded Receivable Amounts) and any other funds available to the Issuer, shall be used to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes and, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or								

	Class A	Class B	Class C	Class D	Class E	Class X	Class Z	Certificates
	<i>pari passu</i> with the Senior Notes on such Interest Payment Date, and (III) any other costs associated with the exercise of the optional call). See Notes Condition 5(e) ( <i>Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option</i> ).							
Clean Up Call .....	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
Pre-Call Redemption.....	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Applicable
Post-Call Redemption Profile .....	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through
Other Early Redemption in Full Events .....	Tax call. Please refer to Notes Condition 5(f) ( <i>Optional Redemption for Taxation or Other Reasons</i> ).							
Final Maturity Date.....	Interest Payment Date falling in December 2067	Interest Payment Date falling in December 2067	Interest Payment Date falling in December 2067	Interest Payment Date falling in December 2067	Interest Payment Date falling in December 2067	Interest Payment Date falling in December 2067	Interest Payment Date falling in December 2067	Interest Payment Date falling in December 2067
Form of the Notes .....	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Certificates
Application for Listing....	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	N/A
Reg S ISIN .....	XS2279559707	XS2279560036	XS2279560200	XS2279560465	XS2279560895	XS2279561356	XS2279561513	XS2279561786
Reg S Common Code .....	227955970	227956003	227956020	227956046	227956089	227956135	227956151	227956178
Rule 144A ISIN.....	XS2279559889	XS2279560119	XS2279560382	XS2279560622	XS2279560978	XS2279561430	XS2279561604	N/A
Rule 144A Common Code .....	227955988	227956011	227956038	227956062	227956097	227956143	227956160	N/A
Clearance/Settlement .....	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg
Minimum Denomination.	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	N/A
Retained Amount.....	A holding: (i) of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool (taking into account on the Issue Date the maximum nominal value of the Loans that the Issuer can hold at any time from and including the Issue Date to (but excluding) the Final Further Purchase Date pursuant to the KHL/Issuer Mortgage Sale Agreement) so as to hold exposure to the UK Retained Interest and EU Retained Interest at not less than the UK Retention Requirement and EU Retention Requirement (as applicable); and (ii) directly and/or through one of its majority-owned affiliates, through to the Sunset Date 100 per cent. of the E Notes and the Z Notes and the Certificates, the aggregate fair value of which is at least 5 per cent. of the fair value as of the Issue Date of all of the Notes and the Certificates issued by the Issuer as of the Issue Date.							
STS eligibility.....	Yes.							

**TRANSACTION OVERVIEW - TERMS AND CONDITIONS OF THE NOTES AND CERTIFICATES**

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

**Form, registration and transfer of the Notes**.....

The Notes of each Class will be represented on issue by beneficial interests in one or more Global Notes in fully registered form, without interest or principal receipts. The Regulation S Notes of each Class sold outside the United States to non-U.S. Persons in reliance on Regulation S will be represented on issue by beneficial interests in one or more Regulation S Global Notes in fully registered form, without interest or principal receipts. The Rule 144A Notes of each Class of Notes sold in reliance on Rule 144A to persons who are QIBs will be represented on issue by one or more Rule 144A Global Notes in fully registered form, without interest or principal receipts.

The Notes will be deposited on or about the Issue Date with, and registered in the name of, a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and their respective participants. See "*Summary of Provisions Relating to the Notes While in Global Form*" below.

Except in the limited circumstances described herein, Notes in definitive, certificated, fully registered form ("**Definitive Notes**") will not be issued in exchange for beneficial interests in the Global Notes. See "*Summary of Provisions Relating to the Notes While in Global Form - Issuance of Definitive Notes*".

Transfers of interests in the Notes are subject to certain restrictions and must be made in accordance with the procedures set forth in the Trust Deed. See "*Summary of Provisions Relating to the Notes While in Global Form - Form*" and "*Summary of Provisions Relating to the Notes While in Global Form – Book-Entry Interests*". Each purchaser of Notes in making its purchase will be required to make, or will be deemed to have made, certain acknowledgements, representations and agreements. The transfer of Notes in breach of certain of such representations and agreements will result in affected Notes becoming subject to certain forced transfer provisions. See Notes Condition 1(b) (*Title and transfer*). The Notes will bear a legend and such Global Notes, or any interest therein, may not be transferred except in compliance with the transfer restrictions set out in such legend. See "*Transfer Restrictions*" below.

**Ranking**.....

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

The A Notes will rank senior to the other Classes of Notes as to payments of interest and principal at all times.

The Most Senior Class is:

- (a) the A Notes whilst they remain outstanding;

- (b) thereafter the B Notes whilst they remain outstanding;
- (c) thereafter the C Notes whilst they remain outstanding;
- (d) thereafter the D Notes whilst they remain outstanding;
- (e) thereafter the X Notes whilst they remain outstanding;
- (f) thereafter the E Notes whilst they remain outstanding;
- (g) thereafter the Z Notes whilst they remain outstanding;  
and
- (h) thereafter the Certificates whilst they remain outstanding.

**Ranking of Payments of Interest:** . Payments of interest on the Notes will be made in the following order of priority:

- (a) *first*, to the A Notes;
- (b) *second*, to the B Notes;
- (c) *third*, to the C Notes;
- (d) *fourth*, to the D Notes;
- (e) *fifth*, to the E Notes;
- (f) *sixth*, to the X Notes; and
- (g) *seventh*, to the Z Notes.

See Notes Condition 4 (*Interest*) for further information.

**Ranking of Payments of Principal** Payments of principal on the Notes (other than the Z Notes) will be made in the following order of priority:

- (a) *first*, to the A Notes;
- (b) *second*, to the B Notes;
- (c) *third*, to the C Notes;
- (d) *fourth*, to the D Notes;
- (e) *fifth*, to the X Notes; and
- (f) *sixth*, to the E Notes.

**Redemption Event** ..... The Notes are subject to certain optional or Mandatory Redemption Events as fully described in Condition 5 (*Redemption*).

**Payments on the X Notes and the Z Notes**..... Investors in the Z Notes should also be aware that prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments in respect of the Z Notes shall be payable only out of the Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments.

Following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments in respect of the Z Notes will be made in accordance with the Post-Enforcement Priority of Payments.

Payments in respect of the X Notes will be payable only to the extent there are: (i) Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments; (ii) in respect of principal on the X Notes, Available Principal Funds under and in accordance with the Pre-Enforcement Principal Priority of Payments; or (iii) available funds under and in accordance with the Post-Enforcement Priority of Payments, if applicable. It is noted that the X Notes are to be repaid in full on an accelerated basis out of the Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments prior to the repayment in full of the other Classes of Notes (including the E Notes and the Z Notes).

In order to comply with the EU Retention Requirements and the U.S. Risk Retention Rules, under the Pre-Enforcement Priority of Payments, no repayment of principal will be made at any time on the Z Notes until the A Notes to the D Notes (inclusive) and the X Notes have been repaid in full. Following the service of an Enforcement Notice, no repayment of principal will be made on the Z Notes until the E Notes have been repaid in full.

Further, payments of principal in respect of the Z Notes will be payable only to the extent there are: (i) Available Revenue Funds (which will include, at such time, any amounts then standing to the credit of the General Reserve Fund Ledger) under and in accordance with the Pre-Enforcement Revenue Priority of Payments; or (ii) available funds under and in accordance with the Post-Enforcement Priority of Payments, if applicable.

**Payments on the Certificates .....** Each Certificate represents a *pro rata* entitlement to receive:

- (a) any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool, any Additional Loans and any Substitute Loans;
- (b) amounts equal to any Mortgage Early Redemptions Amounts received by the Issuer during each Determination Period;
- (c) amounts equal to any Product Switch Upfront Fee Amounts received by the Issuer during each Determination Period;
- (d) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger;
- (e) on the Issue Date, any Swap Counterparty Upfront Payment to be paid (if any) by the Swap Counterparty to the Issuer on the Issue Date;

- (f) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date; and
- (g) on the second Interest Payment Date, any surplus amount standing to the credit of the Start-Up Costs Ledger as at the immediately preceding Determination Date.

Payments in respect of the Certificates shall only be payable (a) out of Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments; (b) out of Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments; (c) out of Available Revenue Funds and Available Principal Funds in accordance with the Post-Enforcement Priority of Payments after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event; (d) on each Interest Payment Date from any Mortgage Early Redemption Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (e) on each Interest Payment Date from any Product Switch Upfront Fee Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (f) on each Interest Payment Date, an amount standing to the credit of the Product Switch Capitalised Fee Amounts Ledger; (g) on the Issue Date, from any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on the Issue Date; (h) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date, and (i) on the second Interest Payment Date, from any surplus amount standing to the credit of the Start-Up Costs Ledger as at the immediately preceding Determination Date.

For the avoidance of doubt any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will first be payable to the holders of X Notes and the Z Notes.

**Security**..... The Notes and Certificates are secured and will share the Security with other Secured Creditors as set out in, and created pursuant to, the Deed of Charge described in Notes Condition 2(b) (*Security*).

Some of the other secured obligations rank senior to the Issuer's obligations under the Notes and Certificates in respect of the allocation of proceeds as set out in the Post-Enforcement Priority of Payments.

See also the Risk Factor "*Risk Factors—Fixed charges may take effect under English law as floating charges*".

For detailed information on the Security granted by the Issuer see Condition 2 (*Security*).

**Interest Provisions**..... Please refer to "*Transaction Overview - Mortgage Pool and Servicing—Full Capital Structure of the Notes and Certificates*" and Notes Condition 4 (*Interest*).

**Interest Deferral** ..... To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on the B Notes, the C Notes or the D Notes, this payment may, provided such Class is not the Most Senior Class, be deferred. To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on the E Notes, the X Notes or the Z Notes, this payment may be deferred. Any amounts of Interest Shortfall will accrue additional interest as described in Notes Condition 4(h) (*Deferral of Interest*) and payment of any additional interest will also be deferred. The non-payment of any deferred interest on any of the B Notes to D Notes (inclusive) will not be an Event of Default unless such Notes are the Most Senior Class at the time of non-payment. No Event of Default will occur if there is a non-payment of deferred interest on the E Notes, the X Notes and the Z Notes.

Payment of the shortfall representing Interest Shortfall and such additional interest will be deferred until the first Interest Payment Date on which the Issuer has sufficient funds, **provided that** the payment of such shortfall shall not be deferred beyond the Final Maturity Date, as described in Notes Condition 4(h) (*Deferral of Interest*). On such date, any amount which has not by then been paid in full shall become due and payable.

**Gross-up**..... None of the Issuer, the Principal Paying Agent, any other Paying Agent nor any other person will be obliged to gross up payments to the Noteholders or Certificateholders if there is any withholding or deduction for or on account of taxes, or in connection with FATCA, from any payments made or to be made to the Noteholders or Certificateholders.

**Relevant Dates and Periods** ..... Issue Date: The date of initial issuance for the Notes and the Certificates will be 24 February 2021 (or such other date as the Issuer and the Joint Lead Managers may agree).

Interest Payment Date: Each interest bearing Note will bear interest on its Principal Amount Outstanding from, and including, the Issue Date. Interest will be payable in respect of the Notes quarterly in arrears on the 16<sup>th</sup> day in March, June, September and December in each year or, if such day is not a Business Day, the next following Business Day. The first Interest Payment Date in respect of the Notes will fall in June 2021.

Interest Period: The period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date **provided that** the first Interest Period shall be the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date.



**Business Day:** A day on which commercial banks and foreign exchange markets settle payments in London and Dublin.

**Determination Date:** The second Business Day prior to each Interest Payment Date or, if such day is not a Business Day, the immediately preceding Business Day.

The Determination Date is the date on which the Cash/Bond Administrator will be required to calculate, among other things, the amounts required to pay interest and principal in respect of the Notes (as set out in the Cash/Bond Administration Agreement).

**Determination Period:** The period from (and including) the Issue Date to (and including) the last calendar day of the calendar month immediately prior to a Determination Date, and thereafter each period starting on the calendar day after the last day of the previous Determination Period and ending on the last calendar day of the calendar month prior to a Determination Date.

**Interest Determination Date:** The Agent Bank will on the fifth Banking Day before the Interest Payment Date for which the Floating Rate of Interest to be determined on such date will apply, determine the rate of Compounded Daily SONIA applicable to, and calculate the amount of interest payable on the relevant Notes for the relevant Interest Period.

**Events of Default** ..... As fully set out in Notes Condition 9 (*Events of Default*), which includes (where relevant subject to the applicable grace period):

- (a) non-payment by the Issuer of principal on the Most Senior Class of Notes or interest in respect of the Most Senior Class of Notes (other than the E Notes, the X Notes and the Z Notes) within 10 Business Days following the due date;
- (b) breach of contractual obligations by the Issuer under the Notes or the Trust Deed where such failure continues for a period of 30 days;
- (c) certain insolvency events of the Issuer (as more fully set out in Notes Conditions 9(c) to (e) (*Events of Default*)); or
- (d) it is or will become unlawful for the Issuer to perform or comply with its obligations,

**provided that**, in respect of (b) above, the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class

<b>Enforcement</b> .....	If an Event of Default has occurred and is continuing, the Trustee may, and shall, if so requested by (a) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class or (b) by an Extraordinary Resolution of the Noteholders of the Most Senior Class (but, in each case, only if it has been indemnified and/or secured and/or pre-funded to its satisfaction) deliver an Enforcement Notice and institute such proceedings or take such action or steps as it may think fit to enforce payment of the Notes together with accrued interest.
<b>Changes to Priority of Payments ..</b>	Any events which trigger changes in any Priority of Payments and any change in any Priority of Payment which will materially adversely affect the repayment of the Notes shall be disclosed without undue delay to the extent required under Article 21(9) of the UK Securitisation Regulation.
<b>Limited Recourse</b> .....	All the Notes and Certificates are limited recourse obligations of the Issuer and, if the Issuer has insufficient funds to pay amounts in full, amounts outstanding will cease to be due and payable as described in more detail in Notes Condition 10(b) ( <i>Limited Recourse</i> ) and Certificates Condition 7(b) ( <i>Limited Recourse</i> ).
<b>Non-Petition</b> .....	The Noteholders or Certificateholders shall not be entitled to take any corporate action or other steps or legal proceedings for the winding up, dissolution, arrangement, reconstruction or reorganisation of the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure is continuing. Please see Notes Condition 10(c) ( <i>Non-Petition</i> ) and Certificates Condition 7(c) ( <i>Non-Petition</i> ).
<b>Governing Law</b> .....	English law.
<b>ERISA Eligibility</b> .....	See " <i>Certain ERISA Considerations</i> ".

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes and/or the Certificates. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*These factors are limited to risks which are specific to (a) the Issuer and/or (b) to the Notes and/or the Certificates and which the Issuer believes may be material for the purpose of taking an informed investment decision with respect to the Notes and/or Certificates, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes and Certificates for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes and/or Certificates are exhaustive.*

*In each category of factors set out below, the Issuer believes that each factor included in each category of factors is material, with the most material in each category (based on the Issuer's assessment of the probability of its occurrence and the expected magnitude of its negative impact) being described first in each category.*

*Noting the points set out above by the Issuer with respect to its assessment of the level, order of materiality and potential of occurrence of the risks set out below, prospective investors should nevertheless also carefully read the information set out below and read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### **Risks Related to the Notes**

#### *Yield and prepayment considerations*

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal in respect of the Loans in the Mortgage Pool (including prepayments, sale proceeds arising on enforcement of a Mortgage, and repurchases by the Seller, the Legal Title-Holder or any affiliate thereof due to, for example, breaches of representations and warranties) and the price paid, the application of Available Principal Funds (including the operation of the Class A Target Notional Amount) and the purchase by the Issuer of Additional Loans during the Further Sale Period. The yield to maturity of the Notes may therefore be adversely effected if such factors increase or decrease the rate of principal repayment of the Notes.

If the conditions for the purchase of Additional Loans by the Issuer are not met at the relevant time (or if such conditions are met however, the Seller decides not to sell any Additional Loans at such time), then the Issuer will not be able to purchase such Additional Loans and instead any Available Principal Funds on the next applicable Interest Payment Date will instead be used to redeem the Notes in accordance with the Pre-Enforcement Principal Priorities of Payment.

Certain factors and assumptions which may affect the weighted average lives of the Notes, being the average amount of time that elapses from the date of issuance of the Notes to the Noteholders to the date of distribution to such Noteholders of payments in net reduction of principal under the Notes (assuming no losses), and accordingly the yield to maturity of the Notes are discussed in "*Weighted Average Lives of the Notes*".

The material factors which may affect the yield to maturity are:

- (a) *Prepayment of Loans:* The yield to maturity of the Notes of each Class may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans. The rate of prepayment of Loans cannot be predicted and 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. The Loans may be prepaid in full or in part at any time. Prepayments may result in connection with re-financings of Loans, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage, as well as the receipt of proceeds from building insurance and life insurance policies. No assurance can be given as to the level of prepayment that the Mortgage Pool will experience.

Borrowers may seek to refinance any fixed rate mortgage loans at the end of the initial fixed rate period. The Legal Title-Holder by agreeing a Product Switch with a Borrower may cause an extension of the fixed or discounted rate period and dissuade the Borrower from prepaying the relevant Loan. The Legal Title-Holder is permitted to enter into Product Switches and will not be required to repurchase such Product Switch Loans **provided that**, amongst other conditions, any particular Product Switch on the effective date of the Product Switch does not cause the then sum of the Principal Balance of all Product Switch Loans within the Mortgage Pool as at their respective Product Switch Effective Dates to exceed an amount equal to 20 per cent. of the Principal Amount Outstanding of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes as at the Issue Date (see "*Administration, Servicing and Cash Management of the Mortgage Pool - Mortgage Administration Agreement – Product Switches*"). Such Product Switches may therefore cause the levels of prepayments to be higher or lower than anticipated and the yield to maturity of the Notes may be accordingly affected.

Conversely it may also be the case that an approach to a Borrower to discuss a Product Switch may encourage the Borrower to actively consider its financing which may result in such Borrower borrowing from another finance provider and prepaying the Loan rather than agreeing a Product Switch or keeping the existing Loan without the Product Switch. Such eventuality would cause the levels of prepayments to be higher than anticipated and the yield to maturity of the Notes may be accordingly affected.

- (b) *Repurchase of Loans*: The yield to maturity of a Class of Notes may also be affected if the Seller, the Legal Title-Holder, KMC or one of its affiliates is required to repurchase Loans from the Mortgage Pool as the payment received by the Issuer pursuant to such repurchase will have the same effect as a prepayment of such Loans.

The Seller, KMC or one of its affiliates may be so required to repurchase a Loan from the Mortgage Pool in the case of where such Loan is materially in breach of the representations and warranties relating to the Loans under the KHL/Issuer Mortgage Sale Agreement (see "*Sale of the Mortgage Pool – Warranties and Repurchase*").

Loans subject to Product Switches may (including certain permitted Product Switches which the Seller or Legal Title-Holder has elected to repurchase but excluding certain permitted Product Switches which the Seller or Legal Title-Holder has elected not to repurchase), and in certain cases must, be repurchased by the Legal Title-Holder from the Issuer. Loans in the Mortgage Pool subject to Product Switches will be required to be repurchased by the Legal Title-Holder on or prior to the date the Product Switch becomes effective if the relevant Loan following the Product Switch does not comply with the conditions applicable to such Loan as described below in "*Administration, Servicing and Cash Management of the Mortgage Pool – Product Switches*".

Additional Loans which do not comply or which cause non-compliance with the Additional Loan Criteria on a Further Purchase Date must also be repurchased by the Seller, KMC or one of its affiliates under the KHL/Issuer Mortgage Sale Agreement.

The Seller and the Legal Title-Holder also have the right (but not the obligation) to purchase Non-Compliant Loans from the Issuer in accordance with the KHL/Issuer Mortgage Sale Agreement.

Pursuant to the KHL/Issuer Mortgage Sale Agreement, the Seller has the option on an ongoing basis to repurchase (i) all Shortfall Loans outstanding at that time or (ii) a random selection of the Shortfall Loans existing at that time for a purchase price equal to 0.50 per cent. of the aggregate outstanding amount of the Shortfall Loans being repurchased.

Because these factors described above are not within the control of the Issuer, no assurances can be given as to the level of resulting prepayments that the mortgage portfolio may experience. In addition, with respect to the repurchase of Shortfall Loans, the Seller may repurchase a Shortfall Loan without needing to have regard to the future ability of the Issuer to repay the Notes in full. Following the repurchase of a Shortfall Loan, amounts subsequently recovered by the Seller (or any successor in title) from a Borrower will not be available to the Issuer for distribution to Noteholders or Certificateholders in accordance with the relevant Priority of Payments.

- (c) *Exercise of Mortgage Pool Option or Risk Retention Regulatory Change Option:* As described in more detail in "*Sale of the Mortgage Pool – Mortgage Pool Option*", the Mortgage Pool Option Holder has the option, pursuant to the Deed Poll, to purchase the Mortgage Pool and its Collateral Security during the Interest Period immediately preceding the Interest Payment Date occurring on or after the Call Option Date. Similarly, as described in more detail in "*Sale of the Mortgage Pool – Risk Retention Regulatory Change Option*", the Risk Retention Regulatory Change Option Holder has the right, pursuant to the Risk Retention Regulatory Change Deed Poll, to purchase the Mortgage Pool and its Collateral Security following a Risk Retention Regulatory Change Event. In each case, following the payment of the required purchase price under the Deed Poll or Risk Retention Regulatory Change Deed Poll, as applicable, the Notes will be redeemed in full in accordance with the Notes Conditions (see Notes Condition 5(d) (*Optional Redemption in Full*) and Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*) respectively).

Neither the Mortgage Pool Option Holder nor the Risk Retention Regulatory Change Option Holder has an obligation to exercise its rights in respect of the Mortgage Pool Option or the Risk Retention Regulatory Change Option, respectively. A number of factors may be relevant to a decision whether or not to exercise the Mortgage Pool Option or the Risk Retention Regulatory Change Option at the relevant time. The yield to maturity of the Notes will be affected if either such option is exercised.

#### *Additional Loans*

Any Additional Loan is required as at the date of its acquisition by the Issuer to comply with Additional Loan Criteria and the representations and warranties specified in the KHL/Issuer Mortgage Sale Agreement. There can be no certainty that following the acquisition of any Additional Loans by the Issuer prior to the Final Further Purchase Date, that the Mortgage Pool will have similar proportions or similar concentration characteristics as set out in the tables in the section entitled "*Characteristics of the Provisional Completion Mortgage Pool*" below in relation to the Mortgages constituting the Provisional Completion Mortgage Pool.

The ratings assigned to the Rated Notes by each Rating Agency have been provided on the basis that Additional Loans may be purchased utilising any funds credited to the Retained Principal Ledger and/or Principal Collections received by the Issuer during the Further Sale Period and/or, as applicable, Available Principal Funds. These ratings reflect only the views of the Rating Agencies in respect of the Rated Notes.

If there are any amounts standing to the credit of the Retained Principal Ledger on an Interest Payment Date, such amounts shall be applied as Available Principal Funds in accordance with the Pre-Enforcement Priorities of Payments.

See "*Sale of the Mortgage Pool*" for conditions applicable to the acquisition of Additional Loans by the Issuer.

#### *Interest rate risk*

The Issuer is subject to a number of risks with respect to interest rates applicable to the Loans and the Notes.

- (a) *Contractual Interest Rates applicable to Loans and Notes:* The Issuer is subject to the risk of the contractual interest rates on the Loans in the Mortgage Pool (including Loans with a fixed rate of interest and rates of interest linked to 3 Month Sterling LIBOR or the Kensington Standard Rate) being lower than that required by the Issuer in order to meet its commitments under the Notes, the Certificates, and its other obligations as the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes. This may occur as certain of the Loans in the Mortgage Pool may pay a fixed rate of interest for an initial period and those Loans which pay a floating rate of interest by reference to 3 Month Sterling LIBOR or the Kensington Standard Rate, whereas the Issuer's liabilities under the Notes are based on Compounded Daily SONIA for the relevant period.

As described in "*Constitution of the Mortgage Pool – The Mortgage Pool*" below, all of the Loans in the Provisional Completion Mortgage Pool are Fixed Rate Mortgages or Floating Rate Mortgages. The first Performance Report, the first UK SR Investor Report and the first EU SR Investor Report delivered after the Issue Date will reflect the Loans in the Completion Mortgage

Pool and subsequent Performance Reports, UK SR Investor Reports and EU SR Investor Reports will reflect the Mortgage Pool including any Additional Loans sold to the Issuer during the Further Sale Period. However, upon expiry of the fixed rate period relating to the Loans which are Fixed Rate Mortgages, the interest rate applicable will (unless the fixed rate period is extended in accordance with the Mortgage Administration Agreement) revert to being Floating Rate Mortgages (subject to any Product Switch Loans or the replacement of the reference rate where LIBOR is discontinued or is otherwise unavailable). Conversely Floating Rate Mortgages may, as a result of a Product Switch, become Fixed Rate Mortgages.

As a result of the Loans having different bases, the Issuer is also subject to the risk of a mismatch between the interest rate received by the Issuer on the Loans, such potential mismatch being caused by:

- (i) the interest rates received by the Issuer on the Loans being determined on different dates than that on which the interest rate payable on the Notes is determined; and
- (ii) the interest rates received by the Issuer on the Loans being determined on a different basis than that on which the interest rate payable on the Notes is determined,

and accordingly, the contractual interest rates on the Loans may be lower than that required by the Issuer in order to meet its commitments under the Notes and its other obligations.

In addition, the Issuer is subject to the risk of the weighted average coupon of interest received in respect of the Mortgage Pool being reduced due to Loans with higher interest margins being repaid more quickly than Loans with lower interest margins.

The Issuer is also subject to the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes which risk is mitigated by (i) the Transaction Account and the Reserve Account, each of which pays a rate of interest agreed from time to time between the Issuer and the Account Bank on funds standing to the credit thereof and from which the Issuer (or the Cash/Bond Administrator on its behalf and acting on the instruction of the Mortgage Administrator) may invest sums in Authorised Investments, and (ii) (for so long as the Loans are fully performing) the availability of the General Reserve Fund or Available Principal Funds, each of which are available to meet payments of interest due on the A Notes, the B Notes, the C Notes and the D Notes and the senior expenses of the Issuer.

Increases in applicable variable rates may result in Borrowers with Loans subject to a variable rate of interest or with Loans for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, being exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward. This increase in Borrowers' monthly payments ultimately may result in higher delinquency rates and losses in the future. Borrowers seeking to avoid these increased monthly payments (caused by, for example, a rise in the related mortgage interest rates) by refinancing their 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 and losses.

To provide a hedge against the possible variance between:

- (i) the fixed rates of interest payable on the Fixed Rate Mortgages in the Mortgage Pool; and
- (ii) the rate of interest under the Notes being calculated by reference to SONIA,

the Issuer will enter into the Initial Interest Rate Swap with the Initial Swap Counterparty having an Effective Date of the Issue Date in order to mitigate the risk. (See "*Credit Structure – The Swap Agreements*" below). The Swap Notional Amount Schedule of the Initial Interest Rate Swap will contemplate the hedging of the Fixed Rate Mortgages which are included in the Completion Mortgage Pool only. The Swap Notional Amount Schedule will not assume any level of Product Switch Loans or Additional Loans in the Mortgage Pool. On or prior to (i) each of the Further Purchase Date of any Additional Loans during the Further Sale Period; or (ii) each Product Switch Effective Date in respect of any Product Switch Loan, the Issuer may enter into a further interest rate swap ("**Further Interest Rate Swap**") in order to comply with the Additional Loan Hedging

Condition or the Product Switch Hedging Condition (as applicable). However, the aggregate notional amount under the Swap Agreements may not match exactly the principal amount outstanding of those Loans in the Mortgage Pool paying fixed rates of interest (See "*Credit Structure – The Swap Agreements*" below).

A failure by a Swap Counterparty to make timely payments of amounts due under the relevant Swap Agreement will constitute a default thereunder (after giving effect to any applicable grace period). Each Swap Agreement will provide that the Sterling amounts owed by such Swap Counterparty on any payment date under the relevant Interest Rate Swap (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date to such Swap Counterparty. Accordingly, if the amounts owed by the Issuer to a Swap Counterparty on a payment date are greater than the amounts owed by such Swap Counterparty to the Issuer on the same payment date, then the Issuer will pay the difference to such Swap Counterparty on such payment date; if the amounts owed by such Swap Counterparty to the Issuer on a payment date are greater than the amounts owed by the Issuer to such Swap Counterparty on the same payment date, then such Swap Counterparty 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, neither party will make a payment to the other on such payment date. To the extent that a Swap Counterparty defaults on its obligations under a Swap Agreement to make payments to the Issuer in Sterling, on any payment date under an Interest Rate Swap (which corresponds to an Interest Payment Date), the Issuer will be exposed to the possible variance between the rates of interest payable in respect of the Loans in the Mortgage Pool which have fixed rates of interest and SONIA. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

Further, if a Swap Counterparty posts any Swap Collateral, such Swap Collateral will be utilised solely for the purpose of supporting such Swap Counterparty's obligations under its Swap Agreement and shall be returned directly to such Swap Counterparty (and not in accordance with the relevant Priority of Payments) in accordance with the terms of the relevant Swap Agreement. Following the termination of a Swap Agreement, any Swap Collateral or the liquidation proceeds thereof which is not returned to such Swap Counterparty as part of the termination payment (or alternately employed as premium for any replacement Swap Agreement) shall constitute Available Revenue Funds. Depending on the circumstances prevailing at the time of termination (and, if applicable, the terms of any replacement Swap Agreement), any such termination payment could be substantial and may adversely affect the funds available to pay amounts due to the Noteholders.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to Loans other than Fixed Rate Mortgages, and as a result there is no hedge in respect of the risk of any variances in the floating rate of interest charged on Floating Rate Mortgages in the Mortgage Pool and interest set by reference to SONIA on the Notes, which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations. As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of such Loans and the rate of interest payable in respect of the Notes. In particular, whilst the 3 Month LIBOR rate and Kensington Standard Rate applicable to the Floating Rate Mortgages in the Mortgage Pool is set on the 12<sup>th</sup> day of March, June, September and December for the subsequent quarterly period and applied monthly (a forward-looking calculation), the Compounded Daily SONIA rate applicable to the Notes is not determined until 5 Business Days prior to the relevant Interest Payment Date (a backwards looking calculation).

- (b) *Product Switch Loans*: The Issuer, as described in paragraph (a) above, is subject to the contractual interest rate mismatch between the Loans and the Notes which, again as described in paragraph (a) above, is partially mitigated by the entry by the Issuer into Swap Agreements. However, the Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. The Issuer may enter into Further Interest Rate Swaps if required in order to ensure compliance with the Product Switch Criteria on a Product Switch Effective Date (see "*Credit Structure - Swap Agreements – Further Interest Rate Swaps*"). However, such Product Switches may cause the balance of the Fixed Rate Mortgages to no longer correspond with the aggregate notional amounts under the Swap Agreements and therefore could cause the Loans to become over or under hedged affecting the mitigation against interest rate risk provided by the Swap Agreements.

Loans subject to Product Switches may, and in certain cases must, be repurchased by the Legal Title-Holder from the Issuer. Loans in the Mortgage Pool subject to Product Switches will be required to be repurchased by the Legal Title-Holder on or prior to the date the Product Switch becomes effective if the relevant Loan following the Product Switch does not comply with the conditions applicable to such Loan, as described below in "*Administration, Servicing and Cash Management of the Mortgage Pool – Product Switches*".

If no Product Switch Loans are entered into and retained in the Mortgage Pool or if the Legal Title-Holder is required to or by its own option repurchases Product Switch Loans from the Issuer there is a heightened risk that the aggregate notional amounts under the Swap Agreements may not match the principal amount outstanding of those Loans in the Mortgage Pool paying fixed rates of interest and therefore the Issuer may become over-hedged with respect to such interest rate exposure, which could affect the amount of Available Revenue Funds available for distribution to the Noteholders and Certificateholders in accordance with the Pre-Enforcement Revenue Priority of Payments.

- (c) *Contractual Interest Rates applicable to Loans and Notes:* Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute (i) a benchmark for the purposes of Regulation (EU) No. 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**EU Benchmark Regulation**") or (ii) a benchmark for the purposes of Regulation (EU) No. 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmark Regulation**"). The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within Europe. The UK Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the UK. Various interest rate benchmarks (including SONIA) are the subject of recent national reform in the United Kingdom and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

The UK Benchmarks Regulation could have a material impact on any Notes linked to SONIA and LIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms in the United Kingdom, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the EU Benchmarks Regulation. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk free rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Further, the PRA and the FCA have written to the CEOs of large banks and insurance companies regarding the transition from LIBOR to alternative rates to check that such institutions are taking appropriate action now in respect of the transition to alternative rates ahead of expected implementation at the end of 2021. On 29 April 2020, the FCA published a statement that it remains the central assumption that firms cannot rely on LIBOR being published after the end of 2021



despite the impact of Covid-19 and that by the end of Q3 2020, lenders should be in a position to offer non-LIBOR linked products to their customers. The Financial Policy Committee will continue to monitor progress the transition in the context of the ongoing impact from Covid-19.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

Due to the reforms being considered with respect to interest rate benchmarks (including SONIA) investors should be aware that:

- (i) any of these reforms or pressures or any other changes to a relevant interest rate benchmark (including LIBOR and SONIA) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;
- (ii) if LIBOR is discontinued or is otherwise unavailable, then the rate of interest on some Loans which are Floating Rate Mortgages may be determined for a period by any applicable fallback provisions under the Mortgage Conditions, although such provisions may not operate as intended (depending on market circumstances and the availability of rates information at the time);

(iii) while:

- (A) an amendment may be made under Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) to change the SONIA rate on the Notes to an alternative benchmark rate under certain circumstances broadly related to SONIA dysfunction or discontinuation and subject to certain conditions including objections to the proposed amendment being received by less than 10 per cent. of Noteholders of the Most Senior Class (see Notes Condition 11(c) (*Negative Consent*));
- (B) the Issuer (acting on the advice of the Mortgage Administrator) is under an obligation to use commercially reasonable endeavours to propose an Alternative Benchmark Rate in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) under Notes Condition 4(c) (*Rate of Interest*); and
- (C) an amendment may be made under Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) to change the benchmark rate that then applies in respect of each fixed-floating swap under a Swap Agreement for the purpose of aligning the benchmark rate of the fixed-floating swap to the benchmark rate of the Notes following a Benchmark Rate Modification,

there can be no assurance that any such amendments will be made or, if made, that they (x) will fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes and the fixed-floating swap under a Swap Agreement or (y) will be made prior to any date on which any of the risks described in this risk factor may become relevant (see Notes Condition 11(c) (*Negative Consent*)); and

- (iv) if SONIA is discontinued, and whether or not an amendment is made under Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) to change the benchmark rate on the Notes as described in paragraph (c) above, if a proposal for an equivalent change to the benchmark rate on the fixed-floating swap under a Swap Agreement is not approved in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*), there can be no assurance that the applicable fall-back provisions under a Swap Agreement would operate so as to ensure that the benchmark floating interest rate used to determine payments under a Swap Agreement is the same as that used to determine interest payments under the Notes, or that any such amendment made under Notes Condition 11(f) (*Modification and Waiver in relation to*

*the Reference Rate*) would allow the transaction under a Swap Agreement to effectively mitigate interest rate risk on the Notes. This, in turn, could cause a risk of mismatch of interest and reduced payments on the Notes.

The Loans have been originated on the basis of Mortgage Conditions which generally provides that if LIBOR or the Kensington Standard Rate is no longer available or is otherwise not capable of being ascertained by the Legal Title-Holder for any reason beyond its control, it may replace LIBOR or the Kensington Standard Rate on the Loan with another reference rate of its choice. The circumstances under which the Legal Title-Holder may determine that LIBOR or the Kensington Standard Rate has ceased or not ascertainable are not defined prescriptively and there is therefore uncertainty as to when the rate may be replaced in respect of such Loans. Investors should also be aware that a number of considerations will be applied by the Legal Title-Holder in selecting a replacement rate including, without limitation, any possible impact a change in rate setting methodology may have on any affected Borrowers and the requirements of any applicable law and regulation from time to time (see "*Administration, Servicing and Cash Management of the Mortgage Pool – Mortgage Administration Agreement*").

It may be that if LIBOR in particular is still published for the relevant rate period after it ceases to be commonly used in the market, LIBOR would still apply to the LIBOR Mortgages in the Mortgage Pool. If LIBOR is volatile or no longer set in accordance with its current methodology but still published by the administrator of the benchmark, it is difficult to know how a court would interpret the replacement provision in the Mortgage Conditions and LIBOR may still continue to apply to the LIBOR Mortgages in those circumstances.

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

- (d) Moreover, any of the above matters (including an amendment to change the SONIA rate as described in paragraph (iv) above) or any other significant change to the setting or existence of LIBOR could affect the ability of the Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Changes in the manner of administration of SONIA could result in amendments to the Conditions and the Swap Agreement, early redemption, delisting or other consequences in relation to the Notes. No assurance may be **provided that** relevant changes will not occur with respect to SONIA or LIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. In such circumstances, investors should be aware that either the Issuer or a Swap Counterparty may terminate an Interest Rate Swap if the Swap Counterparty does not agree to a Swap Rate Modification proposed by the Issuer in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*). Related termination payments may be payable by the Issuer (as to which please see "*Swap Agreements*" below), and there can be no assurance that a replacement swap can be found. Investors should consider these matters when making their investment decision with respect to the Notes. *The market continues to develop in relation to SONIA as a reference rate in the capital markets:* Notwithstanding the discussion in paragraph (c) above, investors should be aware that the market continues to develop in relation to the SONIA as a reference rate in the capital markets and its adoption as an alternative to LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to the Notes that reference SONIA and as used in the Swap Agreement. Interest on Notes which reference a SONIA rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Notes.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the Loans, the Notes and/or the Swap Agreements due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a

reduction in the amounts available to the Issuer to meet its payment obligations in respect of the Notes. Further, changes to SONIA may adversely affect the operation of the Swap Agreements.

#### *Counterparty risks*

As a special purpose entity the Issuer is subject to a number of risks with respect to the counterparties engaged by it in connection with the transaction.

- (a) *Reliance on Third Parties:* The Issuer has engaged KMC to administer the Mortgage Pool pursuant to the Mortgage Administration Agreement. While KMC is under contract to perform certain mortgage settlement and related administration services under the Mortgage Administration Agreement, there can be no assurance that they will be willing or able to perform these services in the future. In the event KMC is replaced as Mortgage Administrator, there may be losses or delays in processing payments on the Mortgage Pool due to a disruption in mortgage administration during a transfer to a successor Mortgage Administrator. This may cause delays in payments or losses under the Notes. In addition, the Issuer has appointed the Mortgage Administrator Facilitator pursuant to the Mortgage Administration Agreement to assist it in the selection of a replacement Mortgage Administrator in the event of the occurrence of a Mortgage Administrator Termination Event (as described below). See "*The Originator, the Mortgage Administrator and the Legal Title-Holder – Kensington Mortgage Company Limited*".

Investors should note that upon the occurrence of a Mortgage Administrator Termination Event, the Issuer (prior to the service of an Enforcement Notice and with the consent of the Trustee) or (after the service of an Enforcement Notice) the Trustee may terminate the agency (and, simultaneously, the rights) of the Mortgage Administrator. Following the occurrence of such Mortgage Administrator Termination Event, the Issuer shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administrator Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administrator Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement Mortgage Administrator to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Mortgage Administrator, the Issuer shall appoint the Proposed Replacement Mortgage Administrator as Mortgage Administrator on substantially the same terms as set out herein, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee.

Accordingly, where the Mortgage Administrator Facilitator makes such a selection, and provided certain other requirements are met, it is possible that the identity of the Mortgage Administrator will change, and accordingly, the counterparty exposure of the Issuer, the Noteholders and the Certificateholders to the Mortgage Administrator may also change. As this right may be exercised whenever a Mortgage Administrator Termination Event occurs, the identity of the Mortgage Administrator may change more than once during the duration of the Notes and Certificates.

However, notwithstanding the above, no assurance can be given that a replacement mortgage administrator will be identified by the Mortgage Administrator Facilitator upon the occurrence of a Mortgage Administrator Termination Event or that such replacement will be completed.

Pursuant to the Bank Agreement, the Account Bank will provide the Issuer with an interest rate on funds on deposit in the Transaction Account and the Reserve Account. See "*Credit Structure – Collection Accounts, Bank Accounts and Authorised Investments - Bank Agreement*". In the event that the Account Bank was to fail to perform its obligations under the agreement to which it is a party, investors may be adversely affected.

Pursuant to the Initial Swap Agreement, the Initial Swap Counterparty will enter into the Initial Interest Rate Swap with the Issuer which will allow the Issuer to hedge certain risks in connection with amounts to be paid by or to it in connection with the Notes. The Issuer may in addition enter into Further Interest Rate Swaps in accordance with Permitted Swap Agreements with further Permitted Swap Counterparties. In the event that any Swap Counterparty was to fail to perform its obligations under a Swap Agreement, investors may be adversely affected.

Prospective investors should note that a third party may be unable to perform its obligations under the agreements to which it is a party as a result of factors outside its control, including disruptions due to technical difficulties and local, national and/or global macroeconomic factors (such as epidemics (for example, Covid-19 has led many financial institutions and other business organisations to either close or implement policies requiring their employees to work remotely from home and there is a risk that this can generally result in delays or difficulties in performing otherwise routine functions)). In particular, it may affect the administration, collection and enforcement of the Loans by the Mortgage Administrator in accordance with the Mortgage Administration Agreement. It may also result in the Seller or KMC (or an affiliate thereof) not having the financial resources to honour their repurchase obligations under the KHL/Issuer Mortgage Sale Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, then the Issuer may be unable to perform its obligations under the Notes and Certificates, including its obligations to make timely payments on the Notes and Certificates.

- (b) *Swap Agreements:* Subject to the following, each Swap Agreement will provide that, upon the occurrence of certain events, the relevant Interest Rate Swap may terminate and a termination payment by either the Issuer or the relevant Swap Counterparty may be payable, depending on, among other things, the terms of such Swap Agreement and the cost of entering into a replacement transaction at the time. Any termination payment due by the Issuer (other than any Swap Excluded Payable Amounts and any Swap Subordinated Amounts) will rank prior to payments in respect of the Notes. If any termination amount is payable, payment of such termination amounts may affect amounts available to pay interest and principal on the Notes.

Any additional amounts required to be paid by the Issuer following termination of a Swap Agreement (including any extra costs incurred in entering into replacement interest rate swaps) will also rank prior to payments in respect of the Notes. This may affect amounts available to pay interest on the Notes and, following service of an Enforcement Notice on the Issuer (which has not been revoked), interest and principal on the Notes.

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

- (c) *Insolvency of a Swap Counterparty:* In the event of the insolvency of a Swap Counterparty, the Issuer will be treated as a general creditor of such Swap Counterparty. Consequently, the Issuer will be subject to the credit risk of each Swap Counterparty. To mitigate this risk, under the terms of each Swap Agreement, in the event that the relevant ratings of the relevant Swap Counterparty fail to meet the relevant required ratings, such Swap Counterparty will, in accordance with the terms of the relevant Swap Agreement, be required to elect to take certain remedial measures within the applicable time frame stipulated in such Swap Agreement (at its own cost), which may include providing Swap Collateral for its obligations under such Swap Agreement, arranging for its obligations under such Swap Agreement to be transferred to an entity with the relevant required ratings, or procuring another entity with the required ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under such Swap Agreement or taking such other action (which may include inaction) as would result in the Rating Agencies maintaining the then current rating of the Floating Rate Notes. However, no assurance can be given that, at the time that such actions are required, such Swap Counterparty will be able to provide collateral or that another entity with the required ratings will be available to become a replacement Swap Counterparty, co-obligor or guarantor or that such Swap Counterparty will be able to take the requisite other action.

Accordingly, if any of the Floating Rate Notes remain outstanding in circumstances where a Swap Counterparty is insolvent and fails to make any payment to the Issuer required under the relevant Swap Agreement, the Issuer will be subject to the potential variation between the rates of interest payable in respect of the Mortgages in the Mortgage Pool with fixed rates of interest and SONIA. Unless one or more comparable replacement swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes after that date.

- (d) *Non-Rating:* In addition, in the event that the rating by any of the Rating Agencies of the Collection Accounts Provider or the Account Bank or the Swap Collateral Account Bank or the relevant Swap Counterparty is downgraded, it is possible that such Collection Accounts Provider, Account Bank,

Swap Collateral Account Bank or a Swap Counterparty (as the case may be) may no longer meet the rating requirements as set out in the sections entitled "*Rights of Noteholders and Certificateholders and Relationship with Other Secured Creditors – Triggers Tables – Rating Triggers Table – Collection Accounts Provider*" and "*Rights of Noteholders and Certificateholders and Relationship with Other Secured Creditors – Triggers Tables – Rating Triggers Table – Account Bank, Swap Collateral Account Bank and Swap Counterparty*". There can be no assurance that the Collection Accounts Provider, the Account Bank, the Swap Collateral Account Bank, a Swap Counterparty or the Issuer will be able to procure that the Collection Accounts Provider, the Account Bank, the Swap Collateral Account Bank or a Swap Counterparty (as applicable) be replaced within 30 days of the downgrade of the relevant entity and there is therefore a risk that the Rated Notes will be downgraded in such circumstances.

As a result of the risk highlighted in the preceding paragraph, the inclusion of this right of replacement may mean that the value of the Notes or Certificates from time to time may be lower than their value would otherwise have been had no such replacement right been included.

#### *Ratings of the Rated Notes*

The expected ratings assigned to the Rated Notes are based on the Loans, the Security, the Mortgage Pool and relevant structural features of the transaction, which may include, among other things, the short-term unsecured, unguaranteed and unsubordinated debt ratings and the long-term ratings of the Account Bank, the Swap Collateral Account Bank and each Swap Counterparty. The ratings assigned to the Rated Notes by each Rating Agency have been provided on the basis that Additional Loans may be purchased utilising any funds credited to the Retained Principal Ledger and/or Principal Collections received by the Issuer during the Further Sale Period and/or, as applicable, Available Principal Funds. These ratings reflect only the views of the Rating Agencies in respect of the Rated Notes.

Any Rating Agency may also lower or withdraw its rating with respect to a Swap Counterparty. Under the terms of any Swap Agreement that may be entered into in respect of the Notes, if the relevant credit rating of a Swap Counterparty is withdrawn or reduced below certain thresholds, such Swap Counterparty shall be required to:

- (a) provide collateral in support of its obligations under such Swap Agreement; and/or
- (b) procure a guarantee of its obligations under such Swap Agreement; or
- (c) procure an appropriately rated replacement counterparty; or
- (d) take such other action (which may include inaction) necessary so that the rating of the Rated Notes following such action will be rated no lower than the Rated Notes would be rated but for the downgrade.

It cannot be assured, however, that a Swap Counterparty would be able to take any of the above actions upon the occurrence of this event or that the ratings of the Rated Notes will not be lowered or withdrawn upon the occurrence of this event.

The ratings that are expected to be assigned to the Rated Notes do not represent any assessment of the yield to maturity that a holder of a Rated Note may experience.

The ratings assigned by DBRS address, *inter alia*:

- (a) in respect of the A Notes, the likelihood of full and timely payment of interest due to the holders of such A Notes on each Interest Payment Date;
- (b) in respect of the B Notes, C Notes and the D Notes, the likelihood of full and timely payment of interest due to the holders of such B Notes, C Notes and the D Notes on each Interest Payment Date when such class is the Most Senior Class;
- (c) in respect of the B Notes, the C Notes, the D Notes and the X Notes, the likelihood of full and ultimate payment to the holders of the B Notes, C Notes, D Notes and X Notes of all payments of interest by a date that is not later than the Final Maturity Date; and

- (d) the likelihood of full and ultimate payment of principal due to the holders of the Rated Notes (other than the E Notes) by the Final Maturity Date.

DBRS was engaged to provide a rating in respect of all the Rated Notes and as at the Issue Date declined to provide a rating in respect of the E Notes. The E Notes are therefore "Not Rated" by DBRS as at the Issue Date. Prospective investors should carefully consider, prior to making any investment decision, the fact that Fitch and DBRS made different competing assessments of the E Notes and that only Fitch was able to provide a rating for the E Notes.

The ratings assigned by Fitch address, *inter alia*:

- (a) in respect of the A Notes and the B Notes, the likelihood of full and timely payment of interest due to the holders of such A Notes and B Notes on each Interest Payment Date;
- (b) in respect of the C Notes and the D Notes, the likelihood of full and timely payment of interest due to the holders of such C Notes and D Notes respectively on each Interest Payment Date when such class is the Most Senior Class;
- (c) in respect of the E Notes and the X Notes, the likelihood of full and ultimate payment to the holders of the E Notes and the X Notes of all payments of interest by the Final Maturity Date; and
- (d) the likelihood of full and ultimate payment of principal due to the holders of the Rated Notes by the Final Maturity Date.

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. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Rated Notes.

Credit rating agencies other than the Rating Agencies could seek to rate the Rated Notes without having been requested to do so by the Issuer and, if such unsolicited ratings are lower than the comparable ratings assigned to the Rated Notes by the Rating Agencies those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Rated Notes. In addition, the mere possibility that a rating could be issued may affect price levels in any secondary market that may develop. In this Prospectus, all references to ratings are to ratings assigned by the relevant Rating Agencies.

A Rating Agency may lower, withdraw or qualify its rating if, in the sole judgement of the Rating Agency, the credit quality of the Rated Notes has declined or is in question. A Rating Agency may also change its criteria and/or methodology at any time and the application of its revised criteria and/or methodology may lead it to lower, withdraw or qualify its rating of the Rated Notes. If any rating assigned to the Rated Notes is downgraded or withdrawn, the market value and/or liquidity of the Rated Notes may be reduced.

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

The Trust Deed contains provisions which prescribe the priority of rights as between Classes of Notes, the Certificates and other Secured Creditors. Accordingly, Noteholders and Certificateholders should note the risks involved in investing in any particular Class of Notes and in the Certificates given the priorities and control afforded to them under the Trust Deed.

- (a) *Conflict between Noteholders*: The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders and Certificateholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise).

If, in the Trustee's opinion, however, there is or may be a conflict between the interests of the holders of one or more Classes of Notes, on the one hand, and the interests of the holders of one or more Classes of Notes, on the other hand, then the Trustee is required to have regard only to the interests of the holders of the relevant affected Class of Notes ranking in priority to other relevant Classes of Notes in the following order:

- (i) the A Noteholders;
- (ii) the B Noteholders;

- (iii) the C Noteholders;
- (iv) the D Noteholders;
- (v) the X Noteholders;
- (vi) the E Noteholders;
- (vii) the Z Noteholders, and
- (viii) the Certificateholders.

As a result, holders of Notes other than the Most Senior Class may not have their interests taken into account by the Trustee when the Trustee exercises discretion where there is a conflict of interest.

So long as any of the Notes are outstanding, the Trustee will have regard solely to the interests of the Noteholders and shall not have regard to the interests of the Certificateholders or other Secured Creditors, subject to the provisions of the Trust Deed. If there are no Notes outstanding, the Trustee is to have sole regard to the interests of the Certificateholders and shall not have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed.

- (b) *Subordination of the Notes and the Certificates:* The Notes and the Certificates are ranked in right of payment of interest and principal such that the A Notes will rank in priority to the B Notes, which will rank in priority to the C Notes, which will rank in priority to the D Notes, which will rank in priority to the X Notes, which will rank in priority to the E Notes, which will rank in priority to the Z Notes, which will rank in priority to the Certificates as described in more detail in "*Credit Structure – The Notes*" and Notes Condition 2 (*Status, Security and Administration*).

Investors in the X Notes, the Z Notes and the Certificates should also note the specific circumstances under which interest and principal is paid on the X Notes, the Z Notes and the Certificates as described in more detail in Notes Condition 2 (*Status, Security and Administration*).

In addition to the above, payments on the Notes are subordinate to payments of certain fees, costs and expenses payable to the other Secured Creditors (including, amongst others, the Trustee, the Account Bank, each Swap Counterparty (other than, in respect of the Rated Notes, certain subordinated swap payments), the Mortgage Administrator, the Legal Title- Holder, the Mortgage Administrator Facilitator, the Legal Title-Holder Facilitator, the Cash/Bond Administrator, the Cash/Bond Administrator Facilitator, the Collection Account Provider, the Paying Agents, the Registrar and the Agent Bank) and certain third parties. For further information on the likely costs payable to such Secured Creditors, please see "*Transaction Overview – Fees*" below.

To the extent that the Issuer does not have sufficient funds to satisfy its obligations to all its creditors, the holders of the lower ranking Notes will be the first to see their claims against the Issuer unfulfilled.

However, there is no assurance that these subordination provisions will protect the holders of the more senior classes of Notes (including the Most Senior Class of Notes) from all or any risk of loss.

- (c) *Modification and Waivers of Transaction Documents Without Noteholder or Certificateholder Consent:* The Trust Deed contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders (including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the requisite majority for such vote).

However, pursuant to the terms of the Trust Deed, in certain circumstances, each as more particularly described in Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*):

- (i) the Trustee may, without the consent or sanction of any of, or any liability to, any Noteholder or Certificate (A) concur with the Issuer and any other relevant parties in

making or sanctioning (x) which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation; or (y) which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class; or (B) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class; and

- (ii) pursuant to the terms of the Trust Deed, the Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document with respect to a number of matters, including modifications or the entry into any new, supplemental or additional documents (A) which the Issuer considers necessary in order to enable the Issuer to comply with any requirements which apply to it under UK EMIR and/or EU EMIR; (B) which the Issuer considers necessary in order to enable the Issuer (1) to comply with any obligation which applies to it under the UK Securitisation Regulation including as a result of the adoption of any binding technical standards and official guidance thereto as amended, varied or substituted from time to time after the Issue Date and/or (2) to comply with any obligation which applies to it as at the Issue Date or to which the Issuer in its discretion elects to comply with after the Issue Date under the EU Securitisation Regulations including as a result of the adoption of regulatory or implementing technical standards in relation to the EU Securitisation Regulations or any other legislation or regulations or official guidance as in force in relation thereto and, in each case, including the appointment of a third party pursuant to the Cash/Bond Administration Agreement to assist with the Issuer's reporting obligations pursuant to the UK Securitisation Regulation and/or reporting obligations of the Issuer under the Transaction Documents in connection with the EU Securitisation Regulation which applies to the Issuer or to which the Issuer in its discretion has elected to comply with); (C) which the Issuer considers necessary in order to enable the treatment of the Notes as a simple, transparent and standardised securitisation or implementing technical standards under the UK Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto; (D) which the Issuer considers necessary in order to facilitate the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement; (E) which the Issuer considers necessary in order to facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement; (F) which the Issuer considers necessary in order to facilitate the appointment of a replacement Cash/Bond Administrator appointed by the Issuer in accordance with the terms of the Cash/Bond Administration Agreement.

Any such modifications permitted above shall be binding on the Noteholders, Certificateholders or other Secured Creditors, however there is no guarantee that any changes made to the Transaction Documents and the Conditions pursuant to the obligations imposed on the Trustee, as described above, would not be prejudicial to the Noteholders.

- (d) *Modification and Waivers of Transaction Documents – Benchmark Amendment – Negative Consent:* As more particularly described in Notes Condition 11(e) (*Meetings of Noteholders; Modifications; Consents; Waiver – Modification and Waiver*), in addition to the right of the Trustee to make certain modifications to the Transaction Documents without Noteholder consent described above, the Trustee shall, without any consent or sanction of the Noteholders or any of the other Secured Creditors, concur with the Issuer in making any modification to Conditions and/ or any other Transaction Document in order to change the reference rate in respect of the Notes from SONIA to an alternative reference rate (which may be another SONIA linked rate) and make such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Mortgage Administrator on its behalf) to facilitate such change. If the Issuer proposes a modification of such Transaction Document and/or Conditions, it shall promptly cause the Trustee and all Noteholders to be notified of the proposed modification in accordance with Notes Condition 13 (*Notice to Noteholders*). If, within 30 calendar days from the giving of such notice, Noteholders representing at least 10 per cent. of the Principal Amount Outstanding of the Most



Senior Class then outstanding have notified the Trustee in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Notes may be held) that such Noteholders do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class then outstanding is passed in favour of such modification in accordance with Notes Condition 11(a) (*Meetings of Noteholders; Modifications; Consents; Waiver*). If, however, Noteholders representing at least 10 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding fail to notify the Trustee in writing that they do not consent to such modification as set forth above, then all Noteholders will be deemed to have consented to such modification and the Trustee shall, subject to the requirements of Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*), without seeking further consent or sanction of any of the Noteholders and irrespective of whether such modification is or may be materially prejudicial to the interest of the Noteholders of any Class, concur with the Issuer in making the proposed modification. Therefore, it is possible that a modification could be made without the vote of any Noteholders or even if holders holding less than 10 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding objected to it. Again there is no guarantee that any changes made to the Transaction Documents and the Conditions pursuant to the obligations imposed on the Trustee, as described above, would not be prejudicial to the Noteholders.

- (e) *Modification and Waivers of Transaction Documents – Negative Consent:* An Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) or Ordinary Resolution may be passed by the negative consent of the relevant Noteholders. An Extraordinary Resolution or an Ordinary Resolution, as applicable, will be passed by a Class of Notes unless, within 40 days of the requisite notice being given by the Issuer or the Trustee to such Class of Noteholders in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*), (a) in the case of an Extraordinary Resolution, the holders of 10 per cent. or more in aggregate of the Principal Amount Outstanding of the Notes of such Class or (b) in the case of an Ordinary Resolution, the holders of 15 per cent. or more in aggregate of the Principal Amount Outstanding of the Notes of such Class, have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution or Ordinary Resolution, as applicable. Therefore, it is possible that an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) could be passed without the vote of any Noteholders or even if holders of up to 9.99 per cent. in aggregate of the Principal Amount Outstanding of the relevant Class of Notes objected to it and it is possible that an Ordinary Resolution could be deemed to be passed without the vote of any Noteholders or even if holders of up to 14.99 per cent. in aggregate of the Principal Amount Outstanding of the relevant Class of Notes objected to it.
- (f) *Rating Agencies' Confirmation:* Where it is necessary for the Trustee to determine, in its opinion, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Transaction Documents, whether or not such exercise will be materially prejudicial to the interests of the Noteholders or any Class of Noteholders, the Trustee shall be entitled, in making such a determination, to take into account any other things it may, in its absolute discretion, consider necessary and/or appropriate, any confirmation by a Rating Agency (if available) that the then current ratings of the Rated Notes or, as the case may be, the Rated Notes of such Class will not be downgraded, withdrawn or qualified, and that, where any original rating of the Rated Notes or, as the case may be, the Rated Notes of such Class has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise.

No assurance can be given that any or all of the Rating Agencies will provide any such confirmation or that, depending on the timing of the delivery of the request and any information needed to be provided, it may be the case that the Rating Agencies cannot provide their confirmation in the time available and, in either case, the Rating Agencies will not be responsible for the consequences thereof. However, if a confirmation is provided, it should be noted that a Rating Agency's decision to reconfirm a particular rating may be made on the basis of a variety of factors. In particular, the holders of Rated Notes should be aware that the Rating Agencies owe no duties whatsoever to any parties to the transaction (including the Noteholders) in providing any confirmation of ratings. No assurance can be given that a requirement to seek ratings confirmation will not have a subsequent impact upon the business of the Borrowers.

No assurance can be given that any such confirmation will not be given in circumstances where the relevant proposed matter would materially adversely affect the interests of Noteholders of a particular Class.

The implementation of certain matters will, pursuant to the Transaction Documents, be subject to (i) the receipt of written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn or (ii) certification in writing from the Issuer to the Trustee that the Issuer has been unable to obtain such written confirmation but that the Rating Agencies then rating the Notes have been informed of the implementation of such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Rated Notes. It is possible that, in certain circumstances, amendments are made to the Transaction Documents notwithstanding the fact that a Rating Agency Confirmation is not obtained.

#### *Significant Investor*

Significant concentrations of holdings of the Notes may occur. In holding some or all of the Notes of any Class, an investor holding such concentrations may have a majority holding and therefore be able to pass, or hold a sufficient minority to block, Noteholder resolutions. It is expected that on the Issue Date, an investor (or related investors) will acquire the D Notes giving it a sufficient ability to pass or block Noteholder resolutions of such Class. Therefore, no assurance can be given that any other Noteholder will have influence to block or pass certain Noteholder resolutions in respect of such Class. In addition, on the Issue Date, KHL will acquire and retain the entire Principal Amount Outstanding of the E Notes, the X Notes and Z Notes. As a result, KHL will be able to pass or block Noteholder resolutions in respect of such Classes.

#### *Conflicts of interest*

Certain of the Transaction Parties and their respective affiliates are acting in a number of capacities in connection with the transaction described herein. 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 Joint Lead Manager Related Persons:

- (a) may from time to time be a Noteholder and/or Certificateholder or have other interests with respect to the Notes or Certificates and they may also have interests relating to other arrangements with respect to a Noteholder or a Note, a Certificateholder or a Certificate, 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 Notes or Certificates;
- (c) may purchase all or some of the Notes or Certificates 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, investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Certificates, 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 Joint Lead Manager Related Person in the course of its business (including in respect of interests described above) may act independently of any other Joint Lead Manager Related Person or Transaction Party;
- (b) to the maximum extent permitted by applicable law, the duties of each Joint Lead Manager Related Person in respect of the Notes and/or Certificates 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 Joint Lead Manager 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) a Joint Lead Manager Related Person may have or come into possession of Relevant Information;
- (d) to the maximum extent permitted by applicable law no Joint Lead Manager Related Person is under any obligation to disclose any Relevant Information to any other Joint Lead Manager Related Person, to any Transaction Party or to any potential investor and this Prospectus and any subsequent conduct by a Joint Lead Manager Related Person should not be construed as implying that such person is not in possession of such Relevant Information; and
- (e) each Joint Lead Manager 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, a Joint Lead Manager Related Person's dealings with respect to a Note and/or a Certificate, the Issuer or a Transaction Party, may affect the value of a Note or Certificate.

Prior to the Issue Date, Lloyds Bank Corporate Markets plc, BNP Paribas, London Branch and National Australia Bank Limited and/or each of their affiliates, amongst others, previously and currently provided the Warehouse Financing. Lloyds Bank Corporate Markets plc, BNP Paribas, London Branch and National Australia Bank Limited expect that such Warehouse Financing will be partially repaid on or about the Issue Date by the borrower(s) thereof using the proceeds of sale received by the Seller from the Issuer in respect of the Mortgage Pool. In acting as a lender or an arranger of such Warehouse Financing, Lloyds Bank Corporate Markets plc, BNP Paribas, London Branch and National Australia Bank Limited and each of their respective affiliates will act in its own commercial interests and will not be required to take into account the interests of the Noteholders, Certificateholders, or any other party.

These interests may conflict with the interests of a Noteholder or Certificateholder, and the Noteholder or Certificateholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Joint Lead Manager Related Person is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents, the Notes, the Certificates, 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, the Certificateholders, and the Joint Lead Manager 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.

#### *Financing of the risk retention piece*

On or after the Issue Date, KHL (in its capacity as Risk Retention Holder and U.S Risk Retention Holder, as applicable) may directly or indirectly obtain funding to finance its economic exposure to some or all of the UK Retained Interest and/or EU Retained Interest required to be retained in compliance with the UK Retention Requirements and/or EU Retention Requirements and the U.S. Risk Retained Interest required to be retained in compliance with the U.S. Risk Retention Rules. Such financing may be provided by one or more of the Joint Lead Managers or certain of their affiliates and may require the grant of a security interest over such financed UK Retained Interest and/or EU Retained Interest and U.S. Risk Retained Interest and result in the financing counterparty having enforcement rights and remedies in case of an event of default which may include the right to appropriate or sell the UK Retained Interest and/or EU Retained Interest and the U.S. Risk Retained Interest. In carrying out any such sale or appropriation, the financing counterparty would not be required to have regard for the UK Retention Requirements and/or EU Retention Requirements and the U.S. Risk Retention Rules and any such sale or appropriation may therefore cause KHL (in its capacity as Risk Retention Holder and U.S Risk Retention Holder, as applicable) to be in non-compliance with the UK Retention Requirements and/or EU Retention Requirements and the U.S. Risk

Retention Rules. In such an event, with respect to the UK Retention Requirements and/or EU Retention Requirements, Notes held by other investors could be subject to an increased regulatory capital charge levied by a relevant regulator with jurisdiction over any such investor, and, also, with respect to the U.S. Risk Retention Rules, the UK Retention Requirements and the EU Retention Requirements, the price and liquidity of the Notes held by an investor in the secondary market could be negatively impacted.

#### *Legal Risks related to the sale of the Mortgage Pool*

The sale of the Loans and Collateral Security by the Seller to the Issuer will be effected pursuant to the terms of the KHL/Issuer Mortgage Sale Agreement. There are certain general legal considerations investors are advised to consider in relation to such sale as described in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Effect of the sale of the Mortgage Pool*", "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes – Set-off risk*", and "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes – Equitable interest and Scottish Declaration of Trust*".

Investors should note in particular the risks related to "transaction set-off" being the direct rights of the Borrowers against the Legal Title-Holder described in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes – Set-off risk*". The amounts of any claim against the Legal Title-Holder will, in many cases, be the cost to the Borrower of finding an alternative source of funds. The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the Legal Title-Holder's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

However, 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 Legal Title-Holder's breach of contract where there are special circumstances communicated by the Borrower to the Legal Title-Holder at the time the Borrower entered into the Loan 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 Legal Title-Holder 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 Mortgage Pool and/or the ability of the Issuer to make payments under the Notes and Certificates.

#### **Risks related to the Loans**

##### *Warranties*

Neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Loans and their related Mortgages, and each will rely instead on the Warranties. The sole remedy (save as described below) of the Issuer and the Trustee in respect of a breach of Warranty which could have a material adverse effect on the value of the relevant Loan and related Mortgage (other than where such breach was disclosed at the point of sale to the Issuer (see "*Sale of the Mortgage Pool – Warranties and Repurchase*") and which, if capable of remedy, is not so remedied by the Seller, KMC or, where applicable, an affiliate, within 21 days of notification of such breach to the Seller and KMC by the Mortgage Administrator on behalf of the Issuer, shall be the requirement that the Seller or KMC on a joint and several basis, repurchase, or shall procure that an affiliate repurchases, the relevant Loan which is the subject of any breach in return for a cash payment equal to the Repurchase Price, or at the option of the Seller or KMC, as applicable, the substitution of an alternative mortgage loan of an appropriate value, **provided that** this shall not limit any other remedies available to the Issuer and/or the Trustee if the Seller, KMC or an affiliate thereof fails to repurchase a Loan or make a payment when obliged to do so. However, there can be no assurance that the Seller or KMC (or an affiliate thereof) will have the financial resources to honour such obligations under the KHL/Issuer Mortgage Sale Agreement. This may affect the quality of the Loans and their Collateral Security in the Mortgage Pool and accordingly the ability of the Issuer to make payments due on the Notes and/or Certificates.

##### *Scottish Loans*

Approximately 4.42 per cent. of the aggregate number of the loans (representing approximately 3.68 per cent. of the aggregate Principal Balance of the Loans) in the Provisional Completion Mortgage Pool are

Scottish Loans. These Loans are secured by Scottish Mortgages. In addition to the potential risks discussed in "*Risks related to economic environment - Geographic concentration of the Loans*" below, the requirements imposed by the 1970 Act, as amended by the 2010 Act as discussed in more detail in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes – Scottish Loans*", may restrict the ability of the Legal Title-Holder as heritable creditor of the Scottish Mortgages to exercise its enforcement remedies and this could affect the ability of the Issuer to make payments under the Notes.

*Risk of losses associated with product concentration of Loans*

There are particular risks associated with certain types of Loans in the Mortgage Pool which in turn could affect payments on the Notes and/or the Certificates.

- (a) Risk of losses associated with Interest Only Loans: Approximately 1.38 per cent. of the aggregate number of Loans (representing approximately 3.12 per cent. of the aggregate Principal Balance of the Loans) in the Provisional Completion Mortgage Pool constitute Interest Only Loans.

Interest Only Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Loan, the Borrower will be required to make a "bullet" repayment that will represent the entirety of the principal amount outstanding thereof. The ability of such a Borrower to repay an Interest Only Loan at maturity may often depend on such Borrower's ability to refinance the Property or obtain funds from another source such as pension policies, personal equity plans or endowment policies. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower and general economic conditions at the time. If a Borrower cannot repay an Interest Only Loan, a loss may occur and this may affect payments on the Notes and/or Certificates.

- (b) The Help to Buy Scheme (and equivalent Scottish schemes) are applicable to some of the Loans in the Mortgage Pool: Approximately 10.83 per cent. of the aggregate number of the Loans (representing approximately 13.24 per cent. of the aggregate Principal Balance of the Loans) in the Provisional Completion Mortgage Pool are Help to Buy Loans.

The enforcement procedures as described in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes – Help To Buy Loans*" may result in delays to enforcement and accordingly affect payments on the Notes and/or Certificates.

No Loans in the Mortgage Pool benefit from any guarantee provided under the Help to Buy Scheme or the equivalent Scottish schemes.

*Underwriting Standards*

The Loans have been underwritten generally in accordance with underwriting standards described in "*Constitution of the Mortgage Pool – Lending Criteria*" and "*Constitution of the Mortgage Pool – Underwriting*" below. These underwriting standards consider, among other things, a Borrower's credit history, employment history and status, repayment ability and income multiple or debt service-to-income ratio, as well as the value of the property. For a description of the underwriting standards, see "*Constitution of the Mortgage Pool – Lending Criteria*" below. For a detailed analysis of the Loans constituting the Mortgage Pool on the Issue Date, see "*Characteristics of the Provisional Completion Mortgage Pool*" below. There can be no assurance that these underwriting standards will not be varied or that loans originated under different criteria may not become part of the Mortgage Pool.

The assessment of a Borrower's creditworthiness is conducted in accordance with the Lending Criteria and, where appropriate, meets the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.

*Extraction of information contained in this Prospectus*

The information contained in the section of this Prospectus entitled "*Characteristics of the Provisional Completion Mortgage Pool*" has been extracted from information provided by the Mortgage Administrator (which information has been subject to rounding). Investors should note that none of the information provided in such section has been the subject of an audit. In particular, information relating to CCJs,

Bankruptcy Orders or IVAs (including in each case, their Scottish equivalents) has not been subject to due diligence by means of an agreed upon procedure or other similar examination. The Mortgage Administrator is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Mortgage Administrator for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Mortgage Administrator will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

### **Risks related to economic environment**

#### *The impact of Covid-19*

The world is currently experiencing an outbreak of a novel coronavirus (known as Covid-19) which is having severe health and unpredictable and significant adverse economic effects across the world. On 11 March 2020, the Chief Medical Officer of Her Majesty's Government announced that the current outbreak of Covid-19 had reached epidemic proportion in the United Kingdom and the World Health Organisation has also declared the current global outbreak of Covid-19 as a global pandemic. Whilst the infection rates in the United Kingdom had declined the summer of 2020, the United Kingdom is currently experiencing very significant increase in infection rates leading to increased lockdown restrictions on people's movements and economic activity. Whilst the United Kingdom is in the early stages of a vaccination programme to control the effects of the outbreak, no assurances can be given at this stage as to the effectiveness and impact of such vaccination programmes and as a result, the duration of the ongoing restrictions on the public and thus economic impact on the United Kingdom.

Widespread health crises or the fear of any such crises at such time (such as Covid-19 or other epidemic infectious diseases) in a particular region or nationwide may weaken economic conditions and reduce the market value of affected Properties in such regions, the ability to sell a Property in a timely manner and/or negatively impact the ability of Borrowers to make timely payments on the Loans. In addition, governmental action or inaction in respect of, or responses to, any widespread health crises, whether in the United Kingdom or in any other jurisdiction, may lead to a further deterioration of economic conditions both globally and also within the United Kingdom. This may have an adverse impact on the ability of the Borrowers to make timely payments of interest and repayments of principal on their Loans.

As a result of such factors, a mortgage lender may offer or may be required through government regulation to offer a range of forbearance options (which in themselves may be either temporary or permanent in nature and may include the temporary suspension of monthly payments due under the Loans) to support Borrowers who are facing financial difficulty or may potentially face financial difficulties.

On 20 March 2020 the FCA issued "*Mortgages and coronavirus: our guidance for firms*", in response to the on-going outbreak of Covid-19 in the UK. The FCA published an update to its guidance on 2 June 2020 and then further again on 17 November 2020. Amongst other things, this guidance provides that UK mortgage lenders should, where a customer indicates they are experiencing or may potentially experience payment difficulties as a result of the circumstances relating to coronavirus and wish to receive a full or partial payment holiday to reduce payments to an amount the customers believes they are able to afford, grant a customer a payment holiday. According to the update published on 17 November 2020, the payment holiday may be for up to 6 months until 31 July 2021. The guidance also sets out that UK mortgage lenders should not give payment deferrals to customers after 31 March 2021 unless they are benefiting from one but that customers should be able to extend ongoing payment deferrals after 31 March 2021 to cover payment deferrals up to and including July 2021 provided that these deferrals cover consecutive payments.

The mortgage lender may also agree with the customer a different option that the mortgage lender reasonably considers to be in the best interests of the customer. Alternatives to a full or partial payment holiday for 6 monthly payments in such period could include offering a payment holiday of fewer than 6 months and offering the customer a sustainable longer term solution, such as an extension to the term or alternative product.

The FCA makes clear in its guidance that no additional fee or charge (other than potentially accrued interest on the sum temporarily unpaid) may be levied as a result of the payment holiday (for the avoidance of

doubt, the Loan will not be considered to be in arrears or further in arrears as a direct result of a grant of a payment holiday). In addition, the FCA's guidance provides that firms should not commence or continue repossession proceedings against customers at this time, irrespective of the stage that repossession proceedings have reached and to any step taken in pursuit of repossession. Where a possession order has already been obtained, firms should refrain from enforcing it.

Furthermore, the FCA makes clear in the guidance that it expects lenders of both owner-occupied and buy to let mortgage loans to act in a manner consistent with these requirements and the general principle of treating customers fairly and that includes the way it seeks to recover any sums relating to such payment holiday (including any increase in the total amount payable under the Loans once the payment holiday has ended). Whilst the FCA has indicated that this is the finalised guidance, no assurance can be given that FCA, or other UK government or regulatory bodies, will not take further steps in response to the Covid-19 outbreak in the UK, including extending the forbearance options and the duration for which they will be available.

No assurance can be given of the impact that Covid-19, the forbearance measures discussed above and any future forbearance measures which may be undertaken in relation to the Loans nor the general impact to the economy will have on the performance of the Loans and Certificates, including the ability of the Issuer to satisfy its obligations to make payments of interest on the Notes and payments on the Certificates.

*Absence of secondary market or lack of liquidity in the secondary market may adversely affect the market value of the Notes*

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default in relation to the Notes while any of the Loans are still outstanding, may depend upon whether the Loans can be realised to obtain an amount sufficient to redeem the Notes.

There is not, at present, an active and liquid secondary market for the Notes, and there can be no assurance that a secondary market for the Notes will develop. To date, none of the Joint Lead Managers have indicated that they intend to establish a secondary market in the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until the Final Maturity Date or, alternatively, such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

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

Whilst central bank schemes such as the Bank of England's Discount Window Facility and Sterling Monetary Framework and the European Central Bank's 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. Recognition of any of the Notes as eligible securities for the purposes of any of the liquidity schemes being operated by the Bank of England or the European Central Bank will depend upon satisfaction of the relevant eligibility criteria. None of the Issuer, the Arranger, the Joint Lead Managers, the Originator, Legal Title-Holder or the Trustee gives any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for any liquidity facility operated by the Bank of England or the European Central Bank and be recognised as eligible collateral for the purposes of such liquidity schemes or whether any funding hair-cut will be applied. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for the purposes of such any liquidity scheme operated by the Bank of England or the European Central Bank and as to whether any funding hair-cut applies.

In addition, potential investors should be aware that global markets have been negatively impacted by the then prevailing global credit market conditions and reduced growth expectations for the Organisation for

Economic Co-operation and Development economies, which could affect any secondary market for instruments similar to the Notes.

#### *Economic conditions in the Eurozone*

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

#### *Geographic concentration of the Loans*

Loans in the Mortgage Pool 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 (due to local, national and/or global macroeconomic factors) and weaker 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 "*Risk Factors*". 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 in the region that relies most heavily on that industry. The Issuer cannot predict when and/or where such regional economic declines may occur, nor to what extent or for how long such conditions may continue, but if the timing and payment of the Loans are adversely affected as described above, the ability of the Issuer to make payments due under the Notes or Certificates could be reduced or delayed.

#### *Potential further referendum on Scottish independence*

There is continuing constitution tension concerning the future of Scotland in the United Kingdom and whether or not a further referendum on the departure of Scotland from the United Kingdom may take place.

As at the Cut-Off Date approximately 4.42 per cent. of the aggregate number of Loans (representing approximately 3.68 per cent. of the aggregate Principal Balance of the Loans) in the Provisional Completion Mortgage Pool are Scottish mortgage loans. A future departure of Scotland from the UK could impact the fiscal, monetary and regulatory landscape to which the Legal Title-Holder is subject. While the operational consequences of independence remain uncertain, it could (i) result in changes to the economic climate in Scotland and political and policy developments which could affect Borrowers' ability to pay amounts when due on the mortgage loans and which may adversely affect payments on the Notes and the Certificates, (ii) have an impact on Scots law, regulation accounting or administrative practice in Scotland, and/or (iii) result in Scotland not continuing to use Sterling as its base currency, which may result in part of the Mortgage Pool being redenominated and therefore the Notes potentially being subject to currency risk.

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

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 Mortgages. Borrowers with a mortgage loan subject to a variable rate of interest or with a mortgage loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, will be exposed to increased monthly payments if the related mortgage interest rate adjusts upward (or, in the case of a mortgage loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). This increase in Borrowers' monthly payments, which (in the case of a mortgage loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related



mortgage interest rate during the relevant fixed or introductory period, may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rate) 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 the relevant properties to permit them to refinance.

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

#### *Borrowers may default on their obligations*

Borrowers may default on their obligations due under Loans for a variety of financial and personal reasons. These could include loss or reduction of earnings (including and in particular self-employed Borrowers experiencing more volatile earnings and Borrowers suffering the impact of being furloughed for a period of time or ultimately being made redundant by an employer as a result of the crisis caused by Covid-19 and ongoing uncertainty surrounding it), illness (including any illness arising out of or in connection with an epidemic infection disease or fear of such crises such as Covid-19), divorce and other similar factors which may, individually or in combination, lead to an increase in delinquencies by and bankruptcies of Borrowers. Certain national and international macroeconomic factors may also contribute to or hinder the economic health of a Borrower and thus the economic performance of the Loans.

Potential investors should note in particular in this regard, the description in the section entitled "*The impact of Covid-19*" above of the FCA's guidance, dated 20 March 2020 (as amended on 2 June 2020 and as further amended on 17 November 2020), entitled "*Mortgages and coronavirus: our guidance for firms*", in response to the on-going outbreak of Covid-19 in the UK, and the payment holiday and repossession forbearance measures outlined therein.

#### *Risks of losses associated with declining real estate values*

An investment in securities such as the Notes and Certificates that generally represent a secured debt obligation (the security being in respect of Loans beneficially owned by the Issuer) may be affected by, among other things, a decline in real estate values and changes in the Borrowers' financial condition. All of the Properties are located in England or Wales or Scotland. Approximately 17.48 per cent. of the aggregate number of Loans (representing approximately 26.54 per cent. of the aggregate Principal Balance of the Loans) in the Provisional Completion Mortgage Pool are secured by Properties located in the South East of England and Greater London. See the tables entitled "*Distribution of Loans by Region*" under "*Characteristics of the Provisional Completion Mortgage Pool*". Certain areas of the United Kingdom may from time to time experience declines in real estate values such as has been seen in recent times. No assurance can be given that values of the Properties have remained or will remain at their levels on the dates of origination of the related Loans. If the residential real estate market in the United Kingdom in general, or in the South East of England and Greater London in particular, should experience an overall decline in property values such that the values of the Properties may have reduced during the period starting from the origination of the related Loans until the end of the maturity of the Notes, and the outstanding balances of the Loans become equal to or greater than the value of the Properties, such a decline could in certain circumstances result in the value of the interest in the Properties created by the Mortgages being significantly reduced. To that extent, holders of interests in the Notes will bear all risk of loss resulting from default by Borrowers and will have to look primarily to the value of the Properties for recovery of the outstanding principal and unpaid interest on the delinquent Loans.

### **Regulatory and legal risks**

#### *UK Securitisation Regulation*

Pursuant to the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020, from 11pm (GMT) on 31 December 2020 (the "**Implementation Period Completion Day**"), EU regulations (including the EU Securitisation Regulation) which previously had direct effect in the UK by virtue of the European Communities Act 1972 were transposed into domestic

law. Like the EU Securitisation Regulation, the UK Securitisation Regulation also includes risk retention and transparency requirements (imposed variously on the issuer, originator, sponsor and/or original lender of a securitisation) and due diligence requirements which are imposed, under the UK Securitisation Regulation on UK Affected Investors in a securitisation. If the due diligence requirements under the UK Securitisation Regulation are not satisfied then, depending on the regulatory requirements applicable to such UK Affected Investor, an additional risk weight, regulatory capital charge and/or other regulatory sanction may be applied to such securitisation investment and/or imposed on the UK Affected Investor.

**"UK Affected Investor"** means each of CRR firms as defined by Article 4(1)(2A) 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 and amending Regulation (EU) No 648/2012 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, certain alternative investment fund managers which manage or market alternative investment funds in the UK, UK regulated insurers or reinsurers, certain management companies as defined in section 237(2) of the Financial Services and Markets Act 2000 ("**FSMA**"), UCITS as defined by section 236A of FSMA which is an authorised open ended investment company as defined in section 237(3) of FSMA and occupational pension schemes as defined in section 1(1) of the Pension Schemes Act 1993.

Each potential investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the UK Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Arranger, any Joint Lead Manager, KHL or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

Please refer to the sections entitled "*UK Securitisation Regulation*" and "*General Information*" for further information on the UK Securitisation Regulation and its implications in relation to this Transaction.

#### *EU Securitisation Regulation*

The EU Securitisation Regulation applies to securitisations, the securities of which are issued on or after 1 January 2019. The EU Securitisation Regulation includes revised risk retention and transparency requirements (imposed variously on the issuer, originator, sponsor and/or original lender of a securitisation) and due diligence requirements imposed on EU Affected Investors in a securitisation. If the due diligence requirements under the EU Securitisation Regulation are not satisfied then, depending on the regulatory requirements applicable to such EU Affected Investor, an additional risk weight, regulatory capital charge and/or other regulatory sanction may be applied to such securitisation investment and/or imposed on the EU Affected Investor.

**"EU Affected Investor"** means each of EU-regulated credit institutions, EU-regulated investment firms, certain alternative investment fund managers which manage and/or market alternative investment funds in the EU, EU regulated insurers or reinsurers, certain investment companies authorized in accordance with Directive 2009/65/EC, managing companies as defined in Directive 2009/65/EC, institutions for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 (subject to certain exceptions), and certain investment managers and authorised entities appointed by such institutions subject thereto.

Potential EU Affected Investors should note that the obligation of KHL to comply with the EU Retention Requirements is strictly contractual pursuant to the terms of the Retention Letter and apply with respect to Article 6 of the EU Securitisation Regulation together with any binding technical standards as in force on the Issue Date until such time when KHL is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirement will also satisfy the EU Retention Requirement due to the application of an equivalency regime or similar analogous concept. In addition, to the extent that Article 6 of the EU Securitisation Regulation is amended or new binding technical standards are introduced, KHL will be under no obligation to comply with such amendments. Each potential EU Affected Investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the EU Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Arranger, any Joint Lead Manager, KHL or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

Please refer to the sections entitled "EU *Securitisation Regulation*" and "*General Information*" for further information on the EU Securitisation Regulation and its implications in relation to this Transaction.

#### *Simple, Transparent and Standardised (STS) Securitisations*

The UK Securitisation Regulation sets out the criteria and procedures applicable to securitisations seeking the designation as "simple, transparent and standardised" ("**STS**") securitisations, and includes provisions that harmonise and replace the risk retention and due diligence requirements applicable to certain securitisations. Certain UK investors are restricted in investing such Notes unless that investor is able to demonstrate that it has undertaken certain due diligence assessments and verified various matters.

KHL (in its capacity as originator for the purposes of the UK Securitisation Regulation) will procure that a UK STS notification is submitted to the FCA on the Issue Date confirming that the requirements of Articles 19 to 22 of the UK Securitisation Regulation with respect to STS securitisations (the "**UK STS Requirements**") have been satisfied with respect to the Notes (the "**UK STS Notification**"). Such STS compliant securitisations in the UK appear in the list of UK STS Securitisations established and maintained by the FCA in accordance with Article 27(5) of the UK Securitisation Regulation. The UK STS Notification and the accompanying explanation from KHL of how such transaction complies with Articles 20 to 22 of the UK Securitisation Regulation (compliance with such articles being required to qualify as an UK STS Securitisation) will be available for inspection at the website set out in the section entitled "*General Information*".

However, no assurance can be given that the Notes will, on the Issue Date, be compliant and thereafter remain compliant, because the UK STS Requirements may change over time. In addition, no assurance can be given on how the FCA will interpret and apply the UK STS Requirements or other related regulations such as the Regulation (EU) No. 575/2013 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK CRR Regulation**") as amended by Regulation (EU) 2017/2401 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRR Amendment Regulation**") and the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (supplementing Regulation (EU) 575/2013 with regard to the Liquidity Coverage Requirement for Credit Institutions, as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK LCR Regulation**"), and what is or will be required to demonstrate compliance to national regulators remains unclear, any international or national regulatory guidance may be subject to change and, therefore, what is or will be required to demonstrate compliance with the UK STS Requirements to national regulators remains unclear.

With respect to an UK STS Notification, KHL intends to obtain a verification of compliance of the Notes with the UK STS Requirements from PCS as a third-party verification agent authorised under Article 28 of the UK Securitisation Regulation (an "**Authorised Verification Agent**") and has used the services of PCS to prepare an assessment of compliance with the Notes with the relevant provisions of Article 243 of the UK CRR ("**UK CRR Assessment**") and Article 13 of the UK LCR Regulation ("**UK LCR Assessment**", together with the UK CRR Assessment and the UK STS Verification, the "**UK STS Assessments**"). It's important to note that the involvement of an Authorised Verification Agent is not mandatory and the responsibility for compliance with the UK Securitisation Regulation remains with the relevant institutional investors, originators, sponsors, funding entities and issuers, as applicable in each case. The UK STS Assessments will not absolve such entities from making their own assessment and assessments with respect to the UK Securitisation Regulation, the relevant provisions of Article 243 and Article 270 of the UK CRR and/or Article 7 and Article 13 of the UK LCR Regulation and the UK STS Assessments cannot be relied on to determine compliance with the foregoing regulations in the absence of such assessments by the relevant entities. Furthermore, an UK STS Assessment is not an opinion on the creditworthiness of the Notes nor on the level of risk associated with an investment in the relevant Notes. It is not an indication of the suitability of the Notes for any investor and/or a recommendation to buy, sell or hold the Notes. Institutional investors that are subject to the due diligence requirements of the UK Securitisation Regulation need to make their own independent assessment and may not solely rely on any UK STS Assessment, the UK STS Notification or other disclosed information.

If the due diligence requirements under the UK Securitisation Regulation are not satisfied then, depending on the regulatory requirements applicable to such an UK-regulated investor, an additional risk weight, regulatory capital charge and/or other regulatory sanction may be applied to such securitisation investment and/or the affected investor.

There is a risk that the UK STS Requirements set out above may include, but is by no means limited to, a decrease in demand for the Notes in the secondary market, which may lead to a decreased price for the Notes, or decreased liquidity and increased volatility in the secondary market. Therefore, an investor's ability to resell the notes may be limited by market conditions and an investor must be prepared to bear the risk of holding its Notes until maturity.

None of the Arranger or any of the Joint Lead Managers makes any representation or accept liability with respect to whether or not the transaction qualifies as a STS securitisation in the UK under the UK Securitisation Regulation. For the avoidance of doubt, the securitisation is not intended to be designated as "simple, transparent and standardised" securitisation under the EU Securitisation Regulation and for such reason, no notification will be made to ESMA pursuant to the European Securitisation Regulation.

#### *Regulatory Risks*

Regulatory initiatives may result in increased regulatory capital requirements for certain investors and/or decreased liquidity in respect of the Notes and Certificates. 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. Accordingly investors should seek their own professional advice in relation to the risks involved in holding the Notes and/or the Certificates.

No assurance can be given that action and rules and regulations, additional to those discussed above, from any regulatory authority will not be implemented with regard to the mortgage market in the United Kingdom generally, the particular sector in that market in which KMC operates or specifically in relation to KMC. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Loans, KMC and the Issuer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments to the Noteholders and Certificateholders.

#### *Risks relating to U.S. Volcker Rule*

The Issuer has been structured so as not to constitute a "covered fund" for purposes of the Volcker Rule and its implementing regulations. If the Issuer is considered a "covered fund", the liquidity of the market for the Notes may be materially and adversely affected, since banking entities could be prohibited from, or face restrictions in, investing in the Notes. See "*Certain Regulatory Disclosures – Volcker Rule*" for more detail.

#### *Legal risks associated with the Loans, the Notes and the Transaction Documents*

The Loans, the Notes and the Transaction Documents are subject to a wide ranging legal regime within England, Wales and Scotland and in particular loans secured by residential property are subject to significant consumer regulation. Certain of these legal matters are described in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes*" and with respect to such matters, investors should note that:

- (a) as a result, the rules in relation to MCOB, as described in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans - Mortgages regulated under FSMA*", "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Mortgage and Home Finance: Conduct of Business Sourcebook ("MCOB")*", "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Expansion of MCOB Regulation*", may operate in certain circumstances to require KMC to take certain forbearance-related actions which are not set out in the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Loans and the Transaction Documents will provide that KMC will incur no liability as a result thereof. No assurance can be made that any such actions will not impact adversely on the Issuer's ability to make payments on the Notes, although the impact of this will depend on the number of Loans which involve a Borrower who experiences payment difficulties.

- (b) furthermore, contravention of the MCOB rules, FSMA and the Consumer Credit Sourcebook by an authorised person, may entitle a Borrower for damages and in certain circumstances entitle the Borrower to set-off the amount relating to such damages against the amount owed by the Borrower to the Legal Title-Holder (see "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans - Mortgages regulated under FSMA*", "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Mortgage and Home Finance: Conduct of Business Sourcebook ("MCOB")*", "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Expansion of MCOB Regulation*") which may adversely affect the Issuer's ability to make payments on the Notes;
- (c) due to the nature of enforcing loans secured by residential properties, as described in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Mortgage Repossession*", delays could be encountered in connection with enforcement of the Mortgages and recovery of the Loans with corresponding delays in the receipt of related proceeds by the Issuer;
- (d) whilst the FCA has powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made or may be made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the Loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes and Certificateholders on the Certificates (see "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015*", see "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Consumer Rights Act 2015*" and see "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Mortgages Regulated under FSMA*"); and
- (e) if a significant portion of the Loans are characterised as being cancellable under Financial Services (Distance Marketing) Regulations 2004, as discussed in "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Financial Services (Distance Marketing) Regulations 2004*", then there could be an adverse effect on the Issuer's receipts in respect of those amounts, affecting the Issuer's ability to make payments in full on the Notes when due or payments on the Certificates.

The structure of the transaction and, *inter alia*, the issue of the Notes, the Certificates, and the ratings which are to be assigned to the Rated Notes are based on the relevant law, tax, accounting, risk retention requirements, regulatory and administrative requirements and practice, in effect as at the date of this Prospectus and having due 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 the relevant law, tax, regulatory, risk retention requirements, accounting (and any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would either adversely affect the ability of the Issuer to make payments under the Notes or Certificates and/or adversely affect any holder of the Notes and/or Certificates. In particular:

- (a) no assurance can be given with respect to the proposals set out in consultation paper published by the Ministry of Justice of the United Kingdom (entitled "*Mortgages: power of sale and residential property*" (CP55/09)) which if enacted may restrict the ability of the mortgagee to exercise its power of sale in relation to the English Mortgages and this may affect the Issuer's ability to make payments on the Notes and Certificates (see "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Consultation Paper on the power of sale and residential property*");
- (b) any further changes to MCOB arising from the FCA's review of the implementation of its mortgage market review, or to MCOB or the FSMA arising from (a) HM Treasury's proposals to change mortgage regulation or changes in the regulatory framework, or (b) any future review carried out

by the FCA, may adversely affect the Mortgage Pool, the Seller, the Legal Title-Holder, the Issuer and/or the Mortgage Administrator and their respective businesses and operations. While KMC has not experienced any material effect following the implementation of the MCD Order and related changes to MCOB, there can be no assurance that such legislation and regulation may not give rise to as yet unforeseen impacts on KMC's business or on the performance of the Loans. Any further changes to MCOB or changes in the regulatory framework, may adversely affect the Loans, the Seller and/or the Mortgage Administrator and their respective businesses and operations (see "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – FCA mortgage market review*"); and

- (c) the law regarding the CRA is rapidly developing and new regulator guidance, as a result of this legislation, has been evolving and therefore no assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the Legal Title-Holder, the Issuer and their respective businesses and operations (see "*Certain Legal and Regulatory Matters Affecting the Loans and the Notes - Legal and Regulatory Matters Affecting the Loans – Consumer Rights Act 2015*"). There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans.

#### *English law security and insolvency considerations*

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes and Certificates. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired. 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 and/or the Certificateholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

In particular, the ability to realise the Security granted may be delayed if an administrator is appointed or a moratorium is obtained in respect of the Issuer. In this regard, it should be noted that:

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. While it is anticipated that the requirements of this exception will be met, it should be noted that the Secretary of State for Business, Innovation and Skills may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and
- (b) under the Insolvency Act 1986 (as amended by the Corporate Insolvency and Governance Act 2020), eligible companies are entitled to obtain a moratorium and seek protection from their creditors for a limited period. The position as to whether or not a company is an eligible company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be an eligible company. However, certain companies are excluded from the moratorium provisions, including a company which is party to certain transactions in the capital markets. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State for Business, Energy and Industrial Strategy may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of sections A18(3), 174A, 176 or 176A, or paragraph 64A of Schedule B1 of the Insolvency Act 1986 (as amended), 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 question of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders and Certificateholders will not be adversely affected

by any such reduction in floating charge realisations upon the enforcement of the Security. (See "*Liquidation Expenses*" below).

#### *Insolvency proceedings and subordination provisions*

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

The UK Supreme Court has recently affirmed that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, a U.S. bankruptcy court held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. In a more recent decision, the same U.S. bankruptcy court departed from certain aspects of that prior decision, finding that distributions made in accordance with such subordination provisions were protected by safe harbours in U.S. bankruptcy law. It is clear that there has been a divergence in approach both within the U.S. courts and between the U.S. courts and English courts which, in the case of an unfavourable decision in either England or New York, may adversely affect the Issuer's ability to make payments on the Notes or Certificates.

If a creditor of the Issuer (such as a Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents. Laws may be relevant in certain circumstances with respect to a range of entities, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). In general, if a subordination provision included in the Transaction Documents (such as the subordination of the Swap Subordinated Amounts) was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the Certificateholders, the market value of the Notes, the Certificates, and/or the ability of the Issuer to satisfy its obligations under the Notes or Certificates.

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

#### *Liquidation Expenses*

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that, in general the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

On this basis and as a result of the changes described above, in a winding up of the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be reduced by at least a significant proportion of any liquidation expenses. There can be no assurance that the holders of the Notes and Certificates will not be adversely affected by such a reduction in floating charge realisations.

*For Notes being issued under the Social Bond Guidelines, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor*

Prospective investors in the Notes should consider that this transaction has been structured in contemplation of complying with the Social Bond Guidelines. The Social Bond Guidelines include Social Bond Principles. Social Bond Principles include social projects that provide or promote access to essential services and/or socioeconomic advancement and empowerment.

In particular, investors should note that it is the Legal Title-Holder's intention to apply the purchase price proceeds it receives in respect of the sale of the Mortgage Loans (financed by the Issuer out of the proceeds raised from the issuance of the Notes) in accordance with ICMA's published Social Bond Guidelines and Social Bond Principles, and to utilise such proceeds to repay short term funding arrangements relating to origination of Mortgage Loans as part of the Legal Title-Holder's usual funding cycle. The Mortgage Loans have been originated for a specific target of the population which comprises an Eligible Social Project.

Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for an Eligible Social Project will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect social impact of any projects or uses, the subject of or related to, any Eligible Social Projects.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "social" or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "social" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, the Legal Title-Holder's Eligible Social Project will meet any or all investor expectations regarding such "social" or other equivalently-labelled performance objectives or that any adverse social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, the Legal Title-Holder's Eligible Social Project.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection now or in the future with the issue of any Notes and in particular with any Eligible Social Project to fulfil any social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, will not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "social" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect social impact of any projects or uses, the subject of or related to, any Eligible Social Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds for such Eligible Social Project as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer and/or Legal Title-Holder is not complying in whole or in part with any matters for which such opinion or



certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. None of the Arranger, Joint Lead Managers or ESG Structuring Banks will verify or monitor the proposed use of proceeds of the Notes issued.

None of the Arranger, Joint Lead Managers or ESG Structuring Banks makes any representation as to the suitability of the notes to fulfil social and sustainability criteria required by prospective investors. The Arranger, Joint Lead Managers and ESG Structuring Banks have not undertaken, nor are responsible for, any assessment of the Social Bond Framework and any verification of whether the notes or the Social Bond Framework achieve any of ICMA's Social Bond Principles. Investors should refer to the Legal Title-Holder's Social Bond Framework, the Legal Title-Holder's website and the Second Party Opinion for information. The Second Party Opinion provider has been appointed by the Legal Title-Holder. For the avoidance of doubt, none of the Social Bond Framework, the Legal Title-Holder's website or the Second Party Opinion form part of this Prospectus.

### **Tax risks**

Prospective investors in the Notes should consider the tax position of the Issuer and the Notes as described in the sections of the Prospectus entitled "*United Kingdom Taxation*" and "*Certain U.S. Federal Income Tax Considerations*" and are advised to seek their own professional advice in relation to such matters.

In particular investors should note that if the Issuer did not fall to be taxed under the special taxation regime for which provision is made by the Tax Regulations as described in "*United Kingdom Taxation – United Kingdom Taxation Position of the Issuer*" then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, the deduction of interest paid on the Notes could be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to Noteholders.

Additionally in the event that a withholding or deduction for or on account of any taxes is imposed by applicable law in respect of amounts payable under the Notes and Certificates, including in the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes or Certificates (see "*United Kingdom Taxation - U.S. Foreign Account Tax Compliance ("FATCA") withholding*"), no person will be required to pay additional amounts as a result of the withholding, neither the Issuer nor the Paying Agent nor any other person is obliged to gross up or otherwise compensate holders of Notes or Certificates for the lesser amounts which they will receive as a result of the imposition of such withholding or deduction.

Following the imposition of such withholding or deduction in respect of the Notes, the Issuer may redeem the Notes subject to the requirements of and in accordance with Notes Condition 5(f) (*Redemption—Optional Redemption for Taxation or Other Reasons*) if the Issuer has sufficient funds available, thereby shortening the average lives of the Notes (see also "*Risks Related to the Notes – Yield and prepayment considerations*" above).

Finally, based on the assets that the Issuer expects to hold and the income anticipated thereon, the Issuer should be classified as a PFIC (as defined in "*Certain U.S. Federal Income Tax Considerations*") for U.S. federal income tax purposes for its current taxable year and in the foreseeable future. U.S. Holders of Equity Notes (as such terms are defined in "*Certain U.S. Federal Income Tax Considerations*") should assume that they will be subject to the U.S. federal income tax consequences described in "*Certain U.S. Federal Income Tax Considerations—Taxation of U.S. Holders of the Equity Notes—Investment in a Passive Foreign Investment Company*" that result from owning stock in a PFIC.

**The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders and Certificateholders, but the inability of the Borrowers to pay interest, principal or other amounts on the Loans and consequently the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes and Certificates may occur for other reasons and the Issuer does not represent that the statements above regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus lessen some of the risks for the Noteholders and Certificateholders, there can be**

**no assurance that these measures will be sufficient to ensure payment to the Noteholders and Certificateholders of interest, principal or any other amounts on or in connection with the Notes and Certificates on a timely basis or at all.**

## **CERTAIN LEGAL AND REGULATORY MATTERS AFFECTING THE LOANS AND THE NOTES**

The following is an outline of certain aspects of law, regulation and practice in force at the date hereof which are applicable to the Loans and the Notes. It does not purport to be a complete summary of currently applicable law, regulation or practice, and should not therefore be treated as a substitute for professional advice. Prospective Noteholders who are in any doubt as to any matter described in this Prospectus should consult their own professional advisors.

### **Legal and Regulatory Matters Affecting the Loans**

#### *Help to Buy Loans*

Approximately 10.83 per cent. of the aggregate number of the Loans (representing approximately 13.24 per cent. of the aggregate Principal Balance of the Loans) in the Provisional Completion Mortgage Pool are Help to Buy Loans. In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers in England and Wales. The first involves a shared equity loan made available from 1 April 2013 by the UK Government (through Homes England) to borrowers, for up to 20 per cent. of the property price, for the purchase of new homes. The upper limit for the equity loan was increased, from February 2016, to up to 40 per cent. of the property price for properties in London by the "London Help to Buy Scheme". The shared equity loan provided by the UK Government is secured by way of a second charge mortgage on the relevant property. Additional Loans that benefit from the shared equity provided under the Help to Buy Scheme could be added to the Mortgage Pool on a Further Purchase Date.

Following a sale of a property which benefits from a Help to Buy equity loan, the UK Government (through Homes England) will be repaid a *pro rata* amount of the disposal proceeds of the property equal to the percentage of the original purchase price funded by the Help to Buy equity loan regardless of whether the disposal value has increased or decreased relative to the original purchase price. In circumstances where the disposal proceeds are insufficient to discharge in full both the Loan and the Help to Buy equity loan secured on the property, the disposal proceeds will be applied to discharge the first ranking legal Mortgage and the remaining proceeds (if any) applied to discharge the Help to Buy equity loan. Any disposal of a property which benefits from a Help to Buy equity loan (including following an enforcement of a Help to Buy Loan), will require the consent of Homes England which may result in a delay to the enforcement of the relevant Mortgage.

The second "Help to Buy" Scheme involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio. The guarantee loans were available from 1 October 2013 (each of the loans under this scheme, a Help to Buy Loan). Equivalent Help to Buy schemes were introduced in Scotland by the Scottish Government. No Loans in the Mortgage Pool benefit from any guarantee provided under the Help to Buy Scheme or the equivalent Scottish schemes.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from Help to Buy Loans please see "*Risk Factors – Risks Related to Loans – Risk of losses associated with product concentration of Loans*".

#### *Mortgages regulated under FSMA*

Since 31 October 2004 (the date known as ("N.M")), most first-charge residential mortgage businesses in the United Kingdom have been regulated under the FSMA and brought within the jurisdiction of the Ombudsman. This regulatory power has been exercised by the FCA as of 1 April 2013 when the Financial Services Act 2012 came into force and replaced the FSA with PRA, which is responsible for prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA, which is responsible for conduct of business. Prior to that date this power was exercised by the previous regulator, the FSA. Entering into, arranging, advising on and administering Regulated Mortgage Contracts (including arranging and advising on variations to such contracts), and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under the FSMA requiring authorisation and permission from the FCA.

With effect from 21 March 2016, regulated mortgage contracts under the FSMA are not regulated by the CCA, and 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 this date but subsequently changed such that a new contract is entered into on or after N.M and constitutes a separate regulated mortgage contract. Previously, Regulated Mortgage Contract had to satisfy the following: a) the borrower was an individual or trustee; (b) the contract provided for the obligation of the borrower to repay to be secured by a first legal mortgage or charge or (in Scotland) a first ranking standard security on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40 per cent. of that land was used, or was intended to be used, as or in connection with any dwelling by the borrower or (in the case of credit provided to trustees) by an individual who was a beneficiary of the trust, or by their related person. A related person is defined as: (i) that person's spouse or civil partner; (ii) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (iii) that person's parent, brother, sister, child, grandparent or grandchild.

Any person carrying out a regulated activity must either be authorised by the FCA, with specific permission required from the FCA to engage in the activity or be exempted from such authorisation. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract ("**administering**" in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under the Loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging in respect of Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on: (a) determining whether the credit agreement or any part of it falls within the definition of "a Regulated Mortgage Contract"; (b) changes to credit agreements; and (c) changes to the definition of "**Regulated Mortgage Contract**" introduced following the implementation of the Mortgage Credit Directive Order into the UK on 21 March 2016.

The current definition of a Regulated Mortgage Contract is such that if the mortgage contract was entered into on or after 21 March 2016, it will be a Regulated Mortgage Contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions and qualifications); (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA (which for these purposes, includes the UK) and at least 40% of which is used, or is intended to be used, (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee which is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person.

An unauthorised person may arrange for an authorised person to administer its Regulated Mortgage Contracts but, if that arrangement comes to an end, that unauthorised person may commit an offence if it administers the Regulated Mortgage Contracts for more than one month after the end of the arrangement, although this will not render the contract unenforceable against the borrower.

KMC holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Subject to any exemption, brokers are required to hold authorisation and permission to arrange and to advise on 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 in relation to Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission. If such administration agreement terminates or the appointment of an administrator thereunder is terminated, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement administrator having the required FCA authorisation and permission. In addition, no variation is permitted to be made to a Loan and no further advance or product switch is permitted to be made in relation to a Loan where 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.

Given that the Issuer will not itself be an authorised person under the FSMA, in the event that an agreement for a Loan 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 entity such as the Legal Title-Holder or the Mortgage Administrator having the required FCA authorisation and permission.

If requirements as to authorisation of lenders and brokers, or as to the issue and approval of advertisements in respect of credit secured on land, are not complied with, a Regulated Mortgage Contract (or other credit secured on land, in the case of requirements as to the issue and approval of advertisements) would be unenforceable against a borrower except with the approval of a court. A Borrower may be entitled to claim damages for loss suffered as a result of any contravention of an FCA rule by an authorised person. In the case of such contravention by the Originator, the Borrower may claim such damages against the Originator, or set-off the amount of such claim against the amount owing by the Borrower under the Loan. Any such claim or set-off may adversely affect the ability of the Issuer to make payments to the Noteholders.

An unauthorised person who administers a Regulated Mortgage Contract entered into on or after N.M may commit a criminal offence, but this will not render the Regulated Mortgage Contract unenforceable against the borrower.

Prudential and authorisation requirements placed on authorised persons in respect of regulated mortgage activities came into force on N.M, together with rules covering the extension of the appointed representatives regime (which previously applied to investment business) to mortgages.

The Issuer understands that all Loans were originated on or after N.M. All Loans originated on or after N.M but before and after 21 March 2016 were intended to be Regulated Mortgage Contracts under the FSMA.

The FCA has the power to render unenforceable contracts made in contravention of its product intervention rules. Section 137D of the FSMA permits the FCA to make temporary product intervention rules ("**TPIRs**") prohibiting authorised persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. The FCA is normally obliged to consult the public and prepare a cost-benefit analysis before making any rules but the TPIRs are an exemption to this requirement which allow the FCA to make rules 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 TPIR, the FCA's rules may provide: (a) for the relevant agreement or obligation to be unenforceable (although any unenforceability provision would only apply to sales made after the introduction of the rules); (b) for the recovery of any money or other property paid or transferred under the agreement; or (c) provide for the payment of compensation for any loss sustained under the relevant agreement or obligation.

In March 2013 the FSA published a policy statement "*The FCA's use of temporary product intervention rules*" following a consultation addressing when and how the FCA will consider making TPIRs. The FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make 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, the market context and whether the use of TPIRs will have any unintended consequences. The FCA's rules on TPIRs are included in the Product Intervention and Product Governance Sourcebook which came into force on 3 January 2018. This was introduced to implement product governance requirements under MiFID II (2014/65/ED).

Changes to UK and EU mortgage regulation, particularly as a result of the MCD (as defined below) may affect the Mortgage Pool, the Seller, the Legal Title-Holder, the Issuer and/or the Mortgage Administrator and their respective businesses and operations.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the regulation of Mortgages under FSMA please see "*Risk Factors – Regulatory and legal risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

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

MCOB sets out the FCA's rules for regulated mortgage activities, including financial promotions, disclosure, contract changes, charges and arrears and repossessions. These rules came into force on 31 October 2004, under the handbook of the previous regulator, the FSA. Since 1 April 2013, these rules are located in the FCA's handbook. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

If FCA requirements on authorisation and permission of lenders and brokers or on issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract entered into as a consequence of such action will be unenforceable against the borrower except with the approval of a court.

Failure to comply with the provisions of MCOB will not necessarily render Regulated Mortgage Contracts unenforceable. However, breaches of the rules in MCOB are actionable by Borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a Borrower to set-off sums due under a Regulated Mortgage Contract. Any such set-off in relation to a Loan in the Mortgage Pool may adversely affect the Issuer's ability to make payments on the Notes and the Certificates.

A Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention of the FSMA and Consumer Credit Sourcebook ("**CONC**") by an authorised person. A Borrower may set off the amount of the claim against the lender for contravention of CONC against the amount owed by the Borrower to the Legal Title-Holder.

The Seller will give the Warranties to the Issuer in the KHL/Issuer Mortgage Sale Agreement, including that each relevant Loan and its Collateral Security is enforceable (subject to certain exemptions). If a Loan or its Collateral Security does not comply with the Warranties, and if the default cannot be or is not cured within 30 Business Days, then the Seller and KMC will be required, on a joint and several basis, to (x) repurchase, or procure that an affiliate repurchases, the relevant Loan which is subject to a breach of warranty or (y) substitute in Substitute Loans in an amount equal to the Repurchase Price.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the application of MCOB please see "*Risk Factors – Regulatory and legal risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

### ***Expansion of MCOB***

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

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the expansion of MCOB please see "*Risk Factors – Regulatory and legal risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

### ***Financial Ombudsman Service***

Under the FSMA, the Ombudsman is required to make decisions on, *inter alia*, 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 the circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case.

Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Ombudsman is required to make decisions based on, *inter alia*, the principles of fairness and may order a money award to the borrower it is not possible to predict how any future decision of the Ombudsman could affect the ability of the Issuer to make payments to the Noteholders and Certificateholders.

### ***FCA mortgage market review***

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, *inter alia*, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally came into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing. These rules have, for example, imposed more stringent requirements on lenders to assess the affordability of a loan made to a borrower, to verify the income of a borrower and (in the case of interest-only loans) to ensure that the borrower has a credible strategy to repay the capital borrowed, as well as undertaking stress tests to ensure that mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process.

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these new rules. These new rules will apply to a Loan where (a) it is entered into on or after 26 April 2014; or (b) where 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 MCOB applies to the Loan generally as a regulated mortgage contract. To the extent that further advances are made which constitute new loans, or a loan is varied and in so doing a new loan is created under the new terms and such loans are Regulated Mortgage Contracts, then these new rules would apply. To the extent that the new rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loans. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes and Certificates.

The FCA also published its Thematic Review (TR18/1) in January 2018 on the fair treatment of existing interest-only mortgage customers. The FCA found that all lenders in the sample had made progress in the fair treatment of interest-only customers and the potential harm caused by non-repayment at maturity was reduced. The FCA will now continue to monitor the risk in this area through their regulatory data and market intelligence.

A further study was launched on areas where competition can potentially be improved for the benefit of customers. The final report (Mortgages Market Study MS16/2.3) was published in March 2019. The FCA found that there are some borrowers on a high reversionary rate who do not or cannot switch to a more affordable mortgage (the so called "**mortgage prisoners**"). On 26 March 2019, the FCA launched a consultation paper 'CP 19/14; Changes to Mortgage Responsible Lending'. In this consultation paper, the FCA set out its concerns that some consumers cannot switch to a more affordable mortgage despite being up to date with their mortgage payments. The FCA concluded that consumers in this position, or who could be in this position in the future, are suffering harm, as they are paying higher than necessary mortgage payments.

On 28 October 2019, the FCA issued a policy statement 'PS 19/27 Changes to Mortgage Responsible Lending Rules and Guidance'. This policy statement proposes to remove barriers to consumers switching to a more affordable mortgage. The FCA proposed changes to its responsible lending rules to allow lenders to use a more proportionate affordability assessment for consumers who are up to date with their existing mortgage and want to switch to a more affordable mortgage without borrowing more. The proposals also aimed to reduce the time and costs of switching.

The FCA has also confirmed that borrowers of inactive lenders and firms not authorised for mortgage lending (who are unregulated) will have to be informed that the process is now simpler for them to switch to another lender should they wish.

Only borrowers who ended up trapped in a mortgage due to the 2008 financial crash are eligible to benefit from the relaxed rules.

A plan for transferring mortgage prisoners onto new mortgages is still being worked through by the Treasury and FCA.

In the fourth quarter of 2019, the UK Mortgage Prisoner Action Group launched a claim to get compensation for more than 200,000 borrowers who have been paying what they claim to be unreasonably high mortgage interest rates for the past decade since their mortgage lender has been either nationalised or loans transferred to a different lender who does not allow them to switch to a better deal. The action is brought on behalf of the current and former Northern Rock and Bradford & Bingley mortgage holders.

Covid-19 has had a significant impact on the mortgage market. Lenders have reported that they will be unable to offer a range of switching options or support re-mortgaging for mortgage prisoners as quickly as it was initially anticipated.

The FCA's rules based on pre-Covid-19 conditions require firms to write to those who may be eligible informing them that they may be able to switch their mortgage. However, given lenders' inability to offer new switching options to mortgage prisoners, the FCA believes that it is not right to require letters to be sent to consumers at this time. The FCA has therefore decided to extend the window during which it expects firms to contact consumers about switching options to 1 December 2020.

In addition to the above, the Mortgage Market Study identified the following potential harms relating to the mortgage advice and selling standards:

- (a) The FCA's rules and guidance may be a barrier to developing tools that help consumers choosing a mortgage.
- (b) Consumers looking to buy an execution-only mortgage (i.e. without advice) are diverted to advice; execution-only sales channels are not always easy to use.
- (c) many consumers are overpaying for their mortgages, even when they get advice.

In January 2020, the FCA issued its policy statement *'PS20/1 - Mortgage advice and selling standards'* following its previously published consultation paper (CP19/17).

In this policy statement, the FCA is finalising its mortgage rules and guidance in the following ways:

- (a) changing the FCA Perimeter Guidance on mortgage advice to:
  - (i) making clear that tools that allow search and filtering based on objective criteria are not necessarily giving advice; and
  - (ii) more closely align the FCA's approach with the recently updated guidance on advising on retail investments.
- (b) Permitting more customer interaction before firms are required to give advice.
- (c) Making other changes that may help firms make execution-only sales channels easier to use.
- (d) Requiring advisers to explain why they have not recommended a cheaper mortgage, where other products meet the customer's needs and circumstances.
- (e) Making minor amendments to correct a cross-reference or use a gender-neutral drafting approach in the Handbook text.

The FCA is intending to give consumers more choice in how they buy a mortgage by removing barriers to the development of search and filter tools from mortgage lenders and intermediaries.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from FCA mortgage market review please see "*Risk Factors – Regulatory and legal risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".



### *EU initiatives on Mortgage Credit*

On 21 March 2016, Member States were required to implement the Mortgage Credit Directive (2014/17/EU) (the "MCD"), which was published in the Official Journal of the European Union on 28 February 2014, and entered into force on 21 March 2014.

The MCD applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property and (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building, and also extends the Consumer Credit Directive to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of EUR 75,000. The MCD does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The MCD requires (among other things): standard information in advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. The MCD also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The UK Government and the FCA consulted on the transposition and implementation of the directive. In September 2014 the UK Government published a consultation paper on the transposition of the directive together with a draft impact assessment and draft Mortgage Credit Directive Order 2015.

The draft Order contains amendments to legislation including FSMA, CCA and the RAO. The final text of the draft Order together with a draft explanatory memorandum and draft transposition table, was published on legislation.gov.uk on 28 January 2015. The FCA also published a cost benefit analysis, prepared by KPMG LLP of the policy proposals for second charge lending.

On 27 March 2015 the FCA published their Policy Statement PS 15/9, which contains the final text of the Handbook material giving effect to the MCD. This Handbook material contains extensive changes to MCOB. Lenders had the option to elect to apply these new requirements from 21 December 2015 onwards, but they became mandatory from 21 March 2016. In addition, on 5 June 2015 the FCA published an additional policy statement, PS 15/11, making further handbook changes to give effect to the MCD.

During the period leading up to the coming into force of the MCD Order, KMC undertook an MCD implementation process. The documents, policies and processes of KMC have been updated to reflect the requirements of the MCD Order, the changes to MCOB and the extension of MCOB regime to Loans that were previously regulated under the CCA regime. KMC believes that the implementation and coming into effect of the MCD Order (and the changes to MCOB it has effected) have not had a material impact on the business of KMC.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the MCD please see "*Risk Factors – Regulatory and legal risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

### *Mortgage repossession*

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008, which 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 may be subject to the wishes of the relevant 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.

This protocol and this Act may have adverse effects in markets experiencing above average levels of repossession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the Issuer to make payments to Noteholders and Certificateholders.

A further Pre-Action Protocol for Debt Claims (the "**Protocol**") came into force on 1 October 2017 and applies to any business when claiming payment of a debt from an individual. The Protocol encourages early and reasonable engagement between parties and aims to allow parties to resolve the matter without the need to start court proceedings. Such out of court proceedings would include discussing a reasonable payment plan or considering the use of alternative dispute resolution.

On 20 March 2020 and in response to Covid-19, the FCA has issued its guidance in response to the ongoing outbreak of Covid-19 in the UK. Amongst other things, the guidance **provided that** UK mortgage lenders should, where a customer indicates they may potentially experience payment difficulties in the current circumstances and wish to receive a payment holiday, grant a customer a payment holiday for the 3 monthly payments that follow that interaction. No additional fee or charge (other than potentially accrued interest on the sum temporarily unpaid) may be levied as a result of the payment holiday. In addition, the FCA's guidance provides that firms should not commence or continue repossession proceedings against customers at this time, irrespective of the stage that repossession proceedings have reached and to any step taken in pursuit of repossession. Where a possession order has already been obtained, firms should refrain from enforcing it. The FCA makes clear in the guidance that it expects lenders of both owner-occupied and buy to let mortgage loans to act in a manner consistent with these requirements. This guidance was updated by the FCA on the 4 and 16 June 2020. The update provided further clarity on the guidance for providing customers personalised information to enable them to understand the implications of any support offered, either on a customer's monthly payments or terms of their mortgage.

Furthermore, on 2 November 2020, the FCA announced its proposals to enhance support for borrowers affected by Covid-19. It has confirmed its updated guidance setting out the enhanced support offered to mortgage borrowers experiencing payment difficulties as a result of coronavirus. The guidance entered into force from 20 November 2020.

The FCA stated that borrowers should keep up with payments on their mortgage if they can afford it and should only seek support if the support is absolutely necessary.

The FCA has also provided more detail on which groups of consumers will be entitled to access the payment deferrals and they are as follows:

- (a) Borrowers who have not yet had a payment deferral will be eligible for a payment deferrals of 6 months in total.
- (b) Borrowers who currently have a payment deferral will be eligible to top up to 6 months in total.
- (c) Borrowers who have previously had payment deferrals of less than 6 months will be able to top up, as long as the total deferrals would not exceed 6 months. This includes those receiving tailored support and those who are behind on payments.
- (d) Borrowers who have already had 6 months of payment deferrals will not be eligible for a further payment deferral. Firms will provide tailored support appropriate to their circumstances. This may include the option to defer further payments.

The FCA has confirmed that firms will continue to offer tailored support to borrowers. It has also confirmed that no one should have their home repossessed without their agreement until after 31 January 2021. Borrowers will have until 31 March 2021 to apply for an initial or a further payment deferral. After that date, they will be able to extend existing deferrals to 31 July 2021, provided these extensions cover consecutive payments, and subject to the maximum 6 months allowed. Borrowers who have not yet taken a deferral, and who think they need the full 6 months should apply in good time before their February 2021 payment is due.

Payment deferrals under these proposals would not be reported as missed payments on a borrower's credit file. This does not mean that consumers' ability to access credit will be unaffected in future, as lenders may take into account a range of information when making lending decisions.

Tailored support may be reported on a borrower's credit file, and lenders should inform borrowers where this will be the case. Any payment deferrals offered as tailored support could be recorded on a borrower's credit file.

In October 2020, the FCA has also issued a separate guidance for borrowers with interest only or part-and-part mortgages whose capital repayment plans were affected by the crisis. Borrowers whose mortgages matured from 20 March 2020 can delay the repayment of the capital on their mortgage until 31 October 2021.

The FCA has confirmed that as well as accessing payment deferrals before maturity, such borrowers can access payment deferrals after maturity without this affecting their ability to delay the capital repayment.

The FCA will continue to keep the support available to consumers under review and it is possible that additional measures will be announced in 2021.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from Mortgage repossession please see "*Risk Factors – Regulatory and legal risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

#### *Scottish Loans*

Scottish Loans are secured over the relevant Properties by way of standard security (the equivalent to a legal charge in England and Wales), being the only means of creating a fixed charge or security over heritable or long leasehold property (i.e. land and buildings thereon) in Scotland. The beneficial interest in the Scottish Loans (together with the security thereof) will be transferred to the Issuer pursuant to the Scottish Declarations of Trust granted by the Legal Title-Holder. In respect of Scottish Loans, references herein to a "mortgage" and a "mortgagee" 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 conditions may be varied by agreement between the parties. Most lenders in the residential mortgage market vary the Standard Conditions by a "Deed of Variations", the terms of which are in turn imported into each standard security.

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement. The enforcement of standard securities is principally governed by the Conveyancing & Feudal Reform (Scotland) Act 1970 (the "**1970 Act**") as amended by the Home Owner & Debtor Protection (Scotland) Act 2010 (the "**2010 Act**"), which was passed by the Scottish Parliament and the relevant provisions of which came into effect on 30 September 2010. While, as in England and Wales, it is in principle possible for a lender to enforce without making application to the court if the borrower voluntarily vacates the property, the statutory requirements imposed on the lender in such cases are onerous and as a consequence court proceedings are in practice almost invariably required.

As a preliminary step the lender must in all cases serve a "calling up notice" requiring repayment of the principal debt and all interest due, with which the borrower has two months to comply. Once the two months' notice has expired without payment the lender may apply to the court for a decree against the borrower enabling the lender to exercise the relevant enforcement remedies, being principally the sale of the property or entering into possession.

Court application can only be made when certain pre-action requirements imposed by the 2010 Act have been met. These requirements are similar to those of the Pre-Action Protocol applicable in England and Wales (see "*Mortgage Repossession*" above) and require the lender to provide the borrower with various information and to make reasonable efforts to agree repayment proposals with the borrower. In particular, a court application cannot proceed while the borrower is taking steps which are likely to result in repayment of the debt within a reasonable time. The court will not grant decree unless satisfied that the lender has complied with the pre-action requirements and that it is reasonable in the circumstances to do so (and the 2010 Act specifies various factors to be taken into account by the court in assessing reasonableness in this context).

A key difference between the Scottish and English provisions is that in Scotland the lender's application may be contested by an "*Entitled Resident*" as well as by, and on the same grounds as, the borrower. The definition of "*Entitled Resident*" is complex but essentially includes anyone resident in the secured property

who is or has been a spouse, civil partner or co-habitant of the borrower (but does not include tenants or members of the borrower's family).

The court decree, once granted, entitles the lender if necessary to evict the borrower and to proceed either to sell the property or itself take possession of it. Sale may be by private bargain or public auction and the lender is under a duty to advertise the sale and to take steps to ensure that the sale price is the best which can reasonably be obtained.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising in relation to the repossession of Scottish Loans please see "*Risk Factors – Risks Related to Loans – Scottish Loans*".

### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015***

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the 1999 Regulations, together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 the "**UTCCR**") apply to agreements made on or after 1 July 1995 and before 1 October 2015 by a "consumer" within the meaning of the UTCCR, where the terms have not been individually negotiated.

The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015.

The UTCCR and the CRA provide that a consumer (which would include a borrower under all or almost all of the Loans) may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR or the CRA (as applicable) and therefore not binding on the consumer (although the remainder of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that a regulator may take action to stop the use of terms which are considered to be unfair.

Neither the UTCCR nor the CRA generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, or price terms, **provided that** these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. However, both the UTCCR and the CRA may apply to terms that are related to, but which are not themselves considered to be terms which define, the main subject matter of the contract, or price terms, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees, as well as terms which give the lender a unilateral right to vary the contract or interpret any term of the contract. Please see the paragraph below ("*Consumer Rights Act 2015*") for further details on the CRA.

For example, if a term permitting the lender to vary the interest rate (as the Legal Title-Holder is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan agreement or under any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off ultimately may adversely affect the ability of the Issuer to make payments to Noteholders and Certificateholders.

On 12 January 2016, the FCA and the Competition and Markets Authority (the "**CMA**") entered into a memorandum of understanding in relation to consumer protection (the "**MoU**") which stated that the CMA may consider fairness, but will not usually expect to do so, where the firm concerned is an authorised firm or an authorised representative under FSMA. Further, the MoU stated that the FCA will consider fairness within the meaning of the CRA and the UTCCR of standard terms, and the CRA of negotiated terms, in financial services contracts issued by authorised firms or appointed representatives, when such firms or representatives are undertaking any regulated activity (as specified in Part II of the RAO), in the UK. In this MoU 'authorised' includes having an interim permission and a 'relevant permission' includes an interim permission. This will include contracts for:

- mortgages and the selling of mortgages;
- insurance and the selling of insurance;
- bank, building society and credit union accounts;

- life assurance;
- pensions;
- investments;
- consumer credit;
- consumer hire; and
- other credit-related regulated activities.

MCOB rules for Regulated Mortgage Contracts require firms to: (i) ensure charges for a payment shortfall are equal to or lower than a reasonable calculation of the cost of the additional administration required as a result of the customer having a payment shortfall; and (ii) consider how to allocate a payment where a customer has a payment shortfall and the payment made is not sufficient to cover all amounts currently due under the contract (setting the order of priority in a way that will minimise the amount of the payment shortfall once the payment has been allocated).

In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR **provided that** they are written in plain and intelligible language and are adequately drawn to the borrower's attention.

The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying Loans. If any term of the Loans entered into between 1 July 1995 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Notes.

The FCA have stated that the finalised FCA guidance "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (see "*Consumer Rights Act 2015*" below) applies equally to factors that firms should consider to achieve fairness under the UTCCR.

The guidance issued by the FSA (and, as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR or reform of the UTCCR, will not have a material adverse effect on the Legal Title-Holder, the Mortgage Administrator and the Issuer and their respective businesses and operations.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015, please see "*Risk Factors – Regulatory and Legal Risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

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

The main provisions of the CRA came into force on 1 October 2015. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR for contracts entered into on or after 1 October 2015. The CRA has revoked the UTCCR in respect of contracts made on or after 1 October 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

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

circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

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

A term of a consumer contract which is not on the "grey list" may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it, provided it is transparent and prominent.

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

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "**CMA Guidance**"). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the CRA as it was to the UTCCR. In general, there is little reported case law on the UTCCR or the CRA and the interpretation of each is open to some doubt. The extremely broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair.

On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG18/7), outlining factors the FCA considers firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU. The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

In December 2019, the FCA issued the 'Unfair Contract Terms Regulatory Guide: Release 45'. This Guide explains the FCA's formal powers under the CRA in relation to unfair terms and consumer notices. It also provides guidance on the approach the FCA takes before considering whether to exercise its formal powers under the CRA in relation to unfair terms and notices.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the Consumer Rights Act 2015, please see "*Risk Factors – Regulatory and Legal Risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

#### ***Financial Services (Distance Marketing) Regulations 2004***

In the UK, 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).

These regulations (and MCOB in respect of activities related to Regulated Mortgage Contracts) require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, is not cancellable under these regulations but is subject to related pre-contract disclosure requirements in the MCOB. Certain other credit agreements will be cancellable under these regulations, if the borrower does not receive prescribed information at the prescribed time or, in any event, for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14<sup>th</sup> day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the borrower receives the last of the prescribed information. Compliance with these regulations may be secured by way of injunction (interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of these regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine. Failure to comply with the MCOB rules could result in, *inter alia*, disciplinary action by the FCA and possible claims under Section 138D of the FSMA for breach of FCA rules.

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 notice of cancellation or, if later, the lender 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 to be treated as never having had effect in respect of the cancelled agreement.

The Financial Services (Distance Marketing) (Amendment and Savings Provisions) (EU Exit) Regulations 2019 is being made pursuant to powers in the European Union (Withdrawal) Act 2018 ("EUWA"). This is to address any deficiencies in the retained EU law (the Financial Services (Distance Marketing) Regulations 2004) in relation to the distance marketing; for example, marketing carried out by telephone, email or fax for the financial services consumers. This is to ensure the legislation continues to operate effectively at the point at which the UK leaves the EU.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the Financial Services (Distance Marketing) Regulations 2004 please see "*Risk Factors – Regulatory and legal risks – Legal risks associated with the Loans, the Notes and the Transaction Documents*".

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

On 11 May 2005, the European Parliament and the Council adopted a Directive (2005/29/EC) regarding unfair business to consumer commercial practices (the "**Unfair Practices Directive**"). Generally, this Directive applies full harmonisation, which means that member states of the European Union may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, in March 2013, the European Commission published a report on the application of the Unfair Practices Directive which (among other things) permits member states of the European Union to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within this Directive. The Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right to set off to an individual consumer.

The Unfair Practices Directive has been implemented in the UK through the Consumer Protection from Unfair Trading Regulations (the "**CPUTR**"), which came into force on 26 May 2008 and affects all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTR is not solely concerned with financial services, it does apply to the residential mortgage market. In addition, the FCA has taken the Unfair Practices Directive into account in

reviewing its relevant rules, such as MCOB. Under the CPUTR a commercial practice is to be regarded as unfair and prohibited if it is:

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

In addition to the general prohibition on unfair commercial practices, the CPUTR contains provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the mortgage loans, the seller or the issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTR. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment and the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in unrecoverable losses on amounts to which such agreements apply.

Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment.

On 14 March 2013 the Commission published the results of its review on the application of the Unfair Practices Directive. The Commission did not propose amending the directive but indicated that intensified national enforcement and re enforced cooperation in cross border enforcement were needed. The Commission also indicated that it would consider how it could play a more active role in enforcement and would continue to perform in-depth reviews of how the directive works in practice.

No assurance can be given that the United Kingdom's implementation of the Unfair Practices Directive will not have a material adverse effect on the Loans and accordingly on the liability of the Issuer to make payments to the holders of the Notes and the Certificates.

#### ***Mortgage Credit (Amendment) (EU Exit) Regulations 2019***

The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 took effect on the UK's exit from the European Union, as part of the complementary legislation enacted by the United Kingdom parliament in connection with the UK's withdrawal from the European Union.

This statutory instrument addresses deficiencies in the Mortgage Credit Directive Order 2015 (being the instrument which transposed the MCD into law in the UK) as a result of the UK having left the European Union. It does not make any substantial policy changes. However, there are certain necessary amendments including an amendment to the territorial scope of regulated consumer buy-to-let lending; which no longer applies to land in EEA states, but only to land within the UK. There is also an amendment to the rules for consumer buy-to-let foreign currency mortgages, and amendments to the formula for the annual percentage rate of charge for consumer buy-to-let mortgages, whereby the United Kingdom treasury will be conferred the power to make regulations to amend the assumptions on which these calculations are made.

#### **Legal and Regulatory Matters Affecting the Notes**

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

Pursuant to the terms of the Deed of Charge, the Issuer has purported to grant fixed charges over, amongst other things, its interests in the Mortgages and their related Collateral Security and its rights and benefits in the Bank Accounts, and its beneficial interests in the Collection Accounts.

The law in England and Wales relating to the characterisation of fixed charges is not settled. The fixed charges purported to be granted by the Issuer may take effect under English law as floating charges only,



if, for example, it is determined that the Trustee does not exert sufficient control over the charged property for the security to be said to "fix" over those assets (although it should be noted that there is no equivalent concept of re-characterisation of fixed security as floating charges under Scots law). It should be assumed by Noteholders that the fixed charges will take effect as floating charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets. In particular, the expenses of any administration, and the claims of any preferential creditors and the claims of unsecured creditors would rank ahead of the claims of the Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents not to have any employees.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge (as described in more detail above in "*Risk Factors - English law security and insolvency considerations*").

*UK Government Credit Guarantee Scheme, ABS Guarantee Scheme and Financial Services Compensation Scheme not applicable*

On 8 October 2008, the UK Government announced the introduction of a new credit guarantee scheme pursuant to which the Government would make available to eligible institutions for an interim period a guarantee of new short and medium term debt issuance to assist in refinancing maturing, wholesale funding obligations as they fell due. The UK Government indicated that certain debt instruments including the Notes were not covered by the guarantee provided under the scheme and, as such, for the avoidance of doubt, the obligations of the Issuer in respect of the Notes are not guaranteed by the UK Government under the above credit guarantee scheme. This scheme was closed to new issuance on 28 February 2010 and the scheme closed upon the expiry of the final guarantee on 26 October 2012. In addition, on 19 January 2009, the UK government announced the introduction of the asset backed securities guarantee scheme which closed on 31 December 2009. The Notes are not guaranteed by the UK Government under the asset backed securities guarantee scheme. Also, any investment in the Notes does not have the status of a bank deposit in England and Wales and is not within the scope of the UK Financial Services Compensation Scheme and accordingly, the Notes will not confer any entitlement to compensation under that scheme. As such, the Notes are obligations of the Issuer only and any potential investors should be aware that they will not be able to have recourse to any of the guarantees or compensation schemes set out above in relation to an investment in the Notes.

*Equitable interest and Scottish Declaration of Trust*

Legal title to the Mortgages in the Mortgage Pool over registered land in England and Wales or any land in Scotland is, or is in the course of being, registered in the name of the Legal Title-Holder, and will remain with the Legal Title-Holder. The sale by the Seller to the Issuer, of Mortgages over such land in England and Wales, will take effect in equity only. The sale by the Seller to the Issuer of Mortgages over such land in Scotland is given effect to by the Legal Title-Holder declaring a trust in respect of the Scottish Loans and their Collateral Security in favour of the Issuer. By virtue of each Scottish Declaration of Trust by the Legal Title-Holder, the beneficial interest in the relevant Scottish Loans and their Collateral Security is held on trust for the benefit of the Issuer. 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. Save in the circumstances set out below, no application will be made to the Land Registry or the Registers of Scotland to register the Issuer as legal owner or heritable creditor of such Mortgages. Neither the Issuer nor the Trustee will apply to the Land Registry or the Registers of Scotland to register their interest in such Mortgages. See "*Title to the Mortgage Pool*" below.

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages by not registering or recording their respective interest in the Land Registry or at Registers of Scotland (where applicable), a *bona fide* purchaser from the Legal Title-Holder for value of any of such Mortgages without notice of any of the interests of the Seller, the Issuer or the Trustee (and certain similar third parties) might obtain a good title free of any such interest. Further, the rights of the Issuer and the Trustee may be or become subject to equities (for example, rights of set-off as between the relevant Borrowers or insurance companies and the Legal Title-Holder). However, the risk of third party claims obtaining priority to the

interests of the Seller, the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by the Legal Title-Holder, the Seller or the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) of its contractual obligations, representations or warranties or fraud, negligence or mistake on the part of the Seller, the Legal Title-Holder or the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) or their respective personnel or agents. (See "*Title to the Mortgage Pool*" below). Furthermore, for so long as neither the Issuer nor the Trustee have obtained legal title, they must join the Legal Title-Holder as a party to any legal proceedings which they may wish to take against any Borrower or in relation to the enforcement of any Mortgage. In this regard, the Legal Title-Holder will undertake, for the benefit of the Issuer and the Trustee, that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or may be required by the Trustee in relation to, any legal proceeding in respect of any Mortgage. In the event that the Legal Title-Holder is in administration, discretionary leave of the court may be required to join the Legal Title-Holder as a party to such proceedings.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from Equitable interest and Scottish Declaration of Trust please see "*Risk Factors – Risk Related to the Notes – Legal Risks related to the sale of the Mortgage Pool*".

#### *Set-off risk*

As described above, the sale by the Seller to the Issuer of the English Loans will be given effect by an equitable assignment and the sale of Scottish Loans will be given effect under each Scottish Declaration of Trust. As a result, legal title to the Loans will remain with the Legal Title-Holder until the occurrence of certain trigger events under the terms of the KHL/Issuer Mortgage Sale Agreement (see "*Rights of Noteholders and Certificateholders and Relationship with Other Secured Creditors – Triggers Tables – Non-Rating Triggers Table – Perfection Events*") or until the Legal Title-Holder exercises its discretion to transfer legal title in the Loans to an authorised third party or a substitute entity, subject to receipt of a Rating Agency Confirmation. Therefore, the rights of the Issuer may be subject to "transaction set-off", being the direct rights of the Borrowers against the Legal Title-Holder.

By way of example, the relevant Borrower may set-off any claim for damages (including the exercise of analogous rights) arising from the Legal Title-Holder's breach of contract against the Legal Title-Holder's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Mortgage Pool, 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 in the immediately preceding paragraph.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from set-off please see "*Risk Factors – Risk Related to the Notes – Legal Risks related to the sale of the Mortgage Pool*".

#### *Effect of the sale of the Mortgage Pool*

The Issuer has considered whether the transfer of the Loans and Collateral Security pursuant to the terms of the KHL/Issuer Mortgage Sale Agreement is effective to transfer to the Issuer the beneficial ownership of (but not, without further steps being taken, the legal estate in or title to) the Loans, Mortgages and Collateral Security. The Issuer has been advised that, subject to certain assumptions and qualifications, on the basis of the principles set out in *Re George Inglefield [1933] Ch 1, as considered and applied by the Court of Appeal in Welsh Development Agency v Export Finance Co. Ltd. [1992] BCC 270*, an English court would find the transfer was not made by way of security and therefore would not be void against a liquidator, administrator or creditor of the Legal Title-Holder or the Seller. If a court were to find otherwise, investors could be adversely affected.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising with respect to the effect of the sale of the Mortgage Pool please see "*Risk Factors – Risk Related to the Notes – Legal Risks related to the sale of the Mortgage Pool*".

#### *UK Securitisation Regulation*

Pursuant to the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020, from the Implementation Period Completion Day, EU regulations (including the EU

Securitisation Regulation) which previously had direct effect in the UK by virtue of the European Communities Act 1972 were transposed into domestic law. Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Securitisation Regulation**") comprises, as at the date of this Prospectus, substantively very similar provisions to the EU Securitisation Regulation, save for EU-specific references having been deleted and/or replaced with UK-specific references pursuant to various UK statutory instruments including, notably, references to EU Affected Investors having been replaced, in the UK Securitisation Regulation, with references to UK Affected Investors.

Due diligence requirements under the UK Securitisation Regulation together with all implementing technical standards applicable on the Issue Date apply in respect of investments in the Notes by UK Affected Investors. UK Affected Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules made in the UK), 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 Risk Retention Holder to retain a material net economic interest of at least 5 per cent. in the securitisation and with respect to the information to be made available by the Issuer (or by the Mortgage Administrator on the Issuer's behalf), please see the statements set out in "*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 of UK Securitisation Regulation and none of the Issuer, the Arranger, the Joint Lead Managers, KHL or any of the other Transaction Parties makes any representation that the information described above is sufficient in all circumstances for such purposes.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the UK Securitisation Regulation please see "*Risk Factors – Regulatory and legal risks – UK Securitisation Regulation*".

#### *EU Securitisation Regulations*

On 1 January 2019, Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the "**EU Securitisation Regulation**") and the associated Regulation (EU) 2017/2401 (the "**EU CRR Amending Regulation**", and together with the EU Securitisation Regulation, the "**EU Securitisation Regulations**") began to apply to any securitisations issued from that date, subject to various transitional provisions. The EU Securitisation Regulations implement the revised securitisation framework developed by the Basel Committee, as well as revised risk retention and transparency requirements (now imposed variously on the issuer, originator, sponsor and/or original lender of a securitisation) and new due diligence requirements imposed on certain institutional investors in a securitisation. It also introduced a ban on the securitisation of residential mortgage loans made after 20 March 2014 and marketed and underwritten on the premise that the loan applicant or, where applicable, intermediaries were made aware that the information provided by the loan applicant might not be verified by the lender. In general, the requirements imposed under the EU Securitisation Regulations are more onerous and have a wider scope than those imposed under the previous legislation.

The EU risk retention and due diligence requirements under the EU Securitisation Regulation together with all implementing regulatory and technical standards in force on the Issue Date will be complied with as if such requirements were applicable in respect of the Notes from the Issue Date until such time as KHL may certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirement will also satisfy the EU Retention Requirement due to the application of an equivalency regime or similar analogous concept. In addition, to the extent that Article 6 of the EU Securitisation Regulation is amended or new binding technical standards are introduced, KHL will be under no obligation to comply with such amendments.

Each potential EU Affected Investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the EU Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Arranger, any Joint Lead Manager, KHL or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from the EU Securitisation Regulation please see "*Risk Factors – Regulatory and legal risks – EU Securitisation Regulation*".

*Various parties to the transaction are subject to the requirements of the UK Securitisation Regulation and EU Securitisation.*

With regard to the transparency requirements set out in Article 7 of the UK Securitisation Regulation (the "**UK Transparency and Reporting Requirements**"), the relevant regulatory and implementing technical standards, including the standardised templates adopted by the FCA which set out the form in which the relevant reporting entity is required to comply with certain of the periodic reporting requirements (the "**UK Disclosure Templates**"), the Issuer will comply with such UK Transparency and Reporting Requirements and will make use of such UK Disclosure Templates.

With regard to the transparency requirements set out in Article 7 of the EU Securitisation Regulation (the "**EU Transparency and Reporting Requirements**"), the relevant regulatory and implementing technical standards as in force on the Issue Date, including the standardised templates developed by ESMA which set out the form in which the relevant reporting entity is required to comply with certain of the periodic reporting requirements (the "**ESMA Disclosure Templates**") in connection with the EU Securitisation Regulation came in force in September 2020 and the Issuer will make use of such ESMA Disclosure Templates.

In addition to the above, investors should note that this Transaction meets the criteria for UK STS securitisations and consequently, the UK STS Notification will be made with respect to the Notes. For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from various requirements of the parties to the Transaction Documents under the UK Securitisation Regulation please see "*Risk Factors – Regulatory and legal risks – UK Securitisation Regulation*".

#### *Transparency Requirements*

Various parties to the transaction are subject to the requirements of the UK Securitisation Regulation. The Issuer and KHL, as originator within the meaning of the UK Securitisation Regulation, have agreed that the Issuer is the designated entity under Article 7(2) of the UK Securitisation Regulation to fulfil the information requirements of Article 7(1) of the UK Securitisation Regulation. Whilst the Issuer and KHL (as a SSPE and originator respectively for the purposes of the UK Securitisation Regulation) remain responsible for the provision of the required Article 7 information to the relevant recipients designated thereunder, the Issuer has appointed (A) the Cash/Bond Administrator to (i) prepare the UK SR Investor Report and (ii) in line with Article 7(1)(f) and/or Article 7(1)(g) of the UK Securitisation Regulation and on the instructions of the Issuer or Mortgage Administrator, prepare an inside information report or significant event information report (as applicable) in the form of the template set out in Annex XIV (*Inside information or significant event template – Non-asset backed commercial paper securitisation*) of the relevant binding standards under the UK Securitisation Regulation; and (B) the Mortgage Administrator to (i) prepare the UK SR Data Tape and (ii) provide certain information required under Article 7(1)(f) and/or Article 7(1)(g) of the UK Securitisation Regulation to the Issuer and the Cash/Bond Administrator. In addition, the Issuer has appointed the Mortgage Administrator to perform and/or as applicable, assist with the Issuer's reporting obligations under Article 7(2) of the UK Securitisation Regulation by the publication of the reports that are required to be delivered under Article 7(1) of the UK Securitisation Regulation to the UK SR Website (as applicable). For further information please refer to the sections entitled "*General Information*", "*The Cash/Bond Administrator*", "*The Originator, the Mortgage Administrator and the Legal Title-Holder*" and "*Administration, Servicing and Cash Management of the Mortgage Pool*".

Various parties to the transaction have agreed to contractually comply with the requirements of the EU Securitisation Regulation as such requirements exist as at the Issue Date. The Issuer and KHL, as originator within the meaning of the EU Securitisation Regulation, have agreed that the Issuer will act as if it is the designated entity under Article 7(2) of the EU Securitisation Regulation to fulfil the information requirements of Article 7(1) of the EU Securitisation Regulation. Whilst the Issuer and KHL (as a SSPE and originator respectively for the purposes of the EU Securitisation Regulation) remain responsible for the provision of the required Article 7 information to the relevant recipients designated thereunder, the Issuer has appointed (A) the Cash/Bond Administrator to (i) prepare the EU SR Investor Report and (ii) on the instructions of the Issuer or Mortgage Administrator, prepare an inside information report or significant event information report (as applicable) in the form of the template set out in Annex XIV (*Inside*

*information or significant event template – Non-asset backed commercial paper securitisation*) in respect of any information required to be produced pursuant to Article 7(1)(f) and/or Article 7(1)(g) (as applicable) of the EU Securitisation Regulation; and (B) the Mortgage Administrator to (i) prepare the EU SR Data Tape and (ii) provide certain information required under Article 7(1)(f) and/or Article 7(1)(g) of the EU Securitisation Regulation to the Issuer and the Cash/Bond Administrator. In addition, the Issuer has appointed the Mortgage Administrator to perform and/or as applicable, assist with the Issuer's reporting obligations relating to Article 7(2) of the EU Securitisation Regulation by the publication of the reports that are required to be delivered under Article 7(1) of the EU Securitisation Regulation to the EU SR Repository or EU SR Website (as applicable). For further information please refer to the sections entitled "*General Information*", "*The Cash/Bond Administrator*", "*The Originator, the Mortgage Administrator and the Legal Title-Holder*" and "*Administration, Servicing and Cash Management of the Mortgage Pool*".

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from transparency requirements please see Risk Factors entitled – "*UK Securitisation Regulation*" and "*EU Securitisation Regulation*".

#### *Simple, Transparent and Standardised (STS) Securitisation*

KHL (in its capacity as the originator under the UK Securitisation Regulation) confirms that it will on the Issue Date submit a notification to the FCA, in accordance with Article 27 of the UK Securitisation Regulation, confirming that the requirements of Articles 19 to 22 of the UK Securitisation Regulation (the "**UK STS Requirements**") have been satisfied with respect to the Notes (such notification, the "**UK STS Notification**").

The UK STS Notification, once notified to FCA, will be available for download on the FCA STS Register website at <https://data.fca.org.uk/#/sts/stssecuritisations> (or its successor website) (the "**FCA STS Register website**"). For the avoidance of doubt, the FCA STS Register website and the contents thereof do not form part of this Prospectus. The UK STS status of the Notes is not static and investors should verify the current status on the FCA STS Register website, which will be updated where the Notes are no longer considered to be FCA following a decision of competent authorities or a notification by KHL.

In relation to the UK STS Notification, KHL has been designated as the first contact point for investors and competent authorities.

KHL has used the services of Prime Collateralised Securities (PCS) UK Limited ("**PCS**") as a verification agent authorised under Article 28 of the UK Securitisation Regulation in connection with an assessment of the compliance of the Notes with the requirements of Articles 19 to 22 of the UK Securitisation Regulation (the "**UK STS Verification**") and to prepare an assessment of compliance of the Notes with the relevant provisions of Article 243 of the UK CRR ("**UK CRR Assessment**") and Article 13 of the UK LCR Regulation ("**UK LCR Assessment**", together with the UK CRR Assessment and the UK STS Verification, the "**UK STS Assessments**"). It is expected that the UK STS Assessments prepared by PCS will be available on the PCS website (<https://www.pcsmarket.org/sts-verification-transactions/>) together with detailed explanations of its scope at <https://pcsmarket.org/disclaimer/> on and from the Issue Date. For the avoidance of doubt, this PCS website and the contents thereof do not form part of this Prospectus.

#### *Compliance with U.S. Credit Risk Retention*

The U.S. Risk Retention Rules generally require "sponsors" to retain at least five per cent. of the credit risk of any asset pool they securitise and, until after the Sunset Date, prohibits hedging or otherwise transferring such retained risk that the sponsor is required to retain. The U.S. Risk Retention Rules became effective with respect to residential mortgage backed securities on 24 December 2015. The U.S. Risk Retention Holder will hold, either directly and/or through one of its majority owned affiliates, the required U.S. Risk Retained Interest as described in "*U.S. Credit Risk Retention*".

In addition, under the U.S. Risk Retention Rules, the U.S. Risk Retention Holder may not, until after the Sunset Date, engage in any hedging transactions that reduce or limit the credit exposure of the U.S. Risk Retention Holder to the U.S. Risk Retained Interest.

If the U.S. Risk Retention Holder or a majority-owned affiliate fails to retain credit risk in accordance with the U.S. Risk Retention Rules, or engages in a hedging transaction with respect to the U.S. Risk Retained Interest prior to the Sunset Date, the value and liquidity of the Notes may be adversely affected. Investors

should make themselves aware of the requirements described above where applicable to them and 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.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from compliance with U.S. credit risk retention please see "*Risk Factors – Risk Related to the Notes – Financing of the risk retention piece*".

#### *Compliance with UK and EU risk retention requirements*

Investors should be aware of the due diligence requirements in respect of various types of institutional investors with an UK nexus. Amongst other things, such requirements restrict an UK institutional investor (other than the originator, sponsor, or original lender) from investing in asset-backed securities unless (i) that UK investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including the position of its note in the relevant priorities of payment and the structural features of the securitisation and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that, amongst other things, it will retain, on an on-going basis, a qualifying material net economic interest of not less than 5 per cent. in respect of the relevant securitisation determined in accordance with Article 6 of the UK Securitisation Regulation.

An UK institutional investor (other than the originator, sponsor or original lender) holding a securitisation position shall at least establish appropriate written procedures that are proportionate to the risk profile of the securitisation position and, where relevant, to the institutional investor's trading and nontrading book, in order to monitor, on an ongoing basis, compliance with its due diligence requirements and the performance of the securitisation position and of the underlying 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 and are still evolving. UK investors who are uncertain as to the requirement that will need to be complied with in order to avoid the consequences of non-compliance should seek guidance from their regulator. Please see sections "*UK Securitisation Regulation*" above.

The risk retention and due diligence requirements under the UK Securitisation Requirements described above apply in respect of the Notes. With respect to the commitment of KHL to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Issue Date, by the Cash/Bond Administrator, and/or the Mortgage Administrator on the Issuer's behalf), please see the statements set out in "*Transparency Requirements*" and the section of this Prospectus headed "*Certain Regulatory Disclosures – UK Retention Requirements and EU Retention Requirements and exposure to the UK Retained Interest and EU Retained Interest*".

Each prospective investor who is subject to the UK Securitisation Regulation is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 5 of the UK Securitisation and any relevant national measures which may be relevant.

Similarly, investors should be aware of the due diligence requirements in respect of various types of institutional investors with an EU nexus. Amongst other things, the EU Securitisation Regulation restrict an EU institutional investor (other than the originator, sponsor, or original lender) from investing in asset-backed securities unless (i) that EU investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including the position of its note in the relevant priorities of payment and the structural features of the securitisation and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that, amongst other things, it will retain, on an on-going basis, a qualifying material net economic interest of not less than 5 per cent. in respect of the relevant securitisation determined in accordance with Article 6 of the EU Securitisation Regulation.

An EU institutional investor (other than the originator, sponsor or original lender) holding a securitisation position shall at least establish appropriate written procedures that are proportionate to the risk profile of the securitisation position and, where relevant, to the institutional investor's trading and nontrading book, in order to monitor, on an ongoing basis (save as disclosed before), compliance with its due diligence requirements and the performance of the securitisation position and of the underlying 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 and are still evolving. EU investors who are uncertain as to the requirement that will need to be complied with in order to avoid the consequences of non-compliance should seek guidance from their regulator. Please see sections "EU Securitisation Regulation" above.

The risk retention and due diligence requirements under the EU Securitisation Requirements described above apply in respect of the Notes. With respect to the commitment of KHL to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Issue Date, by the Cash/Bond Administrator, and/or the Mortgage Administrator on the Issuer's behalf), please see the statements set out in "Transparency Requirements" and the section of this Prospectus headed "Certain Regulatory Disclosures – UK Retention Requirements and EU Retention Requirements and exposure to the UK Retained Interest and EU Retained Interest".

Each prospective investor who is subject to the EU Securitisation Regulation is also required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 5 of the EU Securitisation Regulation. The due diligence required set out in Article 5 of the EU Securitisation Regulation require institutional investors (as defined in the EU Securitisation Regulation) to verify that the Issuer has, where applicable, made available information which is substantially the same (and with such frequency and modalities as are substantially the same) as the Issuer would have been required to make available in accordance with Article 5(1)(e) of the EU Securitisation Regulation, had it been established in the EU. Potential EU Affected Investors should note that the obligation of KHL to comply with the EU Retention Requirements is strictly contractual pursuant to the terms of the Retention Letter and apply with respect to Article 6 of the EU Securitisation Regulation together with any binding technical standards as in force on the Issue Date until such time when KHL is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirement will also satisfy the EU Retention Requirement due to the application of an equivalency regime or similar analogous concept. In addition, to the extent that Article 6 of the EU Securitisation Regulation is amended or new binding technical standards are introduced, KHL will be under no obligation to comply with such amendments. Each potential EU Affected Investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the EU Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Arranger, any Joint Lead Manager, KHL or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from Compliance with UK and European risk retention requirements please see "*Risk Factors – Risk Related to the Notes – Financing of the risk retention piece*".

#### *UK CRA3*

Prospective investors should note the provisions of UK CRA3. UK CRA3 requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from UK CRA3 please see "*Risk Factors – Regulatory and legal risks – UK Securitisation Regulation*".

#### *EU CRA3*

Prospective investors should note the provisions of EU CRA3 which became effective on 20 June 2013. EU CRA3 requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other.

For more information as to the risks specific to the Issuer and/or holding of the Notes and Certificates arising from EU CRA3 please see "*Risk Factors – Regulatory and legal risks – EU Securitisation Regulation*".

Implementation of and/or changes to the Basel Framework The Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to Basel II (being the revised international capital framework of the Basel Committee, published in 2004) regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including 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 reforms have been implemented in the European Economic Area ("**EEA**") through the EU CRR (which entered into force on 28 June 2013) and the Capital Requirements Directive (which was required to be transposed by Member States by 31 December 2013) (together "**EU CRD IV**"). EU CRD IV became effective in the UK and other EU member states on 1 January 2014. 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 (the requirements became largely effective by 2019, although some minor transitional provisions provide for phase-in until 2024).

In December 2017, the Basel Committee issued its document "Basel III: Finalising post-crisis reforms", although the Basel standards continue to evolve.

In 2019, the banking reform package was published in the EU Official Journal. This contained, among a new regulation, Regulation (EU) 2019/876 ("**EU CRR2**"), which amends the EU CRR and a new directive, Directive 2019/878 ("**EU CRDV**"), which amends EU CRD IV. Among other things, EU CRR2, will introduce measures introducing the net stable funding requirements, as provided for in Article 510(3) of the EU CRR. The measures introduced by EU CRR2 and EU CRDV will be implemented and some transitional or grandfathering provisions will continue to apply, until 2024. Meanwhile, a new prudential regulatory regime for EU investment firms (including many currently subject to the EU CRR and EU CRD regimes) is in the process of finalisation. Therefore, it can be expected that laws and regulations relating to capital requirements and related prudential regulatory matters will continue to develop.

As EU CRD IV (including as amended by EU CRD V), and the forthcoming investment firm regime, allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation.

The Basel Committee has also published revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 10 per cent. for senior tranches and 15 per cent. for non-senior tranches. Further amendments to the EU CRR were introduced by the EU Securitisation Regulation and the accompanying Regulation 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

In the UK, on 19 December 2019, the Government also announced its intention to bring forward a Financial Services Bill in order to deliver a number of existing government commitments following the UK's exit from the EU. In a written statement to Parliament on 23 June 2020, the UK government confirmed its intention to introduce an Investment Firms Prudential Regime (IFPR) and updated rules for credit institutions in line with the intended outcomes of the EU's Investment Firms Regulation and Directive, and the second Capital Requirements Regulation respectively. The exact implementation timing for these reforms will depend on the passage of the Financial Services Bill through Parliament.

The changes under EU CRD and EU CRR, Basel III, and investment firm regimes as described above may have an impact on the capital requirements in respect of the Notes or Certificates and/or on incentives to hold the Notes or Certificates 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 or Certificates.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the Basel 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.

#### *UK and European Market Infrastructure Regulation*

The Initial Swap Counterparty has agreed to provide hedging to the Issuer and investors should be aware that, further to the UK EMIR (as defined further below) and the EU EMIR (as defined further below), the Issuer is subject to certain regulatory requirements including, but not limited to, various compliance requirements for non-cleared "over-the-counter" derivative transactions (known as the 'risk mitigation techniques') and the requirement to report derivative transactions to a trade repository or to the ESMA which may result in future amendments by the Issuer to the Transaction Documents, in particular where Noteholder or Certificateholder consent will not be required for such amendments. The 'risk mitigation techniques' include requirements for timely confirmation, portfolio reconciliation, and dispute resolution. The Initial Swap Counterparty or its affiliate will provide services to the Issuer pursuant to the terms of a reporting services agreement to be entered into between the Initial Swap Counterparty or its affiliate and the Issuer on or about the Issue Date which are required in order for the Issuer to comply with its reporting and portfolio reconciliation obligations under the UK EMIR and the EU EMIR, to the extent that they may be delegated. If the Issuer enters into Further Interest Rate Swaps in accordance with Permitted Swap Agreements with further Permitted Swap Counterparties, the Permitted Swap Counterparty or its affiliate will provide services to the Issuer pursuant to the terms of a reporting services agreement to be entered into between such Permitted Swap Counterparty or its affiliate and the Issuer on or about the date of such Permitted Swap Agreement which are required in order for the Issuer to comply with its reporting and portfolio reconciliation obligations under the UK EMIR and the EU EMIR, to the extent that they may be delegated.

The EU regulatory framework and legal regime relating to derivatives is primarily set out in Regulation (EU) No 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012, as amended by Regulation (EU) 2019/834 of the European Parliament and of the Council dated 20 May 2019 ("**EU EMIR**"). A similar regime applies in the UK under EU EMIR as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 ("**UK EMIR**").

The Issuer will be subject to certain regulatory requirements in relation to each Interest Rate Swap as a consequence of the implementation of UK EMIR, which provides for certain OTC derivative contracts to be submitted to central clearing and imposes, amongst other things, margin posting and other risk mitigation techniques, reporting and record keeping requirements and requires certain standardised derivatives to trade on an exchange or other electronic trading platform.

Investors should be aware of the following:

- (a) regardless of the Issuer's classification under UK EMIR, the Issuer may need to appoint a third party and/or incur costs and expenses to enable it to comply with the regulatory requirements imposed by UK EMIR, in particular, in relation to reporting and record-keeping; and
- (b) the characterisation of the Issuer under UK EMIR as currently in force will determine whether, among other things, it is required to comply with the clearing, margin and trading requirements in relation to each Interest Rate Swap. If it were required to clear, post margin or trade on an exchange or other electronic platform, it is unlikely that the Issuer would be able to comply with such an obligation.

If the Issuer enters into an Interest Rate Swap with an EU established Swap Counterparty, the Issuer will require such Swap Counterparty to co-operate with the Issuer to ensure the applicable rules under UK EMIR are complied with and such Swap Counterparty will require the Issuer to co-operate with such Swap Counterparty to ensure the applicable rules under EU EMIR are complied with.

The Issuer considers itself to be (i) a "non-financial counterparty" below the clearing threshold for the purposes of UK EMIR and (ii) a "third country entity" for the purposes of EU EMIR (that would be a "non-financial counterparty" below the clearing threshold under EU EMIR if it were established in the EU). Neither of (i) or (ii) are subject to the clearing or the margin-posting requirements or the requirement to trade on an exchange or other electronic platform.

Prospective investors should be aware however that regulatory changes arising from UK EMIR and EU EMIR may adversely affect the Issuer's ability to engage in derivative transactions and the costs to the Issuer in doing so. Given that no material differences have applied between the applicable EU and UK regulatory rules since 1 January 2021, the Issuer will likely bear the same costs in meeting its and any Swap Counterparty's requirements when entering into derivative transactions on or around the Issue Date, regardless of whether such Swap Counterparty is established in the EU or the UK. However, over time, divergences between the UK EMIR and the EU EMIR rules may arise and this may ultimately lead to additional costs being incurred by the Issuer to the extent that it continues to enter into derivative transactions with any Swap Counterparty established in both the UK and the EU.

#### *Social Bond*

The ICMA published the Social Bond Guidelines in June 2020. The Social Bond Guidelines include Social Bond Principles). The Social Bond Principles are published by ICMA on the following website: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>. For the avoidance of doubt, the Social Bond Guidelines and this website and the contents thereof do not form part of this Prospectus and are not incorporated by reference into this Prospectus.

The Legal Title-Holder has developed and defined a formal approach for its Social Bond Framework. In accordance with the Social Bond Guidelines the Legal Title-Holder appointed ISS ESG being an independent third party to undertake an external review of its Social Bond Framework against the Social Bond Principles and confirm alignment with ICMA's Social Bond Principles, with such review being in the form of second party opinion (the "**Second Party Opinion**"). The ISS ESG concluded that the Social Bond Framework regarding use of proceeds, processes for evaluation and selection of loans, management of proceeds and reporting are in line with the Social Bond Principles and the evaluation was positive. For the avoidance of doubt, the Second Party Opinion and the contents thereof do not form part of this Prospectus and is not incorporated by reference into this Prospectus.

The Social Bond Principles include social projects that provide or promote access to essential services and/or socioeconomic advancement and empowerment. The origination of mortgage loans to the specific target population (as further described below) by the Legal Title-Holder comprises an Eligible Social Project and directly contributes to improving access to banking services and socioeconomic advancement and empowerment through equitable access and control over assets, in each case, by making home loan finance available to applicants who are underserved by high street lenders using automated scoring processes given the complexity and characteristics of their income.

The specific target population for which the Legal Title-Holder, as originator, seeks to achieve positive social outcomes through the Eligible Social Project is a population of viable customers where the properties are located in England, Scotland, Wales and Northern Ireland which is underserved in the United Kingdom owing to a lack of quality access to the essential service of banking in relation to home financing. The Eligible Social Project directly aims to address or mitigate the lack of access to home loan finance and seeks to achieve the positive social outcome of home ownership for a target population comprising borrowers with one or more of the following characteristics - applicants who have been unable to pass automated scoring processes of high street lenders despite their high quality profile as a result of some complexity in their income streams or who are self-employed, first time buyers with limited credit history, contractors, later life or younger borrowers. This is aligned with the Legal Title-Holder's sustainability strategy and clearly defined exclusion criteria (<https://investors.kensingtonmortgages.co.uk/esg>). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

The issue of the Notes by the Issuer and associated purchase of the Loans in the Mortgage Pool comprises part of the funding arrangements by the Legal Title Holder for the Eligible Social Project and in accordance with its Social Bond Framework. The purchase price of the Loans will be used to repay short term funding arrangements which forms part of the Legal Title-Holder's funding cycle relating to the origination of owner-occupied mortgages aimed at the target population as described above. None of the Arranger, Joint Lead Managers or ESG Structuring Banks will verify or monitor the proposed use of proceeds of the Notes issued.

The Issuer will apply, or procure application, for listing on ICMA's Green, Social and Sustainability bonds database following the Issue Date.

**RIGHTS OF NOTEHOLDERS AND CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS**

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

**Prior to an Event of Default** ..... The Issuer or the Trustee may also convene Noteholder meetings (at the cost of the Issuer) for any purpose, including consideration of Extraordinary Resolutions and Ordinary Resolutions and the Trustee shall be obliged to do so, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, upon the request in writing of a Class or Classes of Noteholders holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding of the relevant Class or Classes.

However, the Noteholders are not entitled to instruct or direct the Issuer to take any action, either directly or through the Trustee, without the consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

**Following an Event of Default** ..... If an Event of Default occurs and is continuing, the holders of the Most Senior Class may, if they hold at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class or if they pass an Extraordinary Resolution, direct the Trustee to give an Enforcement Notice to the Issuer pursuant to which each Class of the Notes shall become immediately due and repayable at their respective Principal Amount Outstanding together with any accrued interest and the Trustee shall give such Enforcement Notice to the Issuer subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction.

**Noteholders Meeting Provisions** .....

	<u>Initial Meeting</u>	<u>Adjourned Meeting</u>
Notice period:	21 clear days for the initial meeting.	10 days for meeting adjourned through want of quorum.  Adjourned meeting must be convened not less than 14 nor more than 42 clear days later than the initial meeting.
Quorum for Ordinary Resolution:	Two or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing not less than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.
Quorum for Certificates Ordinary Resolution:	Two or more persons holding or representing not less than 25 per cent. of	Two or more persons holding or representing any proportion of the

	the outstanding Certificates for the initial meeting.	Certificates which the person constituting the quorum is holding or representing for the adjourned meeting.
Quorum for Extraordinary Resolution (other than to approve a Notes Basic Terms Modification):	Two or more persons holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.
Quorum for Certificates Extraordinary Resolution (other than to approve a Certificates Basic Terms Modification):	Two or more persons holding or representing more than 50 per cent. of the outstanding Certificates for the initial meeting.	Two or more persons holding or representing any proportion of the Certificates which the person constituting the quorum is holding or representing for the adjourned meeting.
Quorum for Extraordinary Resolution to approve a Notes Basic Terms Modification or a Certificates Basic Terms Modification:	Two or more persons holding or representing not less than 75 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.
Quorum for Extraordinary Resolution to approve a Certificates Basic Terms Modification:	Two or more persons holding or representing not less than 75 per cent. of the outstanding Certificates for the initial meeting.	Two or more persons holding or representing not less than 25 per cent. of the outstanding Certificates for the adjourned meeting.
Required majority for Ordinary Resolution:	Not less than 50.1 per cent. of the persons voting at the meeting upon a show of hands or, if a poll is demanded, not less than 50.1 per cent. of the votes cast on such poll.	
Required majority for Extraordinary Resolution:	Not less than 75 per cent. of the persons voting at the meeting upon a show of hands or, if a poll is demanded, not less than 75 per cent. of the votes cast on such poll.	

Written Resolution: In the case of an Extraordinary Resolution, not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes. In the case of an Ordinary Resolution, not less than 50.1 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes. A written resolution has the same effect as an Ordinary Resolution or an Extraordinary Resolution (as applicable). There is no requirement as to the minimum number of Noteholders of any Class who must vote in favour of a written resolution.

**Notes Basic Terms**

**Modification.....**

Any amendment to the following matters would be a Notes Basic Terms Modification which requires a Note Extraordinary Resolution of each Class of Notes and a Certificates Extraordinary Resolution of the Certificateholders:

- (a) the maturity date of the Notes or the dates on which interest is payable in respect of the Notes;
- (b) the date of payment of principal, interest or any other amount in respect of any Class of Notes, or, where applicable, of the method of calculating the date of payment of principal, interest or any other amount in respect of any Class of Notes, or of the method of calculating the date of payment in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*);
- (c) the amount of principal, the rate of interest or any other amount payable in respect of any Class of Notes or the priority of payment of such amount, or where applicable, of the method of calculating the amount payable of any principal, interest or any other amount payable in respect of any Class of Notes or of the method of calculating the amounts payable in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*);
- (d) the modification or addition of any other amount payable ranking ahead of or *pari passu* with any Class of Notes or Certificates, including any fees payable by the Issuer to any third party (save as permitted or contemplated under the terms of the Transaction Documents);
- (e) the priority of payment of interest or principal on the Notes;
- (f) the currency of payment of the Notes;
- (g) the definition of Notes Basic Terms Modification;
- (h) the definition of Event of Default;
- (i) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Notes Basic Terms Modification or to pass an Extraordinary Resolution;
- (j) the definition of the Call Option Date;
- (k) any changes to the terms of the Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(d) (*Optional Redemption in Full*);

- (l) any changes to the terms of the Risk Retention Regulatory Change Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*);
- (m) the provisions concerning limited recourse and non-petition in relation to the Issuer including Condition 10 (*Enforcement of Security, Limited Recourse and Non-Petition*);
- (n) the Notes Condition 3(i) (*Covenants of the Issuer – Deed Poll*); or
- (o) any waiver of any proposal or actual breach of any of the covenants (including any Event of Default or Potential Event of Default) or provisions contained in or arising pursuant to the Notes Conditions, Certificates Conditions or any Transaction Documents by any party thereto, which would have the effect of any of the foregoing,

but, no modification relating to the Senior Servicing Fee Cap shall be a Notes Basic Terms Modification.

**Certificates Basic Terms Modification.....**

Any amendment to the following matters would be a Certificates Basic Terms Modification which requires an Extraordinary Resolution of the Certificateholders:

- (a) the maturity date of the Certificates and the Notes or the dates on which interest is payable on the Notes;
- (b) the date of payment of principal, interest or any other amount in respect of any Class of Notes, or, where applicable, of the method of calculating the date of payment of principal, interest or any other amount in respect of any Class of Notes, or of the method of calculating the date of payment in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*);
- (c) the amount of principal, the rate of interest or any other amount payable in respect of any Class of Notes or Certificates or the priority of payment of such amount, or where applicable, of the method of calculating the amount payable of any principal, interest or any other amount payable in respect of any Class of Notes or of the method of calculating the amounts payable in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*);
- (d) the modification or addition of any other amount payable ranking ahead of or *pari passu* with any Class of Notes or Certificates, including any fees payable by the Issuer to any third party (save as permitted or contemplated under the Transaction Documents);
- (e) the priority of residual payments payable on the Certificates;
- (f) the currency of payment of the Certificates;
- (g) the definition of Notes Basic Terms Modification;
- (h) the definition of Event of Default;

- (i) the definition of Certificates Basic Terms Modification;
- (j) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Certificates Basic Terms Modification or to pass an Extraordinary Resolution;
- (k) the definition of the Call Option Date;
- (l) any changes to the terms of the Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(d) (*Optional Redemption in Full*);
- (m) any changes to the terms of the Risk Retention Regulatory Change Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*);
- (n) the provisions concerning limited recourse and non-petition in relation to the Issuer including Certificates Condition 7 (*Enforcement of Security, Limited Recourse and Non-Petition*);
- (o) the Certificates Condition 3(i) (*Covenants of the Issuer*); or
- (p) any waiver of any proposal or actual breach of any of the covenants (including any Event of Default or Potential Event of Default) or provisions contained in or arising pursuant to the Notes Conditions, Certificates Conditions or any Transaction Documents by any party thereto which would have the effect of any of the foregoing,

but, no modification relating to the Senior Servicing Fee Cap shall be a Certificates Basic Terms Modification.

**Negative Consent**..... An Extraordinary Resolution or Ordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) will be passed by a Class or Classes of Notes if, within 40 days of a notice to such Class or Classes of Noteholders which:

- (a) contains the text of such Extraordinary Resolution or Ordinary Resolution;
- (b) invites such Noteholders to object to such Extraordinary Resolution or Ordinary Resolution;
- (c) details the manner in which objections to such Extraordinary Resolution or Ordinary Resolution should be made; and
- (d) is given to such Class or Classes of Noteholders in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*) by the Issuer or the Trustee,

10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of such Class or Classes have not informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution or Ordinary Resolution.

Upon the Trustee receiving objections from Noteholders of 10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in aggregate of the

Principal Amount Outstanding of the Notes of the relevant Class or Classes, the Trustee shall give notice to the relevant Class or Classes of Noteholders in accordance with the provisions of Condition 13 (*Notice to Noteholders*) that the relevant Extraordinary Resolution or the Ordinary Resolution (as the case may be) has not passed. In such circumstance, a meeting of Noteholders may be called in accordance with the provisions of Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance with the provisions of Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*).

**Matters Requiring  
Extraordinary Resolution...**

The following matters require an Extraordinary Resolution unless otherwise specified in the Transaction Documents:

- (a) a Notes Basic Terms Modification or a Certificates Basic Terms Modification;
- (b) a modification of the Transaction Documents; and
- (c) a modification of the Conditions.

**Convening Noteholder  
Meetings .....**

The Issuer or the Trustee may at any time convene a meeting of the Noteholders. If the Trustee receives a written request by Noteholders holding or representing at least 10 per cent. in Principal Amount Outstanding of the Notes of a particular Class and is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses, the Trustee shall convene a meeting of the Noteholders of such Class. Every meeting shall be held at a time and place approved by the Trustee.

In certain circumstances, the Trustee may also convene meetings of Noteholders at its discretion.

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

Subject to the provisions in respect of a Notes Basic Terms Modification, a resolution of Noteholders of the Most Senior Class shall be binding on all other Classes and would override any resolutions to the contrary of the Classes ranking behind such Most Senior Class.

A Notes Basic Terms Modification requires an Extraordinary Resolution of each Class of Notes then outstanding and a Certificates Extraordinary Resolution of the Certificateholders.

**The Seller and/or its  
subsidiaries and/or  
affiliates as Noteholder  
and Certificateholder .....**

The Seller and/or its subsidiaries and/or affiliates have a right to subscribe for, purchase and hold any Notes or Certificates. As holder of any Notes or Certificates, the Seller and/or its subsidiaries and/or affiliates will have a right to vote on any resolution or determination put to Noteholders or Certificateholders and the interests of the Seller and/or its subsidiaries and/or affiliates may differ from those of other Noteholders or Certificateholders.

**Relationship between  
Noteholders,  
Certificateholders and  
other Secured Creditors.....**

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders, the Certificateholders and the other Secured Creditors, the Trustee will take into account the interests of the Noteholders. After the Notes have been redeemed in full and so long as there are any Certificates outstanding and there is a conflict between the interests of the Certificateholders and the other Secured Creditors, the Trustee will have regard solely to the interests of the Certificateholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to it and to act is



in accordance with the applicable Priority of Payments and the Secured Creditors shall have no claim against the Trustee for doing so.

**Provision of Information to the Noteholders and Certificateholders .....**

The Issuer is the designated entity for the purposes of (i) Article 7 of the UK Securitisation Regulation and (ii) Article 7 of the EU Securitisation Regulation.

In connection with its obligations under the UK Securitisation Regulation, the Issuer will procure that the Mortgage Administrator will:

- (a) from the date of this Prospectus:
  - (i) publish a quarterly investor report (prepared by the Cash/Bond Administrator) in respect of each Determination Period, as then required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation (the "**UK SR Investor Report**"); and
  - (ii) publish on a quarterly basis a report (prepared by the Mortgage Administrator) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period as then required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation (the "**UK SR Data Tape**"),

in each case, simultaneously each quarter (to the extent required under Article 7(1) of the UK Securitisation Regulation) and in the form prescribed as at such time under the UK Securitisation Regulation;

- (b) publish without delay, any report (prepared by the Cash/Bond Administrator on the instructions of the Issuer or Mortgage Administrator) as to (i) any inside information relating to the Issuer which the Issuer determines it is obliged to make in accordance with Article 17 of Regulation (EU) No. 596/2014 on market abuse as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK MAR**") in line with Article 7(1)(f) of the UK Securitisation Regulation and will be disclosed to the public by the Issuer (or the Mortgage Administrator on its behalf); or (ii) any significant event in line with Article 7(1)(g) of the UK Securitisation Regulation, in each case in the manner prescribed under the UK Securitisation Regulation; and
- (c) make available, within 5 Business Days of the issuance of the Notes, copies of the relevant Transaction Documents and this Prospectus via [www.sf.citidirect.com](http://www.sf.citidirect.com) (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time).

In addition to the UK SR Investor Report, UK SR Data Tape and any report which the Mortgage Administrator may publish on behalf of the Issuer in line with Article 7(1)(f) and Article 7(1)(g) of the UK Securitisation Regulation, the Mortgage Administrator will also prepare an anonymised individual loan-level data tape in relation to the Mortgage Pool in the format required by the Bank of England in respect of each Determination Period and shall deliver such data tape to the

Trustee, the Issuer, the Cash/Bond Administrator and the Legal Title-Holder no later than the last Business Day of the month in which the relevant Interest Date falls (the "**BoE Loan-Level Data Tape**").

In connection with its contractual obligations relating to the EU Securitisation Regulation, the Issuer will procure that the Mortgage Administrator will:

- (a) from the date of this Prospectus:
  - (i) publish a quarterly investor report (prepared by the Cash/Bond Administrator) in respect of each Determination Period, in accordance with Article 7(1)(e) of the EU Securitisation Regulation (the "**EU SR Investor Report**"); and
  - (ii) publish on a quarterly basis a report (prepared by the Mortgage Administrator) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period in accordance with Article 7(1)(a) of the EU Securitisation Regulation (the "**EU SR Data Tape**"),

in each case, in the form prescribed as at the Issue Date under the EU Securitisation Regulation or as otherwise adopted by the Issuer from time to time;

- (b) publish without delay, any report (prepared by the Cash/Bond Administrator on the instructions of the Issuer or Mortgage Administrator) as to (i) any inside information relating to the Issuer which the Issuer determines it is obliged to make in accordance with Article 17 of Regulation (EU) No. 596/2014 (the "**EU MAR**") in line with Article 7(1)(f) of the EU Securitisation Regulation and will be disclosed to the public by the Issuer (or the Mortgage Administrator on its behalf); or (ii) any significant event in line with Article 7(1)(g) of the EU Securitisation Regulation, in each case in the manner prescribed under the EU Securitisation Regulation; and
- (c) make available, within 5 Business Days of the issuance of the Notes, copies of the relevant Transaction Documents and this Prospectus via [www.sf.citidirect.com](http://www.sf.citidirect.com) (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time).

KHL (as the originator under the UK Securitisation Regulation) shall make available or procure on demand, from the Issue Date until the date the last Note is redeemed in full, a liability cashflow model (the "**Cash Flow Model**") to investors, either directly or indirectly through one or more entities which provide such Cash Flow Models, which precisely represents the contractual relationship between the Loans and the payments flowing between the Seller, investors in the Notes, other third parties and the Issuer. The Cash Flow Model shall be made available (i) prior to pricing of the Notes to potential investors, and (ii) to investors in the Notes on an ongoing basis and to potential investors in the Notes upon request on the website of European DataWarehouse (UK portal) at <https://editor.eurodw.co.uk/esma/viewdeal?edcode=RMBSUK00044>

[5500120214](https://editor.eurodw.eu/esma/viewdeal?edcode=RMBSUK000445500220212), on the website of European DataWarehouse (European portal) at <https://editor.eurodw.eu/esma/viewdeal?edcode=RMBSUK000445500220212> and at the website of EuroABS at <https://www.euroabs.com/IH.aspx?d=14876>. For the avoidance of doubt, the contents of these websites do not form part of this Prospectus and are not incorporated by reference into this Prospectus.

Information required to be made available prior to pricing to potential investors in the Notes pursuant to (i) Article 7 of the UK Securitisation Regulation was made available by means of the website of European DataWarehouse (UK portal) at <https://editor.eurodw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214> and (ii) Article 7 of the EU Securitisation Regulation, in each case was made available by means of the website of European DataWarehouse (European Portal) at <https://editor.eurodw.eu/esma/viewdeal?edcode=RMBSUK000445500220212>.

In addition to the (i) UK SR Investor Report, the UK SR Data Tape, the BoE Loan-Level Data Tape and (ii) EU SR Investor Report and the EU SR Data Tape published by the Mortgage Administrator, the Cash/Bond Administrator will provide an investor report on a quarterly basis containing information in relation to the Notes and Certificates including, but not limited to, ratings of the Rated Notes, amounts paid by the Issuer pursuant to the relevant Priority of Payments in respect of the relevant period and required counterparty information (as set out in the Cash/Bond Administration Agreement) (the "**Performance Report**").

**Modification**..... The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to the receipt of consent from any of the Secured Creditors party to a Transaction Document being modified or whose ranking in any Priority of Payments is affected, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to enable the Issuer to (subject to certain requirements as set out in Condition 11(e) (*Modification and Waiver*) and Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*)):

- (a) comply with any requirements which apply to it under UK EMIR and EU EMIR;
- (b) considers necessary in order to enable the Issuer (i) to comply with any obligation which applies to it under the UK Securitisation Regulation including as a result of the adoption of any binding technical standards and official guidance thereto as amended, varied or substituted from time to time after the Issue Date; or (ii) to comply with any obligation which applies to it as at the Issue Date or to which the Issuer in its discretion has elected to comply with after the Issue Date under the EU Securitisation Regulations, including as a result of the adoption of regulatory or implementing technical standards in relation to the EU Securitisation Regulations;

- (c) considers necessary in order to enable the treatment of the Notes as a simple, transparent and standardised securitisation or implementing technical standards under the UK Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto;
- (d) considers necessary in order to facilitate the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement;
- (e) considers necessary in order to facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement;
- (f) considers necessary in order to facilitate the appointment of a replacement Cash/Bond Administrator appointed by the Issuer in accordance with the terms of the Cash/Bond Administration Agreement;
- (g) change the Reference Rate or the benchmark rate that then applies in respect of the Notes to an Alternative Benchmark Rate; and
- (h) a Swap Rate Modification.

Any such modifications permitted above shall be binding on the Noteholders, Certificateholders or other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders and Certificateholders as soon as practicable thereafter in accordance with Notes Condition 13 (*Notice to Noteholders*) and Certificates Condition 11 (*Notice to Certificateholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with the above as soon as reasonably practicable thereafter.

**Communication with Noteholders .....**

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

- (a) for so long as the Notes are in global form:
  - (i) through the regulated information service maintained or recognised by Euronext Dublin (and any notice containing material, non-public information will be given in this manner); and
  - (ii) by delivery to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders; and
  - (iii) by delivery to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes (or such other medium for electronic display of data as may be approved in writing by the Trustee); or
- (b) if the Notes are in definitive form, if published in a leading daily newspaper printed in the English language and with

general circulation in Ireland (which is expected to be *The Irish Times*).

A copy of each notice given in accordance with Notes Condition 13 (*Notice to Noteholders*) will be provided to (for so long as any Rated Note is outstanding) the Rating Agencies.

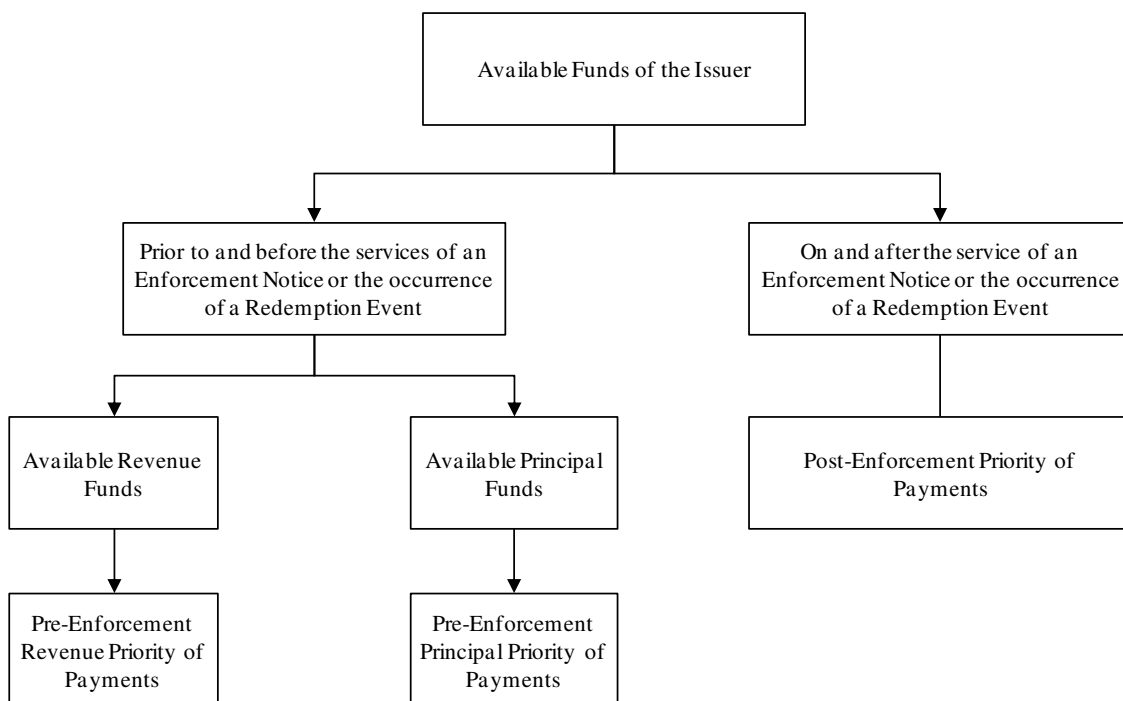
The Issuer will give notice to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) of any additions to, deletions from or alterations to such methods from time to time.

**Provision of Information to the Noteholders**..... Information in respect of the underlying Mortgage Pool will be provided to the investors on an ongoing basis. See the section entitled "*General Information*" for further information.

**Rating Agency Confirmation** ..... The implementation of certain matters will, pursuant to the Transaction Documents, be subject to (i) the receipt of written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn or (ii) certification in writing from the Issuer to the Trustee that the Issuer has been unable to obtain such written confirmation but that the Rating Agencies then rating the Notes have been informed of the implementation of such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Rated Notes.

## OVERVIEW OF CREDIT STRUCTURE AND CASH FLOW

Please refer to sections entitled "*Credit Structure*" and "*Administration, Servicing and Cash Management of the Mortgage Pool*" for further detail in respect of the credit structure and cash flows of the transaction.



**Available Funds of the Issuer** The Issuer expects to have Available Revenue Funds and Available Principal Funds for the purposes of making interest and principal payments under the Notes and the other Transaction Documents.

**Summary of Priority of Payments** ..... The Available Revenue Funds and the Available Principal Funds will be distributed as follows:

AVAILABLE REVENUE FUNDS	AVAILABLE PRINCIPAL FUNDS	ALL FUNDS (including on Final Maturity date and early redemption)
Pre-Enforcement Revenue Priority of Payments	Pre-Enforcement Principal Priority of Payments	Post-Enforcement Priority of Payments
Trustee fees and expenses	After the Liquidity Reserve Fund Trigger Event, the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount	Trustee and receiver fees and expenses
Other senior expenses incurred by the Issuer	Senior Fees and Interest on A, B, C and D Notes if not paid from Available Revenue Funds (subject to the relevant PDL Condition)	Other senior expenses incurred by the Issuer
Fees and expenses of the Mortgage Administrator (in respect of the Servicing Fee subject to the Senior Servicing Fee Cap), Mortgage Administrator Facilitator, Legal Title-Holder, Legal Title-Holder Facilitator, Cash/Bond Administrator, Cash/Bond Administrator Facilitator, Agents, Account Bank, Custodian, Swap Collateral Account Bank and Corporate Service Provider	A Notes Principal Amount	Fees and expenses of the Mortgage Administrator (in respect of the Servicing Fee subject to the Senior Servicing Fee Cap), the Mortgage Administrator Facilitator, Legal Title-Holder, Legal Title-Holder Facilitator, Cash/Bond Administrator, Cash/Bond Administrator Facilitator, Agents, Account Bank, Custodian, Swap Collateral Account Bank and Corporate Service Provider
Issuer Profit	B Notes Principal Amount	Issuer Profit

AVAILABLE REVENUE FUNDS	AVAILABLE PRINCIPAL FUNDS	ALL FUNDS (including on Final Maturity date and early redemption)
Amounts due to Interest Rate Swap Counterparts (other than Swap Subordinated Amounts and Swap Excluded Payable Amounts)	C Notes Principal Amount	Amounts due to Interest Rate Swap Counterparts (other than Swap Subordinated Amounts and Swap Excluded Payable Amounts)
Interest on A Notes	D Notes Principal Amount	<i>Pro rata and pari passu A Notes interest and principal</i>
A Principal Deficiency Ledger	X Notes Principal Amount	<i>Pro rata and pari passu B Notes interest and principal</i>
Interest on B Notes	E Notes Principal Amount	<i>Pro rata and pari passu C Notes interest and principal</i>
B Principal Deficiency Ledger	Surplus to Certificateholders	<i>Pro rata and pari passu D Notes interest and principal</i>
Interest on C Notes		<i>Pro rata and pari passu X Notes interest and principal</i>
C Principal Deficiency Ledger		<i>Pro rata and pari passu E Notes interest and principal</i>
Interest on D Notes		Swap Subordinated Amounts
D Principal Deficiency Ledger		Amounts owing to third parties
General Reserve Fund Ledger up to General Reserve Fund Required Amount		<i>Pro rata and pari passu Z Notes interest and principal</i>
E Principal Deficiency Ledger		Interest and principal on the Subordinated Loan
Interest on E Notes		Surplus to Certificateholders
Interest on X Notes		
Principal on X Notes		
Servicing Fee (exceeding Senior Servicing Fee Cap)		
Interest on Z Notes		
Principal on Z Notes ( <b>provided that</b> no payment shall be made if any of the A Notes to the D Notes (inclusive) and the X Notes are outstanding)		
Swap Subordinated Amounts		
Interest and principal on the Subordinated Loan		
Surplus to Certificateholders		

Full details of the Pre-Enforcement Revenue Priority of Payments are set out in Notes Condition 2(c) (*Pre-Enforcement Revenue Priority of Payment*). Full details of the Pre-Enforcement Principal Priority of Payments are set out in Notes Condition 5(b) (*Mandatory Redemption of the Notes*). Full details of the Post-Enforcement Priority of Payments are set out in Notes Condition 2(d) (*Post-Enforcement Priority of Payments*).

**General Credit Structure.....** The general credit structure of the transaction includes the following elements:

- (a) availability of the General Reserve Fund in the event there is a Shortfall. The General Reserve Fund will be initially fully funded by the proceeds from the Z Notes in an amount equal to the General Reserve Fund Required Amount. See the section entitled "*Credit Structure – Application of the General Reserve Fund and the Liquidity Reserve Fund– Shortfall and Revenue Shortfall*" below for limitations on availability of the use of the General Reserve Fund;
- (b) availability of the Liquidity Reserve Fund in the event there is a Revenue Shortfall following the Liquidity Reserve Fund Trigger Event. See the section entitled "*Credit Structure – Application of the General Reserve Fund and the Liquidity Reserve Fund– Shortfall and Revenue Shortfall*" below for limitations on availability of the use of the Liquidity Reserve Fund;
- (c) availability of Available Principal Funds in the event there is a Revenue Shortfall (other than in relation to the B Notes) and thereafter, subject to satisfaction of the relevant PDL Condition, in the event there is a shortfall in respect of interest on the B Notes, the C Notes and/or the D Notes. See the section entitled "*Credit Structure – Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall*" below for limitations on availability of the use of Available Principal Funds;
- (d) availability of amounts standing to the credit of the Retained Principal Ledger (if funded on each Interest Payment Date by the Cash/Bond Administrator (upon written instruction and authorisation of the Mortgage Administrator)) to fund the purchase of Additional Loans by the Issuer during the Further Sale Period; and
- (e) availability of amounts advanced under the Subordinated Loan to fund the payment of any Issuer Upfront Payment payable by the Issuer on each Interest Payment Date.

**General Reserve Fund and Liquidity Reserve Fund .....** The Issuer will establish the General Reserve Fund on the Issue Date from the proceeds of the Z Notes and will be required to maintain at all time a minimum balance standing to the credit of the General Reserve Fund in an amount equal to the General Reserve Fund Required Amount.

The Issuer will establish on the Issue Date the Liquidity Reserve Fund and is required to maintain an amount equal to Liquidity Reserve Fund Required Amount.

The Liquidity Reserve Fund will be funded from Available Principal Funds applied in accordance with the Pre-Enforcement Principal



Priority of Payments on the Interest Payment Date on which the Liquidity Reserve Fund Trigger Event occurs.

**Application of the General Reserve Fund and the Liquidity Reserve Fund—Shortfall and Revenue Shortfall.....**

Where there are insufficient funds available to provide for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments (a "**Shortfall**"), the Issuer shall first pay or provide for that Shortfall by the application of the General Reserve Fund.

Thereafter if there remains a shortfall in amounts available to pay Senior Fees, the interest on the A Notes and/or the interest on the B Notes (such shortfall a "**Revenue Shortfall**"), the Issuer shall pay or provide for that Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) by the application of the Liquidity Reserve Fund.

On each Determination Date, if following application of items (a), (b), (c), (d), (e), (f), (g), (i) and (j) of the Available Revenue Funds, there remains a shortfall in any of items (i), (ii), (iii), (iv), (v), (vi), (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall apply item (h) of the Available Revenue Funds as follows:

- (a) for any such shortfall in any of items (i), (ii), (iii), (iv), (v) and (vi) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall record such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled "*Credit Structure – Principal Deficiency Ledger*";
- (b) for any such shortfall in any of items (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, subject to the relevant PDL Condition, the Cash/Bond Administrator shall record such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled "*Credit Structure – Principal Deficiency Ledger*";
- (c) where "**PDL Condition**" means for each Interest Payment Date (i) unless the B Notes are the Most Senior Class, in respect of interest on the B Notes, the debit balance of the B Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 10 per cent. of the Principal Amount Outstanding of the B Notes; (ii) unless the C Notes are the Most Senior Class, in respect of interest on the C Notes, the debit balance of the C Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 0.00 per cent. of the Principal Amount Outstanding of the C Notes; (iii) unless the D Notes are the most Senior Class, in respect of interest on the D Notes, the debit balance of the D Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 0.00 per cent. of the Principal Amount Outstanding of the D Notes; and

for the avoidance of doubt, item (h) of the Available Revenue Funds may be available only upon application of the Pre-Enforcement Principal Priority of Payments.

**Principal Deficiency Ledger .** The Principal Deficiency Ledger comprises 5 sub-ledgers, known as the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger and the E Principal Deficiency Ledger which will be established to record as a debit any Losses and/or the use of any Available Principal Funds as Available Revenue Funds and/or any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall and/or the use of Available Principal Funds to redeem any Class X Notes.

For further information on the Principal Deficiency Ledger see section "*Credit Structure – Principal Deficiency Ledger*".

**Collection Account and Mortgage Administration .....** All Revenue Collections and Principal Collections are received by the Legal Title-Holder in the Main Collection Accounts, the F Collection Account or the R Collection Account which are operated by the Mortgage Administrator.

The Mortgage Administrator is obliged to transfer collections in respect of the Loans standing to the credit of the Main Collection Accounts (which will include amounts transferred to the Main Collection Accounts from the F Collection Account and the R Collection Account) to the Transaction Account on each Business Day (as set out in the Mortgage Administration Agreement).

For further information, see section entitled "*Credit Structure – Collection Accounts, Bank Accounts and Authorised Investments*".

**Bank Agreement .....** On or prior to each Interest Payment Date, amounts will be transferred to the Transaction Account, as required, to be applied in accordance with the relevant Priority of Payments.

## TRIGGERS TABLES

### Rating Triggers Table

<u>Transaction party</u>	<u>Required Ratings</u>	<u>Possible effects of Ratings Trigger being breached include the following:</u>
<b>Account Bank ....</b>	<ul style="list-style-type: none"> <li>(i) in the case of DBRS, the higher of (A) if a long-term critical obligations rating ("<b>COR</b>") is currently maintained in respect of the Account Bank, a rating one notch below the Account Bank's COR, being a rating of "A" from DBRS, and (B) a long-term senior unsecured debt rating or deposit rating of "A" from DBRS or (C) if none of (A) or (B) above are currently maintained in respect of the Account Bank, a DBRS Equivalent Rating at least equal to "A";</li> <li>(ii) in the case of Fitch, a short-term issuer default rating of at least "F1" or a long-term issuer default rating of at least "A" by Fitch; or</li> <li>(iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class.</li> </ul>	The consequences for the Account Bank of a breach under the Bank Agreement include a requirement for the Issuer to use commercially reasonable endeavours to replace the Account Bank (as applicable) within 60 calendar days of the downgrade of the relevant entity.
<b>Swap Collateral Account Bank ....</b>	<ul style="list-style-type: none"> <li>(i) in the case of DBRS, the higher of (A) if a COR is currently maintained in respect of the Swap Collateral Account Bank, a rating one notch below the Swap Collateral Account Bank's COR, being a rating of "A" from DBRS, and (B) a long-term senior unsecured debt rating or deposit rating of "A" from DBRS or (C) if none of (A) or (B) above are currently maintained in respect of the Swap Collateral Account Bank, a DBRS Equivalent Rating at least equal to "A";</li> <li>(ii) in the case of Fitch, a short term issuer default rating of at least "F1" or a long term issuer default rating of at least "A" by Fitch;</li> </ul>	The consequences for the Swap Collateral Account Bank of a breach under the Swap Collateral Account Bank Agreement include a requirement for the Issuer to use commercially reasonable endeavours to replace the Swap Collateral Account Bank within 60 calendar days of the downgrade of the relevant entity.

<u>Transaction party</u>	<u>Required Ratings</u>	<u>Possible effects of Ratings Trigger being breached include the following:</u>
	(iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class.	
<b>Collection Accounts Provider</b> .....	<p>(i) In the case of DBRS, a long-term unguaranteed unsecured and unsubordinated debt rating of at least "BBB(low)" by DBRS, <b>provided that</b> if the Collection Account Provider is not rated by DBRS, a DBRS Equivalent Rating at least equal to "BBB(low)";</p> <p>(ii) in the case of Fitch, a short-term issuer default rating of at least "F2" or a long-term issuer default rating of at least "BBB+" by Fitch; or</p> <p>(iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class.</p>	<p>If the Collection Accounts Provider fails to maintain the Required Ratings as set out in this section "<i>Triggers Tables</i>" (the "<b>Collection Accounts Rating Agency Required Ratings</b>") from at least one of the Rating Agencies (such failure a "<b>Collection Accounts Provider Downgrade Event</b>"), the Issuer will use its commercially reasonable endeavours to procure that the Collection Accounts shall be transferred to another institution authorised under FSMA which has the Collection Accounts Rating Agency Required Ratings pursuant to an agreement with such institution in substantially the form of the Main Collection Account Agreement, the F Collection Account Agreement and the R Collection Account Agreement (to the extent applicable to the Collection Accounts) or to procure the opening of replacement Collection Accounts with another institution authorised under FSMA which has the Collection Accounts Rating Agency Required Ratings within a period not exceeding 60 calendar days (or such longer period as the Trustee and the Rating Agencies may agree) from the date on which such downgrade occurs and the Collection Accounts Provider will, at the request and cost of the Issuer, use its commercially reasonable endeavours to assist with the same.</p>

**Swap Counterparty**

<u>Required Ratings</u>	<u>Possible effects of Ratings Trigger being breached include the following:</u>
(a) the:	(a) The consequences of breach of the Swap First Required Ratings include the requirement to (i) provide collateral

**Required Ratings**

- (i) (1) COR of at least "A" by DBRS, or (2) long-term unsecured, unguaranteed and unsubordinated debt obligations which are rated by DBRS at least "A" (by way of a public rating), **provided that** if the Swap Counterparty is not rated by DBRS, a DBRS Equivalent Rating at least equal to "A";
- (ii) if the Fitch High Rating Thresholds do not apply to the Swap Counterparty, the short-term issuer default rating of the Swap Counterparty or the long-term derivative counterparty rating or the long-term issuer default rating (as applicable) of the Swap Counterparty must be at least the rating shown in the below table by Fitch for so long as the relevant Notes are outstanding:

<b>Category of highest rated notes</b>	<b>Unsupported Minimum Counterparty Ratings</b>
AAA sf	A or F1
AA sf	A- or F1
Asf	BBB or F2
BBB sf	BBB- or F3
BB sf	At least as high as the relevant highest rated Notes outstanding (the " <b>Relevant Notes Fitch Rating</b> ")
Bsf or below or relevant highest rated Notes outstanding are not rated by Fitch	At least as high as the Relevant Notes Fitch Rating; and

- (iii) if the Fitch High Rating Thresholds apply to the Swap Counterparty, the short-term issuer default rating of at least "F1+" and a long-term derivative counterparty rating or long-term issuer default rating (as applicable) of at least "AA-"

(together, the "**Swap First Trigger Required Ratings**"); and

- (b) if the Swap Counterparty breaches the Swap First Trigger Required Ratings, but

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

(within 14 calendar days (if the Fitch High Rating Thresholds do not apply) or 60 calendar days (if the Fitch High Rating Thresholds do apply) of breach if such breach is in respect of the rating by Fitch; or within 30 Local Business Days (as defined in the Initial Swap Agreement) of breach if such breach is in respect of the rating by DBRS); (ii) replace the Swap Counterparty; (iii) procure a guarantee of such Swap Counterparty's obligations; or (iv) if such breach is in respect of a rating by Fitch, taking such other action (or inaction) that would result in the rating of the Rated Notes being maintained at, or restored to, the level it would have been at prior to such lower rating being assigned by Fitch, in each case within the time periods specified in the Swap Agreement to which the Swap Counterparty is a party.

- (b) The consequences of breach of the Swap Second Required Ratings include the requirements to (i) replace the Swap

## Required Ratings

complies with the relevant contractual requirements that apply on the occurrence of such breach, then:

- (i) if such breach is in respect of the relevant DBRS required ratings, then (1) a COR of at least "BBB" by DBRS, or (2) long-term unsecured, unguaranteed and unsubordinated debt obligations which are rated by DBRS at least "BBB" (by way of a public rating), **provided that** if the Swap Counterparty is not rated by DBRS, a DBRS Equivalent Rating at least equal to "BBB";
- (ii) if the Fitch High Rating Thresholds do not apply to the Swap Counterparty, such breach is in respect of the relevant Fitch required ratings, then the short-term issuer default rating of the Swap Counterparty or the long-term derivative counterparty rating or the long-term issuer default rating (as applicable) of the Swap Counterparty must be at least the rating shown in the below table by Fitch for so long as the relevant Notes are outstanding:

<u>Category of highest rated notes</u>	<u>Supported Minimum Counterparty Ratings</u>
AAAsf	BBB- or F3
AAsf	BBB- or F3
Asf	BB+
BBBsf	BB-
BBsf	B+
Bsf or below or relevant highest rated Notes outstanding are not rated by Fitch	B-; and

- (iii) if the Fitch High Rating Thresholds apply to the Swap Counterparty, a short-term issuer default rating of at least "F1+" and a long-term derivative counterparty rating or long-term issuer default rating (as applicable) of at least "AA-".

## Possible effects of Ratings Trigger being breached include the following:

Counterparty or procure a guarantee of such Swap Counterparty's obligations (within 30 calendar days of breach (if the Fitch High Rating Thresholds do not apply) or 60 calendar days (if the Fitch High Rating Thresholds do apply)) and (ii) pending such replacement or procurement of a guarantee, provide or continue providing collateral or, if such breach is in respect of a rating by Fitch within 30 calendar days (if the Fitch High Rating Thresholds do not apply) or 60 calendar days (if the Fitch High Rating Thresholds apply) of breach, taking such other action (or inaction) that would result in the rating of the Rated Notes being maintained at, or restored to, the level it would have been at prior to such lower rating being assigned by Fitch.

A failure by a Swap Counterparty to take such steps will, in certain circumstances, allow the Issuer to terminate the relevant Swap Agreement. In circumstances where a Swap Agreement is terminated as a result of the failure of the Swap Counterparty to take such steps, the Issuer will endeavour to enter into a replacement Swap Agreement on terms similar to, and providing a similar level of protection against interest rate risk as the Swap Agreement which has been terminated.

**Required Ratings**

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

(together, the "Swap Second Trigger Required Ratings").

The Fitch thresholds of (i) an issuer default rating of at least "F1+" and (ii) a long-term derivative counterparty rating or long-term issuer default rating (as applicable) of at least "AA-" (the "**Fitch High Rating Thresholds**") will apply with respect to each Swap Counterparty rated above the Fitch High Rating Thresholds as of the date that it becomes a Swap Counterparty: (A) unless (and until) the Swap Counterparty notifies the Issuer, the Cash/Bond Administrator and the Trustee (with a copy to Fitch) that the Fitch High Rating Thresholds are not to apply; and (B) if, subsequent to the Fitch High Rating Thresholds ceasing to apply upon the Swap Counterparty giving a notice under (a) the short-term issuer default rating of the Swap Counterparty is at least "F1+" or the long-term issuer default rating or, if assigned, the derivative counterparty rating of the Swap Counterparty is at least "AA-", from the date on which the Swap Counterparty notifies the Issuer, the Trustee and the Cash/Bond Administrator (with a copy to Fitch) that the Fitch High Rating Thresholds are to apply.

*See the section entitled "The Swap Agreements" for further information.*

## Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
Perfection Events....	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li data-bbox="488 383 871 595">(a) the Trustee determining that the Charged Property or any part thereof is in jeopardy (including due to the possible insolvency of one or more of the Seller or the Legal Title-Holder);</li> <li data-bbox="488 629 871 909">(b) the Issuer, the Trustee, the Seller or the Legal Title-Holder becoming obliged to provide notice of assignment or (as applicable) assignation of the Loan by order of court, by law or any relevant regulatory authority;</li> <li data-bbox="488 931 871 1111">(c) a Legal Title-Holder Termination Event occurs and a replacement legal title-holder has not been appointed within 60 calendar days;</li> <li data-bbox="488 1133 871 1223">(d) an Insolvency Event in respect of the Legal Title-Holder; or</li> <li data-bbox="488 1245 871 1357">(e) a Severe Deterioration Event in respect of the Legal Title-Holder,</li> </ul>	<p>The Issuer (with the consent of the Trustee) or, following the service of an Enforcement Notice, the Trustee may decide that the Borrowers be notified of the sale of the Loans to the Issuer and legal title to the Mortgage Pool be transferred to the Issuer (other than in the case of perfection event (b) whereby only legal title to the affected Loan will be transferred to the Issuer).</p>
	<p>provided that paragraph (e) above shall (1) not apply if the Seller has delivered a certificate to the Trustee confirming that the occurrence of such event does not impact the designation of the Notes as a 'simple, transparent and standardised' securitisation (within the meaning of the UK Securitisation Regulation); and (2) be subject to such amendment as the Seller may require so long as the Seller delivers a certificate to the Trustee that the amendment of such event does not impact the designation of the Notes as a 'simple, transparent and standardised' securitisation (within the meaning of the UK Securitisation Regulation).</p>	



<b>Nature of Trigger</b>	<b>Description of Trigger</b>	<b>Consequence of Trigger</b>
Final Further Purchase Date.....	<p>The earlier of:</p> <ul style="list-style-type: none"> <li>(a) the Step-Up Date;</li> <li>(b) the date of the occurrence of an Event of Default under and as defined in Condition 9 (Events of Default) of the Notes;</li> <li>(c) the date of the occurrence of an Insolvency Event in respect of the Legal Title-Holder, the Mortgage Administrator or the Originator;</li> <li>(d) the date of the occurrence of a Liquidity Reserve Fund Trigger Event;</li> <li>(e) as at any Determination Date, the aggregate Principal Balance of the Loans in the Mortgage Pool which are more than three months in arrears (as calculated by reference to the arrears amount outstanding divided by the relevant contractual monthly payment) being greater than 5 per cent. of the aggregate Principal Balance of all Loans in the Mortgage Pool;</li> <li>(f) the date on which the debit balance reflected in the E Principal Deficiency Ledger exceeded 25 per cent. of the Principal Amount Outstanding of the E Notes on two consecutive Interest Payment Dates, in each case following application of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments;</li> <li>(g) the date on which the amount standing to the credit of the General Reserve Fund Ledger has been less than the General Reserve Fund Required</li> </ul>	Principal Collections and Available Principal Funds will no longer be applied to acquire Additional Loans and no further amounts will be credited to the Retained Principal Ledger.

Nature of Trigger	Description of Trigger	Consequence of Trigger
	<p>Amount on two consecutive Interest Payment Dates, in each case following application of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments; and</p> <p>(h) the date by which either the Seller or the Legal Title-Holder has failed to repurchase any Loan when required to do so for 30 calendar days or more pursuant to the terms of the KHL/Issuer Mortgage Sale Agreement; and</p> <p>(i) the date on which the Originator ceases to originate new Loans that are capable of meeting the applicable Additional Loan Criteria and complying in all material respects with the Warranties for a period of 30 calendar days or more.</p>	
Cash/Bond Administrator Termination Events	<p>The occurrence of any of the following:</p> <p>(a) default is made by the Cash/Bond Administrator in ensuring the payment on the due date of any payment due and payable by it under the Cash/Bond Administration Agreement or in the performance of any of cash management and withdrawal obligations and such default continues (where capable of remedy) unremedied for a period of 3 Business Days after the earlier of the Cash/Bond Administrator becoming aware of such default and/or the receipt by the Cash/Bond Administrator of written notice from the Issuer (prior to the delivery of an Enforcement Notice) or the Trustee (after the</p>	<p>If a Cash/Bond Administrator Termination Event occurs the Issuer (prior to the delivery of an Enforcement Notice and with the consent of the Trustee) or the Trustee (after the delivery of an Enforcement Notice) may deliver a notice in writing (a "<b>Cash/Bond Administrator Termination Notice</b>") of such Cash/Bond Administrator Termination Event to the Cash/Bond Administrator and the Cash/Bond Administrator Facilitator (with a copy to the Issuer or the Trustee (as the case may be)) to terminate its appointment of the Cash/Bond Administrator under the Cash/Bond Administration Agreement with effect from the date specified in the Cash/Bond Administrator Termination Notice, <b>provided that</b> the Cash/Bond Administrator's appointment shall not be terminated until a Replacement Cash/Bond Administrator has been appointed and in relation to limb (c) only, if the Cash/Bond Administrator remedies such breach within 2 Business Days of the occurrence of such Cash/Bond Administrator Termination Event, such breach shall no longer constitute a Cash/Bond Administrator Termination Event and</p>

Nature of Trigger	Description of Trigger	Consequence of Trigger
	delivery of an Enforcement Notice) requiring the default to be remedied;	<b>provided further that</b> any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.
	(b) the Cash/Bond Administrator does not provide the Performance Report or Monthly Report within the required time period;	Upon being so notified, the Cash/Bond Administrator Facilitator shall use reasonable endeavours to identify and select a Replacement Cash/Bond Administrator within 30 calendar days of the occurrence of the applicable Cash/Bond Administrator Termination Event and provide details of the Proposed Replacement Cash/Bond Administrator to the Issuer and the Trustee.
	(c) the Cash/Bond Administrator fails, in respect of an Interest Payment Date, to deliver a notice to the Paying Agent setting out the Note Principal Payment in respect of any Class of Notes to be paid on such Interest Payment Date;	
	(d) default by the Cash/Bond Administrator in the performance of its covenants and obligations under the Cash/Bond Administration Agreement and the Issuer (prior to the delivery of an Enforcement Notice) or the Trustee (after the delivery of an Enforcement Notice) considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class and such default continues (where capable of remedy) unremedied for a period of 15 Business Days after the earlier of the Cash/Bond Administrator becoming aware of such default and/or the receipt by the Cash/Bond Administrator of written notice from the Issuer (prior to the delivery of an Enforcement Notice) or the Trustee (after the delivery of an Enforcement Notice);	
	(e) certain insolvency events of the Cash/Bond Administrator;	

Nature of Trigger	Description of Trigger	Consequence of Trigger
	<p>(f) any material provision of the Cash/Bond Administration Agreement ceases, for any reason, to be in full force and effect;</p> <p>(g) it is or will become unlawful for the Cash/Bond Administrator to perform with any of its obligations under the Cash/Bond Administration Agreement; or</p> <p>(h) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Cash/Bond Administrator is materially prejudicial to the interests of the holders of the Most Senior Class.</p>	
Mortgage Administrator Termination Events	<p>The occurrence of any of the following:</p> <p>(a) default by the Mortgage Administrator in the performance of its covenants and obligations under the Mortgage Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class;</p> <p>(b) certain insolvency events of the Mortgage Administrator; or</p> <p>(c) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Mortgage Administrator is materially prejudicial to the interests of the holders of the Most Senior Class.</p>	<p>If a Mortgage Administrator Termination Event occurs the Issuer (with the consent of the Trustee) or the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administrator Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administrator Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement Mortgage Administrator to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Mortgage Administrator, the Issuer shall appoint the Proposed Replacement Mortgage Administrator as Mortgage Administrator on substantially the same terms as set out herein, <b>provided however that</b> any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.</p>
Legal Title-Holder Termination Events	<p>(a) default by the Legal Title-Holder in the performance of its covenants and</p>	<p>If a Legal Title-Holder Termination Event occurs the Issuer (with the consent of the Trustee) or, following the service of an</p>

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
	<p>obligations under the Mortgage Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class;</p>	<p>Enforcement Notice, the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Legal Title-Holder Facilitator of such occurrence and request it to identify and select a replacement legal title-holder.</p>
	<p>(b) certain insolvency events of the Legal Title-Holder; or</p>	<p>Upon being so notified, the Legal Title-Holder Facilitator shall use reasonable endeavours to identify and select a replacement legal title-holder within 30 calendar days of the occurrence of the applicable Legal Title-Holder Termination Event and provide details of the Proposed Replacement Legal Title-Holder to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Legal Title-Holder, the Issuer shall appoint the Proposed Replacement Legal Title-Holder as Legal Title-Holder on substantially the same terms as set out herein, <b>provided however that</b> any such appointment shall be subject to the prior written consent of the Trustee and to the conditions that (i) a Rating Agency Confirmation is obtained and (ii) the Proposed Replacement Legal Title-Holder grants an irrevocable power of attorney in favour of the Issuer.</p>
	<p>(c) the service of an Enforcement Notice.</p>	

## FEES

The following table sets out the ongoing fees to be paid by the Issuer to the Transaction Parties.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Servicing Fee (payable to the Mortgage Administrator in respect of the performance of the Services during the Determination Period immediately preceding the relevant Determination Date) comprising:	an amount equal to the sum of:	Ahead of all outstanding Notes in accordance with the Pre-Enforcement Revenue Priority of Payments. In respect of the Base Fee and the Accounting Services Fee any amounts in excess of the Senior Servicing Fee Cap to be paid in accordance with item (xxi) of the Pre-Enforcement Revenue Priority of Payments.	Quarterly in arrears on each Interest Payment Date.
(i) Base Fee;	in respect of each Determination Period, an amount (exclusive of VAT, if any) equal to 0.15 per cent. multiplied by the aggregate Principal Balance of the Loans in the Mortgage Pool as at the first day of the applicable Determination Period multiplied by the number of days in such Determination Period divided by 365; and		
(ii) Supplemental Fee	a supplemental fee of £45 (exclusive of VAT, if any) for each Loan in the Mortgage Pool which is one month or more in arrears as at the first date of any calendar month during a Determination Period (the " <b>Supplemental Fee Condition</b> ") multiplied by the number of calendar months during the Determination Period on which the Supplemental Fee Condition in respect of such Loan is met (the " <b>Supplemental Fee</b> " and together with the Base Fee, the		

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	<p><b>"Mortgage Administration Fee");</b></p>		
(iii) Accounting Services Fee; and	<p>a fee (exclusive of VAT, if any) of £25,000 multiplied by the number of days in the Determination Period and divided by 365 in respect of accounting services provided by the Mortgage Administrator to the Issuer and the Parent;</p>		
	<p><b>provided that:</b></p>		
	<p>(a) if the Mortgage Administrator incurs increased costs as a result of a Change, the Mortgage Administration Fee may be increased <b>provided that</b> such increased Mortgage Administration Fee may not exceed an amount equal to 0.50 per cent. multiplied by the aggregate Principal Balance of the Loans as at the first day of the relevant Determination Period multiplied by the number of days in such Determination Period divided by 365; and</p>		
	<p>(b) the aggregate amount (exclusive of VAT) payable on each Interest Payment Date as (A) a Mortgage Administration Fee and (B) an Accounting Services Fee is subject to an overall cap equal to</p>		

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
	<p>0.50 per cent. multiplied by the aggregate Principal Balance of the Loans as at the first day of the relevant Determination Period multiplied by the number of days in the Determination Period divided by 365 (the "<b>Senior Servicing Fee Cap</b>") with any remaining balance above the Senior Servicing Fee Cap to be paid at item (xxi) of the Pre-Enforcement Revenue Priority of Payments.</p> <p>Following the Step-Up Date, on each anniversary of the Issue Date, to but excluding the date that the Notes are redeemed in full, the Mortgage Administration Fee and the Accounting Services Fee will be increased by an amount equal to 2.50 per cent per annum on each such anniversary.</p>		
The costs and expenses of the Legal Title-Holder in relation to its performance of the Legal Title-Holder Duties	Any costs and expenses incurred by the Legal Title-Holder in accordance with the Mortgage Administration Agreement.	Ahead of all outstanding Notes.	Quarterly in arrears on each Interest Payment Date.
Other fees and expenses of the Issuer including Trustee, Agents, Corporate Services Provider, Mortgage Administrator Facilitator, Cash/Bond Administrator, Cash/Bond Administrator	Estimated at £90,000 year (exclusive of VAT or otherwise payable by the Issuer where so provided in the relevant Transaction Documents).	Ahead of all outstanding Notes.	Generally semi-annually, paid in advance or quarterly, paid in arrears.



<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Facilitator and Legal Title-Holder Facilitator			
Expenses related to the admission to trading of the Notes	Estimated at EUR 11,841.20 (inclusive of any applicable VAT).	Not Available	On or about the Issue Date.

## **USE OF PROCEEDS**

The gross proceeds of the issue of the Notes are expected to amount to approximately £505,040,000 and will be:

- (a) applied in the purchase by the Issuer from the Seller of the Completion Mortgage Pool on the Issue Date;
- (b) used to fund the General Reserve Fund up to its initial amount on the Issue Date (in respect of the proceeds of the issue of the Z Notes only); and
- (c) used to fund any Issuer Costs and Expenses (in respect of part of the proceeds of the issue of the X Notes only).

## THE ISSUER

### Introduction

The Issuer was incorporated and registered under the laws of England and Wales under the Companies Act 2006 with limited liability as a public limited company on 1 December 2020 (registered number 13054383). The issued share capital of the Issuer comprises 50,000 ordinary shares of £1.00 each (one of which is fully paid and 49,999 of which are one quarter paid up) held by Gemgarto 2021-1 Parent Limited (the "**Parent**"). The entire issued share capital of the Parent is held on trust by CSC Corporate Services (UK) Limited under the terms of the Parent Share Trust Deed. The Issuer has no subsidiaries.

### Directors

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

<u>Name</u>	<u>Address</u>	<u>Principal Activities/Position</u>
CSC Directors (No.1) Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Corporate Director
CSC Directors (No.2) Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Corporate Director
Aline Sternberg	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director

The directors of CSC Directors (No.1) Limited and CSC Directors (No.2) Limited and their respective occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Charmaine De Castro	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Transaction Manager
Jonathan Hanley	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Constantinos Kleanthous	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Catherine Mary Elizabeth McGrath	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Associate Director
Lara Nasato	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Senior Transaction Manager
John Paul Nowacki	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Vinoy Rajanah Nursiah	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	CFO
Debra Amy Parsall	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Aline Sternberg	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Senior Transaction Manager

The Company Secretary of the Issuer is CSC Corporate Services (UK) Limited (registered number 10831084)

The registered office of the Issuer is at 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU.

The telephone number of the Issuer is +44 (0) 203 855 0285.

### **Activities**

The Issuer has been established as a special purpose vehicle to acquire portfolios of residential mortgage loans and issue asset-backed securities. Its activities will be restricted by the terms and conditions of the Transaction Documents and will be limited to the issue of the Notes and the Certificates, the ownership of the Loans and their Collateral Security and other assets referred to herein, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto. These activities will include (a) the collection of all payments of principal and interest due from Borrowers on Loans; (b) the operation of arrears procedures and (c) the enforcement of Loans and their Collateral Security against Borrowers in default. Substantially all of the above activities will be carried on by the Mortgage Administrator on an agency basis under the Mortgage Administration Agreement. In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Loans and their Collateral Security against Borrowers in default and other discretionary matters, the Issuer has delegated certain decision making powers to the Legal Title-Holder pursuant to the Mortgage Administration Agreement. Additionally, the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement) will provide cash management and bond reporting services to the Issuer pursuant to the Cash/Bond Administration Agreement. The Issuer may terminate the agency (and, simultaneously, the rights) of the Mortgage Administrator or the Cash/Bond Administrator upon the occurrence of certain events of default or insolvency or similar events in relation to the Mortgage Administrator or the Cash/Bond Administrator or, in certain circumstances, following an Event of Default in relation to the Notes or Certificates. Following such an event as aforesaid, the Issuer (with the consent of the Trustee) or the Trustee may, subject to certain conditions, appoint substitute administrators.

Since its incorporation, the Issuer has not produced any accounts and has not engaged in any material activities other than those incidental to its registration as a public company, the authorisation of the issue of the Notes and Certificates, the matters contemplated in this Prospectus, the authorisation of the Transaction Documents referred to in this Prospectus in connection with the issue of the Notes, the Certificates and other matters which are incidental or ancillary to those activities. The Issuer has no employees.

### **Issuer profit**

Funds are to be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and, after the service of an Enforcement Notice, the Post-Enforcement Priority of Payments in an amount of £10,500 on each Interest Payment Date up to and including the Interest Payment Date falling in September 2021 and £1,500 on each Interest Payment Date falling thereafter for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year. Any such amount so applied shall be credited to the Issuer Profit Ledger and applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

### **Capitalisation loan and repayment thereof**

In order to enable the Parent to acquire the shares in the share capital of the Issuer, the Parent has received a limited recourse loan from the Share Trustee in an amount of £12,500.75. It is intended that such loan will be repaid with an amount received by the Parent by way of dividend on the shares it holds in the Issuer which the Issuer is expected to declare and pay with the Issuer Profit.

### **Auditors**

The independent auditor of the Issuer is KPMG LLP whose office is located at 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom.

## CAPITALISATION STATEMENT

The following table shows the unaudited capitalisation of the Issuer as at 3 February 2021.

### Share Capital

	<u>£</u>
<i>Issued</i>	
50,000 Ordinary Shares of £1 each; comprising 1 fully paid up, 49,999 <sup>1/4</sup> paid up.....	12,500.75
	<u>12,500.75</u>
<i>Borrowings</i>	
The Notes <sup>(1)</sup> .....	505,040,000
<b>Total Capitalisation</b> .....	<u>505,052,500.75</u>

<sup>(1)</sup> As at 3 February 2021, save as disclosed above, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

## PARENT

Gemgarto 2021-1 Parent Limited ("**Parent**") was incorporated in England and Wales on 30 November 2020 (registered number 13052103) as a private limited company under the Companies Act 2006 (as amended). The registered office of Parent is 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU. The telephone number of Parent's registered office is +44 (0) 203 855 0285.

The issued share capital of Parent comprises 1 ordinary share of £1.00.

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

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

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

The principal objects of Parent are, among other things, to acquire and hold, by way of investments or otherwise, and deal in or exploit, in such manner as may from time to time be considered expedient, all or any part of any securities or other interests of or in the Issuer or any other similar vehicle.

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

### Directors

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
CSC Directors (No.1) Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Corporate Director
CSC Directors (No.2) Limited	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Corporate Director
Aline Sternberg	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director

The directors of CSC Directors (No.1) Limited and CSC Directors (No.2) Limited and their respective occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Charmaine De Castro	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Transaction Manager
Jonathan Hanley	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Constantinos Kleanthous	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Catherine Mary Elizabeth McGrath	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Associate Director
Lara Nasato	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Senior Transaction Manager

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
John Paul Nowacki	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Vinoy Rajanah Nursiah	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	CFO
Debra Amy Parsall	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Director
Aline Sternberg	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU	Senior Transaction Manager

The company secretary of the Parent is CSC Corporate Services (UK) Limited whose registered office is at 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU.

The accounting reference date of the Parent is 31 March.

## **THE ORIGINATOR, THE MORTGAGE ADMINISTRATOR AND THE LEGAL TITLE-HOLDER**

### **Kensington Mortgage Company Limited**

KMC is a company incorporated under the laws of England and Wales (registration number 03049877) on 26 April 1995, having its registered office at Ascot House, Maidenhead Office Park, Maidenhead, SL6 3QQ, United Kingdom. It is a company whose purpose is advancing or acquiring residential Loans to borrowers in England and Wales, Northern Ireland and Scotland. KMC is a wholly owned subsidiary of KHL. KMC and KHL continually evaluate whether the existing corporate structure of the overall group is fit for purpose. There may be changes to the group structure from time to time which may not be notified to investors in the Notes, provided such changes do not constitute information which ought to be made public in line with Article 7(1)(f) of the UK Securitisation Regulation.

Pursuant to the KHL/Issuer Mortgage Sale Agreement, KMC undertakes that it will maintain its "centre of main interests" (as defined in the Recast EU Insolvency Regulation as it forms part of domestic law of the United Kingdom as amended by the Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146)) and Insolvency (Amendment) (EU Exit) Regulations 2020 (SI 2020/647)) in England and Wales and that it has no "establishment" (as that expression is defined in the Recast EU Insolvency Regulation as it forms part of domestic law of the United Kingdom as amended by the Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146)) and Insolvency (Amendment) (EU Exit) Regulations 2020 (SI 2020/647)) in any jurisdiction other than England and Wales.

KMC is currently the authorised mortgage lender of loans within the Kensington group, on the basis that it is an "authorised person" approved by the FCA to carry out certain regulated activities. KMC holds the relevant authorisations under FSMA and the CCA and any other authorisation or approval necessary to act as lender in its capacity as lender, creditor and mortgage administrator under regulated mortgage contracts. These authorisations have been in place since 31 October 2004. KMC holds and maintains applicable registrations under the Data Protection Act 2018. It is also a member of UK Finance and the Intermediary Mortgage Lenders Association.

KMC is the commercial originator of the loans, though the sale arrangements mean that KMC is not the "originator" for the purposes of the UK Securitisation Regulation see "The Seller and Subordinated Loan Provider" section below.

KMC is an entity which is subject to prudential, capital and liquidity regulation in the UK and it has regulatory authorisation and permissions which are relevant to the provision of servicing in relation to the Loans in the Mortgage Pool and other loans originated by KMC which do not form part of the Mortgage Pool. KMC has significantly more than five years of experience in the servicing, origination and underwriting of mortgage loans similar to those in the Mortgage Pool. KMC has well-documented and adequate policies, procedures and risk-management controls in relation to the administrator of mortgage loans similar to those comprising the Mortgage Pool which are not sold to the Issuer.

As at December 2020, KMC had approximately 500 employees.



## **THE SELLER AND THE SUBORDINATED LOAN PROVIDER**

KHL is a company incorporated in England and Wales with limited liability on 26 November 2014. Its registered number is 09329495 and its registered office is at Ascot House, Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom. It is a company whose purpose is, amongst others, the acquisition, holding, management and disposal of participations and any interests, in any form whatsoever, in England and Wales and foreign companies, or other business entities, enterprises or investments, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes, certificates of deposits and any other securities or financial instruments of any kind, and the ownership, administration, development and management of its portfolio. KHL is a direct wholly-owned subsidiary of Koala (Cayman) Limited and the direct parent company of KMC. As at the Issue Date, KHL does not have any employees.

KHL will acquire the beneficial interest in the Loans pursuant to the SLQ/KHL Mortgage Sale Agreement and the Legacy/KHL Mortgage Sale Agreement. KHL is an originator pursuant to Article 2(3)(a) of the UK Securitisation Regulation with respect to those Loans to which interest it acquires pursuant to the SLQ/KHL Mortgage Sale Agreement and an originator pursuant to Article 2(3)(b) of the UK Securitisation Regulation with respect to those Loans to which interest it acquires pursuant to the Legacy/KHL Mortgage Sale Agreement. KHL will be an originator pursuant to Article 2(3)(a) of the UK Securitisation Regulation with respect to any Additional Loans.

Pursuant to the KHL/Issuer Mortgage Sale Agreement, KMC undertakes that it will maintain its "centre of main interests" (as defined in the Recast EU Insolvency Regulation as it forms part of domestic law of the United Kingdom as amended by the Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146)) and Insolvency (Amendment) (EU Exit) Regulations 2020 (SI 2020/647)) in England and Wales and that it has no "establishment" (as that expression is defined in the Recast EU Insolvency Regulation as it forms part of domestic law of the United Kingdom as amended by the Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146)) and Insolvency (Amendment) (EU Exit) Regulations 2020 (SI 2020/647)) in any jurisdiction other than England and Wales.

## **THE TRUSTEE**

Apex Corporate Trustees (UK) Limited is a private limited company incorporated under English law with registration number 00239726 and with its registered office at 6<sup>th</sup> Floor, 125 Wood Street, London EC2V 7AN, United Kingdom.

Apex Corporate Trustees (UK) Limited will be appointed as Trustee pursuant to the Trust Deed and will agree to hold the benefit of the covenants of the Issuer under the Trust Deed on trust for the Noteholders.

The Trustee is a wholly-owned subsidiary undertaking of Apex Group Limited a company incorporated in Bermuda. The Trustee is a trust corporation and administers a substantial and diverse portfolio of corporate trusteeships for both domestic and overseas companies and institutions.

## THE INITIAL SWAP COUNTERPARTY

BNP Paribas is a French multinational bank and financial services company with its registered office located at 16 boulevard des Italiens 75009 Paris, France, and its corporate website in English is <http://www.bnpparibas.com/en>.

BNP Paribas, together with its consolidated subsidiaries (the "**BNP Paribas Group**") is a global financial services provider, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialized and other financial activities throughout the world.

The BNP Paribas Group, one of Europe's leading providers of banking and financial services, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg.

It operates in 71 countries and has more than 197,000 employees, including nearly 150,000 in Europe. BNP Paribas holds key positions in its two main businesses:

- Retail Banking and Services, which includes:
- Domestic Markets, comprising:
  - French Retail Banking (FRB),
  - BNL banca commerciale (BNL bc), Italian retail banking,
  - Belgian Retail Banking (BRB),
  - Other Domestic Markets activities including Arval, BNP Paribas Leasing Solutions, Personal Investors, Nickel and Luxembourg Retail Banking (LRB);
- International Financial Services, comprising:
  - Europe-Mediterranean,
  - BancWest,
  - Personal Finance,
  - Insurance,
  - Wealth and Asset Management;
- Corporate and Institutional Banking (CIB):
  - Corporate Banking,
  - Global Markets,
  - Securities Services.

BNP Paribas SA is the parent company of the BNP Paribas Group.

At 30 September 2020, the BNP Paribas Group had consolidated assets of €2,595 billion (compared to €2,165 billion at 31 December 2019), consolidated loans and receivables due from customers of €811 billion (compared to €806 billion at 31 December 2019), consolidated items due to customers of €966 billion (compared to €835 billion at 31 December 2019) and shareholders' equity (Group share) of €111.8 billion (compared to €107.5 billion at 31 December 2019).

At 30 September 2020, pre-tax income was €7.6 billion (compared to €8.9 billion as at 30 September 2019). Net income, attributable to equity holders, for the first nine months 2020 was €5.5 billion (compared to €6.3 billion for the first nine months 2019).

At the date of this Prospectus, the BNP Paribas Group currently has Long Term Senior Preferred debt ratings of "A+" with negative outlook from S&P, "Aa3" with stable outlook from Moody's Investors Service, Inc. and "AA-" with negative outlook from Fitch Ratings, Ltd and "AA (low)" with stable outlook from DBRS.

The information contained in this section relates to and has been obtained from BNP Paribas. The information concerning BNP Paribas and the BNP Paribas Group contained herein is furnished solely to

provide limited introductory information regarding BNP Paribas and the BNP Paribas Group and does not purport to be comprehensive.

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP Paribas or the BNP Paribas Group since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date. For up-to-date financial information, including quarterly results since the last fiscal year end, please refer to <http://invest.bnpparibas.com/en>.

**THE ACCOUNT BANK, THE CASH/BOND ADMINISTRATOR, THE SWAP COLLATERAL  
ACCOUNT BANK, THE AGENT BANK, THE PRINCIPAL PAYING AGENT AND THE  
REGISTRAR**

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

The London Branch 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.

## THE COLLECTION ACCOUNTS PROVIDER

Barclays Bank PLC (the Bank, and together with its subsidiary undertakings, the Barclays Bank Group) is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Bank is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'. The whole of the issued ordinary share capital of the Bank is beneficially owned by Barclays PLC. Barclays PLC (together with its subsidiary undertakings, the Group or Barclays) is the ultimate holding company of the Group. The Bank's principal activity is to offer products and services designed for larger corporate, wholesale and international banking clients.

Barclays is a British universal bank with a diversified and connected portfolio of businesses, serving retail and wholesale customers and clients globally. The Group's businesses include consumer banking and payment operations around the world, as well as a top-tier, full service, global consumer and investment bank. The Group operates as two divisions – the Barclays UK division (Barclays UK) and the Barclays International division (Barclays International). These are housed in two banking subsidiaries – Barclays UK sits within Barclays Bank UK PLC and Barclays International sits within the Bank – which are supported by Barclays Execution Services Limited. Barclays Execution Services Limited is the Group-wide service company providing technology, operations and functional services to businesses across the Group.

The short term unsecured obligations of the Bank are rated A-1 by S&P Global Ratings Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of the Bank are rated A by S&P Global Ratings Europe Limited, A1 by Moody's Investors Service Ltd. and A+ by Fitch Ratings Limited.

Based on the Barclays Bank Group's audited financial information for the year ended 31 December 2019, the Barclays Bank Group had total assets of £876,672m (2018: £877,700m), loans and advances at amortised cost of £141,636m (2018: £136,959m), total deposits of £213,881m (2018: £199,337m), and total equity of £50,615m (2018: £47,711m) (including non-controlling interests of £0 (2018: £2m)). The profit before tax of the Barclays Bank Group for the year ended 31 December 2019 was £3,112m (2018: £1,286m) after credit impairment charges of £1,202m (2018: £643m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Issuer for the year ended 31 December 2019.

**THE MORTGAGE ADMINISTRATOR FACILITATOR, THE LEGAL TITLE-HOLDER  
FACILITATOR, THE CASH/BOND ADMINISTRATOR FACILITATOR AND THE  
CORPORATE SERVICES PROVIDER**

CSC Capital Markets UK Limited, registered number 10780001, having its principal address at 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU, will be appointed to provide corporate services to the Issuer and Parent pursuant to the Corporate Services Agreement.

CSC Capital Markets UK Limited has served and is currently serving as corporate service provider for securitisation transactions.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Trustee and each other party to the Corporate Services Agreement, **provided that** a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Issuer or, following delivery of an Enforcement Notice, the 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 Issuer or, following delivery of an Enforcement Notice, the 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.

CSC Capital Markets UK Limited will also be appointed as (a) the Mortgage Administrator Facilitator and the Legal Title-Holder Facilitator pursuant to the Mortgage Administration Agreement (see the section entitled "*Administration, Servicing and Cash Management of the Mortgage Pool*" for further information and (b) the Cash/Bond Administrator Facilitator pursuant to the Cash/Bond Administration Agreement (see the section entitled "*Administration, Servicing and Cash Management of the Mortgage Pool*" for further information).

## CONSTITUTION OF THE MORTGAGE POOL

### **The Mortgage Pool**

The pool of Loans to be sold to the Issuer on the Issue Date pursuant to the KHL/Issuer Mortgage Sale Agreement will comprise the Completion Mortgage Pool, other than Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to the Seller pursuant to the KHL/Issuer Mortgage Sale Agreement or in respect of which Enforcement Procedures have been completed, in each case as at the Issue Date, any Substitute Loans and any Additional Loans which comply with the Additional Loan Criteria.

The Loans were originated by KMC.

A summary of the portfolio of Loans within the Provisional Completion Mortgage Pool with different lending criteria is set out below. The Provisional Completion Mortgage Pool is as of 31 December 2020:

Aggregate Principal Balance .....	£476,505,780
Number of Loans.....	2,826
Average Principal Balance .....	£168,615
Weighted average remaining term to maturity .....	25.82 years

### **Repayment Type**

Repayment terms under each type of mortgage loan differ according to the repayment type (see Table 8 (*Distribution of Loans by Repayment Method*) under "*Characteristics of the Provisional Completion Mortgage Pool*" below). The following repayment types are included in the Provisional Completion Mortgage Pool:

- (a) Repayment Loans;
- (b) Interest Only Loans; and
- (c) Part and Part Loans. Monthly payments in respect of Part and Part Loans are comprised of the interest due on both portions of the Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal. The principal amount relating to the portion in respect of which the Borrower is required to pay interest only is repayable at maturity.

Each Repayment Loan, Interest Only Loan and Part and Part Loan is a Loan which is secured by a first ranking legal mortgage or, in Scotland, a first ranking standard security.

### **Interest Rate Type**

Each Loan to be included in the Mortgage Pool will be:

- (a) a Fixed Rate Mortgage subject to a fixed interest rate for a specified period of time and which at the expiration of that period reverts to being a Floating Rate Mortgage; or
- (b) a Floating Rate Mortgage subject to a variable rate of interest that is linked to 3 Month LIBOR or the Kensington Standard Rate, plus a margin.

The interest rate on each LIBOR Mortgage will be reset quarterly for the subsequent quarterly period and applied monthly (a forward-looking calculation). The Legal Title-Holder intends (but will not have any obligation) to replace the LIBOR component of the rate of interest payable by any impacted Borrowers prior to the cessation of LIBOR's publication. The LIBOR component will be replaced with an appropriate alternative provided that such change is in accordance with the terms of those Loans subject always to any Applicable Law and the terms of the Transaction Documents.

The interest rate on each Kensington Standard Rate Mortgage will be reset quarterly for the subsequent quarterly period and applied monthly (also a forward-looking calculation). The Kensington Standard Rate will always be equal to the sum of (i) BBR (subject to a floor of zero); (ii) a lender funding cost adjustment of between 0.00 per cent. and 1.00 per cent.



The variable interest rate applied to any Fixed Rate Mortgage at reversion or any Floating Rate Mortgage in the Mortgage Pool may also be an alternative reference rate other than three-month LIBOR or the Kensington Standard Rate provided that: (i) the alternative rate has been selected by the Legal Title-Holder (acting reasonably); (ii) a Rating Agency Confirmation in respect the alternative rate to be used has been obtained (subject, for the avoidance of doubt, to the provisos set out in the definition thereof); and (iii) the use of the alternative rate in respect of Loans included in the Mortgage Pool would not cause the Notes to be non-compliance with the UK STS Requirements.

### ***Mortgage Early Redemption Amounts***

Under the terms of each Loan, the Borrower is also obliged to pay a Mortgage Early Redemption Amount. The compensation payment which that Borrower pays is determined by the particular mortgage offer upon which that Borrower's Loan was based.

If a Borrower redeems a Loan before the end of the term/within the Relevant Period and takes out a new loan with the Legal Title-Holder, the Mortgage Administrator may, in its absolute discretion, up to 30 days after receipt of the Mortgage Early Redemption Amount, refund that Mortgage Early Redemption Amount to that Borrower. A Mortgage Early Redemption Amount not so refunded will comprise part of Revenue Collections.

Any Mortgage Early Redemption Amount received in respect of a Loan by the Issuer during a Determination Period will not be included in Available Revenue Funds but will instead be credited to the Transaction Account and paid directly to the Certificateholders on the following Interest Payment Date outside of the applicable Priority of Payments.

### ***Underwriting***

The underwriting approach of the Originator has changed over time. Loans in the Mortgage Pool may have been or may be originated in accordance with different lending criteria from those set out below, depending on their date of origination.

The lending assessment undertaken by the Originator is made with reference to a number of components including:

- (a) credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data; and
- (b) affordability: calculation of an individualised lending amount that reflects the applicant's income net of tax, credit commitments and assumed living expenses, which vary according to income, number of applicants and dependants.

All mortgage applications are currently manually underwritten by an underwriter that has an appropriate mandate. The level of mandate that an underwriter has is dependent upon their experience and performance, and is monitored on an ongoing basis. Some underwriters have a mandate to approve applications outside of the Lending Criteria providing that the application meets the Originator's exception criteria and the underwriter provides a supporting rationale. No underwriter has a mandate to agree exceptions outside of the Originator's exception criteria. All underwriters retain the right to decline applications and ask for additional supporting verification, regardless of the minimum standards set out in the Lending Criteria.

Quality control checks are performed on a sample of Loans agreed by all underwriters from time to time. The number of checks that are performed on each underwriter depends on the respective underwriter's experience and performance.

### ***Homogeneity***

The Loans comprised in the Provisional Completion Mortgage Pool as at the Cut-Off Date are homogeneous for purposes of Article 20(8) of the UK Securitisation Regulation, on the basis that all such Loans: (i) have been underwritten by the Originator in accordance with similar underwriting standards applying similar approaches with respect to the assessment of a potential borrower's credit risk; (ii) are serviced by the Mortgage Administrator pursuant to the Mortgage Administration Agreement in accordance with the same servicing procedures with respect to monitoring, collections and administration of cash receivables generated from such Loans (iii) are all first charge mortgage loans; and (iv) form one asset

category, namely residential loans secured with one or several mortgages or standard securities on residential immovable property in England, Wales and Scotland.

The Loans comprised in the Provisional Completion Mortgage Pool as at the Cut-Off Date do not include (i) any transferable securities for the purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for the purposes of Article 20(9) of the UK Securitisation Regulation; or (iii) derivatives for the purposes of article 21(2) of the UK Securitisation Regulation. Any Additional Loans or Product Switch Loans included in the Mortgage Pool following the Issue Date will not include (i) any transferable securities for the purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for the purposes of Article 20(9) of the UK Securitisation Regulation; or (iii) derivatives for the purposes of article 21(2) of the UK Securitisation Regulation.

### ***Lending Criteria***

The following criteria (the "**Lending Criteria**") are a summary consolidating certain of the lending criteria applied in relation to the Loans originated by KMC between (i) 30 May 2014 and 13 March 2018; and (ii) 19 December 2014 and 31 December 2020. Capitalised terms used in this section are used in respect of the Lending Criteria only, unless the context otherwise requires.

### ***Security***

- (a) Each Loan must be secured by a first ranking legal mortgage over an English Property or a first ranking standard security over a Scottish Property (a "**Mortgage**") over a freehold, heritable or long leasehold residential Property (usually at least (i) 35 years longer than the mortgage term or (ii) 85 years at commencement of the mortgage term) in England, Wales or Scotland (the "**Property**") except for any prior ranking statutory charge (as referred to in Section 156 of the Housing Act 1985 for English Loans or, for Scottish Loans, Section 72 of the Housing (Scotland) Act 1987 (as amended)) where the relevant Loan is a Right to Buy Loan for which the Legal Title-Holder has the benefit of a Right to Buy Insurance Policy.
- (b) Loans will be granted on residential Property offered as acceptable security in England, Wales or Scotland subject to acceptable valuation. Use of all properties will be for owner occupation for residential use only.
- (c) Acceptable tenure comprises: freehold or heritable houses; leasehold houses, flats and maisonettes with not less than (i) 35 years remaining on the lease after the term of the Mortgage or (ii) 85 years at commencement of the term of the Mortgage; or commonhold.
- (d) Unacceptable tenure includes: freehold flats and maisonettes (other than in Scotland); leasehold houses, flats and maisonettes with less than (i) 35 years remaining on the lease after the term of the Mortgage or (ii) 85 years at commencement of the term of the Mortgage; flats or maisonettes where ground rent is currently at a level, or may reach a level referred to within the Housing Act 1988 (hence allowing a long lease to be treated as an assured shorthold tenancy); and freehold flats in Scotland under the Feudal Reform Act (Scotland) 2004.
- (e) Only Property of standard construction, including self-build houses that are determined as adequate security by a suitably qualified member of the panel of valuers, are acceptable **provided that**, Wimpey No Fines and Laing Easiform houses are acceptable for Loans up to a maximum LTV of 80 per cent.

In addition, the following non-standard construction types will be acceptable security up to a maximum LTV of 75 per cent., provided they are determined as adequate security by a suitably qualified member of the panel of valuers with no negative comments and no negative effect on the resale value of the Property:

- (i) Properties built using pre-fabricated reinforced concrete; poured concrete or concrete blocks.
- (ii) Steel-framed/steel clad Properties.
- (iii) 100% timber framed Properties (post 1980).

- (iv) Properties built using cob construction; or colt construction methods.
- (v) Properties built using stone and part rendered breeze block with pebble dashed outer walls.

Subject to the exceptions above, Properties of non-standard construction are not considered.

- (f) The following are examples of types of Property which are deemed unacceptable as security unless otherwise noted above or the Legal Title-Holder agrees otherwise:
  - (i) Properties of 100 per cent. timber construction.
  - (ii) Properties designated as defective under the Housing Defects Act 1984, the Housing Act 1985 or the Housing (Scotland) Act 1987.
  - (iii) Properties containing mundic block materials.
  - (iv) Ex-local authority or ex-ministry of defence flats and maisonettes, **provided that** flats and maisonettes may be acceptable if (i) the Property value exceeds £200,000; and (ii) the LTV is equal to or less than 80 per cent.
  - (v) Studio flats, **provided that** studio flats may be acceptable if (i) the Property value exceeds £200,000; and (ii) the LTV is equal to or less than 80 per cent.
  - (vi) Basement flats, **provided that** basement flats may be acceptable if (i) the Property value exceeds £200,000; and (ii) the LTV is equal to or less than 80 per cent.
  - (vii) Steel framed houses, **provided that** steel framed houses built later than in 2000 are acceptable subject to Property team approval. Steel framed flats are acceptable security provided construction occurred in 2001 or later.
  - (viii) Borrower or Borrower-owned business owning more than 25 per cent. of the freehold of the block in so far as can be ascertained at the time of underwriting. A Borrower or Borrower-owned business owning up to 50 per cent. of freehold of the block will be acceptable where the security comprises a building with only two flats or a Borrower or Borrower-owned business owing up to 33 per cent. of freehold of the block will be acceptable where the security comprises a building with three flats.
  - (ix) Flats above and adjacent to commercial premises that would affect saleability such as those properties that potentially would provide any unwanted heat, noise or smell or may present safety concerns, **provided that** these flats may be acceptable if (i) the Property value exceeds £200,000; and (ii) the LTV is equal to or less than 80 per cent.
  - (x) Flats that have access from a balcony or open decking area **provided that** these flats may be acceptable if (i) the Property value exceeds £200,000; and (ii) the LTV is equal to or less than 80 per cent.
  - (xi) High rise flats over ten storeys (must have a lift if KMC's security is above the fourth floor) **provided that** high rise flats over ten storeys may be acceptable if (i) the Property value exceeds £200,000; and (ii) the LTV is equal to or less than 80 per cent.
  - (xii) Blocks of flats (over 6 floors) that contain external cladding unless the block meets building regulations and testing requirements outlined by the Department for Communities and Local Government and meets the acceptable criteria set out in BR135 – Fire insulation for walls of multi-storey buildings and **provided that** a special condition will be applied to the Mortgage which requires the Borrower's solicitor to confirm prior to completion that these requirements have been met.
  - (xiii) Grade One Listed Properties in England and Wales or Category A listed properties in Scotland.
- (g) The following are examples of types of Property which are never acceptable:
  - (i) Properties with agricultural restrictions.

- (ii) Properties determined as unacceptable by the valuer.
  - (iii) Properties less than 10 years old without either a NHBC certificate, architects certificate, professional consultant's certificate or a new build warranty from any one of Premier Guarantee, BLP Limited Guarantee, Zurich Municipal Warranty, Checkmate Castle 10 New Home Warranty, LABC New Home Warranty, Build Zone Warranty, CRL Warranty, Advantage HCI, Aedis Warranties Limited, Build Zone Capital Warranties, Global Home Warranties, International Construction Warranties, Protek or Q Assure.
  - (iv) Properties not wholly owned by the Borrower.
  - (v) Properties with Japanese knotweed on site.
  - (vi) Live/work units.
  - (vii) Shared ownership (unless purchasing the final tranche with a view to owning 100 per cent. share and subject to no adverse comments from the valuer).
- (h) Properties offered as security are professionally valued by a nominated panel valuer having one of the following qualifications and whose compensation is not affected by the approval or non-approval of the relevant mortgage; FRICS, MRICS, RICS and AssocRICS (collectively referred to as "**RICS qualified valuers**"), or in extenuating circumstances where it is not possible for a property to be professionally valued by a nominated panel valuer, an automated valuation model provided by a third party entity for the automated valuation of properties securing mortgage loans (including, but not limited to, the Realtime Valuation System provided by Hometrack Data Systems Limited) is used. Where a RICS qualified valuer carries out the valuation, properties are valued at origination in accordance with the standards and practices of the RICS Valuation Standards (including those relating to competency and required documentation). In certain cases the property will be subject to two RICS panel valuation reports and lending will be based on the lower of the two valuation figures obtained. Each valuation report includes three comparable properties providing evidence for the valuation of the property offered as security. The panel of valuers is maintained (including the appointment of valuer firms to the panel) by the Service and Performance department of the Originator with no involvement of sales or product staff. Likewise, sales and product staff are not involved in the selection of the valuer firm from the panel of valuers engaged to carry out the valuation of the Properties.
- (i) Prior to the release of advance monies to a Borrower, the Legal Title-Holder requires the Property offered as security to be comprehensively insured for not less than the full reinstatement figure recommended by the valuer and shown on the property valuation report plus 12.5 per cent. The policy must, *inter alia*: (i) be a comprehensive index linked insurance policy issued by a reputable insurer and be reviewed annually; (ii) be on standard commercial terms; (iii) contain a mortgagee's protection clause; and (iv) contain a note of the Legal Title-Holder's interest. The Legal Title-Holder does not currently offer buildings insurance at point of sale. Borrowers must arrange their own insurance prior to completion. In all cases prior to completion, a valid buildings insurance policy must be checked by the Legal Title-Holder's solicitors/title insurers prior to completion to ensure suitable cover is in place.

#### *Loan Amount*

For Loans (i) to first-time buyers, the maximum loan amount (excluding any applicable fees) is £1,000,000, (ii) in respect of any other purchase and/or remortgage, the maximum loan amount (excluding any applicable fees) is £2,000,000 for Loans up to 80 per cent. LTV and £1,000,000 for Loans up to 90 per cent. LTV; and (iii) in respect of Loans secured on second homes, the maximum loan amount (excluding any applicable fees) is £500,000 for Loans up to 70 per cent. LTV.

On all Loans to a single Borrower, there is a cap on the maximum loan amount of £2,000,000.

#### *Loan to Value*

- (a) The LTV is calculated by dividing the gross principal amount committed at completion of the Loan (exclusive of any arrangement fee which may be added to the Loan) by the valuation of the Property at origination of the Loan or, in some cases, the lower of such valuation and the sale price.

- (b) The LTV of each Loan at the date of the advance must be no more than 95 per cent. (inclusive of any fees added to the Loan).

#### *Term*

A loan term of between either (i) five and 40 years; or (ii) two and 35 years can be considered subject to scheme rules.

#### *Borrowers*

- (a) A minimum of one and a maximum of four Borrowers are allowed to be parties to the Loan. Only the two highest incomes will be used for calculating the lending available.
- (b) Minimum age requirements vary with product and the time at which the Loan was originated. Borrowers must generally have been at least 18 years of age or older prior to completion of the Loan.
- (c) For most products, the maximum age of any Borrower at the end of mortgage term must not exceed 75 years of age (age of 76 on their following birthday) or earlier based on the Borrower's declared retirement age. In the case of Owner-Occupied Loans only, some products allow for the end of the mortgage term to fall after the Borrower's declared retirement age subject to scheme rules and **provided that** the Borrower's (ii) minimum age at the date of application must be at least 55 years of age; and (ii) maximum age at the end of the mortgage term must not exceed 90 years of age.
- (d) A Borrower's credit and employment history will have been assessed with the aid of the following:
  - (i) a search covering a period of up to 36 months (as applicable depending on scheme rules) prior to the date of application supplied by a credit reference agency;
  - (ii) confirmation of voters roll entries;
  - (iii) either full 12 months or full 3 years employment history (if applicable and depending on scheme rules);
  - (iv) references from former lenders (if not shown on the credit reference agency report or satisfactory payment evidence not received via mortgage/bank statements);
  - (v) bank statements in certain circumstances; and
  - (vi) references from current and/or previous commercial landlords.
- (e) Some schemes may allow County Court Judgments (or its Scottish equivalent) ("**CCJs**") **provided that** no CCJ has been issued against the Borrower in the three years prior to origination subject to scheme rules.
- (f) A comprehensive explanation for any arrears from a Borrower must accompany any application with arrears history and the relevant underwriters must have been satisfied that the problems that caused the arrears situation are unlikely to reoccur following completion of the Loan.

#### *Income and Affordability*

##### *Income*

- (a) On residential applications, there is no minimum income requirement and the underwriter will assess the application on affordability taking into consideration the overall application is of sufficient high quality taking into account length and type of current employment, split between basic and variable income levels and credit history. In assessing minimum income no Working Family Tax Credits can be taken into account and income must be from a single source. Ideally, a three year net profit history is required to verify income of self-employed applicants; however, a minimum of one year's trading supported by financial accounts is acceptable and the underwriter will be satisfied that the self-employed business is in existence. For residential applications for Loans above 85 per cent LTV, a minimum of two years proof of income is required.

- (b) Having established the level of income attributable to each applicant, regular and ongoing financial commitments over and above normal household expenditure will be annualised and deducted from this figure to determine the net disposable income and used in the affordability calculation.
- (c) Where income calculations allow, loans excluding existing mortgages will not need to be redeemed as a condition of the mortgage offer.

*Affordability*

- (a) All residential applications are subject to a full affordability assessment. For self-employed applicants, income is classed as 100 per cent. of the applicant's share of the net profit figure, their salary and dividends. For employed applicants, income is classed as their basic salary and up to 100 per cent. of all bonuses, overtime, dividends shares of profits, guaranteed salary allowances, private pensions, investment income and other declarable income for tax purposes. Income is only acceptable if it is regular, sustainable and evidenced.
- (b) As a secondary stream of income which may not be used as part of the minimum income criteria, the following are acceptable: Maintenance payments supported by Court Order/Child Support Agency documentation, Working Family/Child Tax Credits verified by the most recent HMRC letter of confirmation and latest bank statement to verify receipts (provided not more than 100 per cent. of applicant total income and details regarding income and circumstances must reflect other documentation on file).
- (c) Central to the affordability assessment is the calculation of the applicant's disposable income, which is determined by reference to the gross declared income of the applicant less amounts to be applied towards payment of (i) tax, national insurance and council tax, (ii) a loading amount determined by the number of dependants of the applicant and (iii) contractual commitments and regular expenditure.
- (d) Once the applicant's disposable income has been calculated, a debt-to-income ratio ("**DTIR**") affordability calculation is carried out in order to determine the maximum amount an applicant can borrow on a repayment or interest only basis (and, if interest only, the DTIR calculation should include the cost, as appropriate, of any repayment vehicle). The DTIR calculation uses a 'loaded' reversionary rate in its calculations to stress the borrower's affordability both now and if rates increase. The loading will vary from time to time and currently it is 3 per cent. above the reversionary rate.
- (e) The amount an applicant can borrow is limited to the maximum loan size allowed as calculated by the loan-to-income ratio ("**LTIR**") calculation (capped at a maximum of either (i) 4.5 times, or (ii) 6 times the gross income of the applicant, subject to scheme rules).
- (f) Where the affordability assessment does not support the level of borrowing requested the case will have been declined or the loan amount reduced.

*Solicitors*

Any firm of solicitors acting on behalf of the lender on the making of each Loan must be registered with the Law Society of England and Wales or Scotland. The firm of solicitors acting on behalf of the lender has to have at least three partners.

*Further Advance*

Borrowers may request further advances.

Should the Legal Title-Holder agree to pay any further advances made on a Loan on or after the Issue Date, this will result in the Seller or the Legal Title-Holder (or an affiliate thereof), being required to repurchase such Loan (or procure the repurchase of such Loan), on a joint and several basis, from the Issuer and make a cash payment to the Issuer as consideration thereof.

*Porting*

The Loans are not portable.

### *Changes to Lending Criteria, Administration and Servicing*

Subject to obtaining any relevant consents, the Legal Title-Holder as lender of record in respect of the Loans and Mortgages and the Mortgage Administrator may vary the relevant Lending Criteria or the basis on which consents or approvals are given to Borrowers from time to time and the Legal Title-Holder may vary the service specification and collection policies and, in each case, in doing so they must act as a reasonably prudent mortgage lender acting in a manner consistent with that of an experienced lender, servicer or administrator of residential mortgage loans lending to borrowers in England, Wales or Scotland (as applicable) who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital (a "**Prudent Mortgage Lender**").

Any such changes over time have not affected the homogeneity (as determined in accordance with Article 20(8) of the UK Securitisation Regulation) of the Loans comprising the Provisional Completion Mortgage Pool. Any material change to the Lending Criteria after the date of this Prospectus will (to the extent such change affects the Loans included in the Mortgage Pool from time to time) be disclosed (along with an explanation of the rationale for such changes being made) to investors without undue delay, which will include but is not limited to any changes which would (A) affect the homogeneity (as determined in accordance with Article 20(8) of the UK Securitisation Regulation) of the Loans comprising the Mortgage Pool, or which would (B) materially affect the overall credit risk or the expected average performance of the Mortgage.

### *Title Insurance*

In respect of Loans in the Mortgage Pool, either (a) solicitors will have carried out usual investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancers normally make when lending to an individual on the security of residential property in England, Wales or Scotland (as applicable) and in each case received a certificate of title or report on title relating to such property, or (b) title insurance will have been obtained. If title insurance was obtained, this will have been provided by First Title Limited ("**Title Insurance Provider**") and the Issuer will have the benefit of the First Title policy in respect of the relevant Loans sold to the Issuer pursuant to the KHL/Issuer Mortgage Sale Agreement.

### *Valuation*

Other than the valuation of properties undertaken as at origination (as more fully described in "*Sale of the Mortgage Pool*"), no revaluation of any Property has been undertaken by the Arranger, the Joint Lead Managers, KMC, the Seller, the Issuer, the Mortgage Administrator, the Trustee or any other person in respect of the issue of the Notes and the valuations quoted are at the date of the original Loan origination.

### *Payments*

The Loans require monthly payments.

## CHARACTERISTICS OF THE PROVISIONAL COMPLETION MORTGAGE POOL

The statistical and other information contained in this Prospectus has largely been compiled by reference to Loans which may be included in the Mortgage Pool (which for the avoidance of doubt, excludes Additional Loans which may be acquired by the Issuer during the Further Sale Period) as at 31 December 2020 (the "**Cut-Off Date**") (the "**Provisional Completion Mortgage Pool**"). The Provisional Completion Mortgage Pool has the aggregate characteristics indicated in the Tables below. The first Performance Report, the first UK SR Investor Report and the first EU SR Investor Report delivered after the Issue Date will reflect the loans in the Completion Mortgage Pool.

The information contained in these tables has been extracted from information provided by the Mortgage Administrator (which information has been subject to rounding and therefore columns of percentages may not add up to 100 per cent.). None of the information provided in such section have been the subject of an audit. In particular, information relating to CCJs, bankruptcy orders or IVAs (and their Scottish equivalents) has not been subject to due diligence by means of an agreed upon procedure or other similar examination. The Mortgage Administrator is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Mortgage Administrator for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Mortgage Administrator will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

Further information in respect of anonymised individual loan level data may be obtained on the following website: [www.sf.citidirect.com](http://www.sf.citidirect.com). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus and (i) will not be the website that conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation on which the UK SR Investor Reports and the UK SR Data Tapes will be made available in compliance with Article 7(1) of the UK Securitisation Regulation from time to time or (ii) will not be the website that conforms to the requirements set out in Article 7(2) of the EU Securitisation Regulation as at the Issue Date on which the EU SR Investor Reports and the EU SR Data Tapes will be made available in compliance with Article 7(1) of the EU Securitisation Regulation in the prescribed form as at the Issue Date under the EU Securitisation Regulation or as otherwise adopted by the Issuer from time to time.

A Loan will be removed from the Completion Mortgage Pool if, in the period from (and including) the Cut-Off Date up to (but excluding) the date on which the Completion Mortgage Pool is confirmed, such Loan is repaid in full or such Loan does not comply with the Warranties given in respect of the Loans in the Mortgage Pool.

### Pool Stratification

**Table 1: Summary<sup>(1)</sup>**

The Provisional Completion Mortgage Pool had the following summary characteristics:

Summary Characteristics	Total
Principal Balance (£).....	476,505,780
Number of Loans.....	2,826
Weighted Average Original LTV (%) <sup>(2)</sup> .....	73.28
Average Principal Balance (£) <sup>(3)</sup> .....	168,615
Weighted Average Interest Rate (%).....	4.08
Weighted Average Stabilised Margin (%) <sup>(4)</sup> .....	4.30
Weighted Average Term To Maturity (Years).....	25.82
Weighted Average Current LTV (%) <sup>(5)</sup> .....	69.32
Self-Certified (%).....	0.00
Self-Employed (%).....	42.91
Buy-to-Let (%).....	0.00
Help-to-Buy (%).....	13.24
Right-to-Buy (%).....	1.01
Weighted Average Seasoning (months).....	15.26
Bankruptcy/IVA (%).....	0.00
Largest Loan Principal Balance (£).....	1,050,601



(1) As at the Cut-Off Date.

(2) Where the purpose of the Loan (other than a Right to Buy Loan) was for a purchase of a Property, the Original LTV is calculated as the original Principal Balance divided by the lower of the valuation of the Property and the purchase price. In the case of any other Loan, the Original LTV is calculated as the original Principal Balance divided by the valuation of the Property.

(3) Calculated on the Principal Balance of the Loans.

(4) Margin is assumed to be the actual contractual margin the Borrower is obliged to pay over the relevant interest rate index.

(5) Indexed using the Nationwide House Price Index as of 06/10/2020.

**Table 2: Distribution of Loans by Loan to Value Ratio (Original Loan to Value %)<sup>(1)</sup>**

The following table shows the range of Original Loan to Value Ratios of the Loans calculated by dividing the aggregate Principal Balance of all Loans as of the date of origination valuation amount of the Properties securing the Loans:

<u>Original Loan to Value %</u>	<u>No. of Loans</u>	<u>% of Loans</u>	<u>Principal Balance (£)</u>	<u>% of Principal Balance</u>
0.01 to 10.00 .....	7	0.25%	209,754	0.04%
10.01 to 20.00.....	58	2.05%	2,598,287	0.55%
20.01 to 30.00.....	86	3.04%	6,390,065	1.34%
30.01 to 40.00.....	111	3.93%	10,538,914	2.21%
40.01 to 50.00.....	151	5.34%	20,925,158	4.39%
50.01 to 60.00.....	195	6.90%	29,564,454	6.20%
60.01 to 70.00.....	347	12.28%	61,944,723	13.00%
70.01 to 80.00.....	1005	35.56%	195,071,508	40.94%
80.01 to 90.00.....	828	29.30%	143,495,704	30.11%
90.01 to 100.00.....	38	1.34%	5,767,213	1.21%
<b>Total .....</b>	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Weighted Average.....	73.28%			
Minimum .....	7.03%			
Maximum.....	95.00%			

(1) Where the purpose of the Loan (other than a Right to Buy Loan) was for a purchase of a Property, the Original LTV is calculated as the original Principal Balance divided by the lower of the valuation of the Property and the purchase price. In the case of any other Loan, the Original LTV is calculated as the original Principal Balance divided by the valuation of the Property. **Table 3: Distribution of Loans by Loan to Value Ratio (Current Indexed Loan to Value %)<sup>(1)</sup>**

The following table shows the range of Current Indexed Loan to Value Ratios of the Loans calculated by dividing the aggregate Principal Balance of all Loans as of the Cut-Off Date by the last indexed valuation amount of the Properties securing the Loans. All indexations are based on the seasonally adjusted index from the Nationwide House Price Index:

<u>Current Indexed Loan to Value<sup>(2)</sup>%</u>	<u>No. of Loans</u>	<u>% of Loans</u>	<u>Principal Balance (£)</u>	<u>% of Principal Balance</u>
0.01 to 10.00 .....	19	0.67%	554,162	0.12%
10.01 to 20.00.....	72	2.55%	3,296,920	0.69%
20.01 to 30.00.....	99	3.50%	8,254,039	1.73%
30.01 to 40.00.....	125	4.42%	12,661,402	2.66%
40.01 to 50.00.....	186	6.58%	27,147,137	5.70%
50.01 to 60.00.....	283	10.01%	43,801,164	9.19%
60.01 to 70.00.....	522	18.47%	95,120,893	19.96%
70.01 to 80.00.....	1076	38.08%	201,152,814	42.21%
80.01 to 90.00.....	409	14.47%	79,310,821	16.64%
90.01 to 100.00.....	35	1.24%	5,206,428	1.09%
<b>Total .....</b>	<b>2826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Weighted Average.....	69.32%			
Minimum .....	3.59%			
Maximum.....	94.65%			

(1) As at the Cut-Off Date.

(2) Current Indexed Loan to Value Ratio = current Principal Balance / current indexed valuation amount.

**Table 4: Distribution of Loans by Balance<sup>(1)</sup>**

The following table shows the range of Principal Balances of the Loans:

Principal Balance (£)	No. of Loans	% of Loans	Principal Balance (£)	% of Principal Balance
<= 25000.00 .....	22	0.78%	459,820	0.10%
25000.01 to 50000.00.....	140	4.95%	5,474,052	1.15%
50000.01 to 100000.00.....	657	23.25%	51,460,210	10.80%
100000.01 to 150000.00.....	717	25.37%	89,136,440	18.71%
150000.01 to 200000.00.....	479	16.95%	83,119,141	17.44%
200000.01 to 250000.00.....	340	12.03%	76,274,773	16.01%
250000.01 to 500000.00.....	414	14.65%	134,416,084	28.21%
500000.01 to 750000.00.....	50	1.77%	29,770,278	6.25%
750000.01 to 1000000.00.....	4	0.14%	3,329,019	0.70%
1000000.00 > .....	3	0.11%	3,065,963	0.64%
<b>Total .....</b>	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Average.....	168,615			
Minimum .....	8,585			
Maximum.....	1,050,601			

<sup>(1)</sup> As at the Cut-Off Date.

**Table 5: Distribution of Loans with Primary Borrower's CCJ History as at Loan Origination (by OLV%)<sup>(1)</sup>**

The following table shows the distribution of Loans, according to the number of previous county court judgements (including the Scottish equivalent) the Borrower under such Loan had experienced in the six years prior to the origination of such Loan:

CCJs by Original Loan to Value (%)	No. of Loans	% of Loans	No. of Loans CCJ=0	% of Total	No. of Loans CCJ=1	% of Total	No. of Loans CCJ>1	% of Total
0.01 to 10.00 .....	7	0.25%	6	0.21%	1	0.04%	0	0.00%
10.01 to 20.00.....	58	2.05%	51	1.80%	5	0.18%	2	0.07%
20.01 to 30.00.....	86	3.04%	78	2.76%	8	0.28%	0	0.00%
30.01 to 40.00.....	111	3.93%	99	3.50%	9	0.32%	3	0.11%
40.01 to 50.00.....	151	5.34%	126	4.46%	20	0.71%	5	0.18%
50.01 to 60.00.....	195	6.90%	161	5.70%	24	0.85%	10	0.35%
60.01 to 70.00.....	347	12.28%	298	10.54%	36	1.27%	13	0.46%
70.01 to 80.00.....	1005	35.56%	869	30.75%	97	3.43%	39	1.38%
80.01 to 90.00.....	828	29.30%	753	26.65%	63	2.23%	12	0.42%
90.01 to 100.00.....	38	1.34%	38	1.34%	0	0.00%	0	0.00%
<b>Total .....</b>	<b>2826</b>	<b>100.00%</b>	<b>2,479</b>	<b>87.72%</b>	<b>263</b>	<b>9.31%</b>	<b>84</b>	<b>2.97%</b>

<sup>(1)</sup> As at the date of origination.

**Table 6: Distribution of Loans by Remaining Term to Maturity<sup>(1)</sup>**

The following table shows the range of the number of years until the maturity date of all Loans:

Remaining Term to Maturity (Years)	No. of Loans	% of Loans	Principal Balance (£)	% of Principal Balance
<= 5.00 .....	15	0.53%	453,292	0.10%
5.01 to 10.00 .....	141	4.99%	9,356,921	1.96%
10.01 to 15.00.....	338	11.96%	39,162,030	8.22%
15.01 to 20.00.....	420	14.86%	62,660,805	13.15%
20.01 to 25.00.....	560	19.82%	99,938,437	20.97%
25.01 to 30.00.....	634	22.43%	127,105,618	26.67%
30.01 to 35.00.....	604	21.37%	115,501,517	24.24%
35.01 to 40.00.....	114	4.03%	22,327,160	4.69%
<b>Total .....</b>	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Weighted Average.....	25.82			
Minimum .....	1.58			
Maximum.....	39.98			

<sup>(1)</sup> As at the Cut-Off Date.

**Table 7: Distribution of Loans by Seasoning<sup>(1)</sup>**

The following table shows the range of the number of months since the origination date of the Loans:

<b>Seasoning (Months)</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
0.00 to 12.00 .....	1,813	64.15%	318,973,676	66.94%
12.01 to 24.00.....	0	0.00%	0	0.00%
24.01 to 36.00.....	291	10.30%	44,986,460	9.44%
36.01 to 48.00.....	691	24.45%	108,698,261	22.81%
48.01 to 50.00.....	0	0.00%	0	0.00%
60.01 to 72.00.....	23	0.81%	3,293,377	0.69%
72.01 >=.....	8	0.28%	554,006	0.12%
<b>Total</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Weighted Average.....	15.26			
Minimum .....	0.00			
Maximum.....	79.13			

<sup>(1)</sup> As at the Cut-Off Date.

**Table 8: Distribution of Loans by Repayment Method<sup>(1)</sup>**

The following table shows the repayment type of the Loans:

<b>Repayment Method</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
Repayment .....	2,770	98.02%	454,693,027	95.42%
Interest Only.....	39	1.38%	14,875,141	3.12%
Part & Part.....	17	0.60%	6,937,613	1.46%
<b>Total</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> As at the Cut-Off Date.

**Table 9: Distribution of Loans by Rate Type<sup>(1)</sup>**

The following table shows the interest rate type of the Loans:

<b>Rate Type</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
Fixed to Floating .....	2,476	87.62%	420,843,890	88.32%
Floating .....	350	12.38%	55,661,890	11.68%
<b>Total</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> As at the Cut-Off Date.

**Table 10: Distribution of Loans by Interest Product Type<sup>(1)</sup>**

The following table shows the reversionary index type of the Loans as of the Cut-Off Date:

<b>Interest Product Type</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
3 Month LIBOR.....	2,749	97.28%	459,962,667	96.53%
SVR.....	77	2.72%	16,543,113	3.47%
<b>Total</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> Refers to the reversionary rate index.

**Table 11: Distribution of Loans by Fixed Rate Reversion Year<sup>(1)(2)</sup>**

The table below shows the number of years in which the Loans revert to their reversionary interest rate:

<b>Reversion Year</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
2020 .....	16	0.65%	2,506,326	0.60%
2021 .....	344	13.89%	53,710,709	12.76%

Reversion Year	No. of Loans	% of Loans	Principal Balance (£)	% of Principal Balance
2022 .....	1,549	62.56%	261,209,711	62.07%
2023 .....	121	4.89%	18,959,985	4.51%
2024 .....	18	0.73%	2,127,180	0.51%
2025 .....	428	17.29%	82,329,979	19.56%
<b>Total</b> .....	<b>2,476</b>	<b>100.00%</b>	<b>420,843,890</b>	<b>100.00%</b>

(1) As at the Cut-Off Date.

(2) Includes 16 loans whose fixed rates expired on the Cut-Off Date.

**Table 12: Distribution of Loans by Interest Rate (%)<sup>(1)</sup>**

The following table shows the distribution of the Loans by interest rate:

Interest Rate (%)	No. of Loans	% of Loans	Principal Balance (£)	% of Principal Balance
0.00 to 2.00 .....	71	2.51%	15,910,092	3.34%
2.01 to 2.50 .....	9	0.32%	3,529,506	0.74%
2.51 to 3.00 .....	96	3.40%	21,087,169	4.43%
3.01 to 3.50 .....	531	18.79%	88,141,889	18.50%
3.51 to 4.00 .....	551	19.50%	88,485,503	18.57%
4.01 to 4.50 .....	545	19.29%	89,565,807	18.80%
4.51 to 5.00 .....	575	20.35%	98,830,092	20.74%
5.01 to 5.50 .....	439	15.53%	69,073,212	14.50%
5.51 >= .....	9	0.32%	1,882,511	0.40%
<b>Total</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Weighted Average .....	4.08%			
Minimum .....	1.94%			
Maximum .....	5.69%			

(1) As at the Cut-Off Date.

**Table 13: Distribution of Loans by Stabilised Margin (%)<sup>(1)(2)</sup>**

The following table shows the distribution of the Loans by stabilised margin:

Stabilised Margin (%)	No. of Loans	% of Loans	Principal Balance (£)	% of Principal Balance
<=2.50 .....	0	0.00%	0	0.00%
2.51 to 3.00 .....	1	0.04%	438,423	0.09%
3.01 to 3.50 .....	1	0.04%	146,576	0.03%
3.51 to 4.00 .....	561	19.85%	93,892,335	19.70%
4.01 to 4.50 .....	2,192	77.57%	366,118,354	76.83%
4.51 to 5.00 .....	0	0.00%	0	0.00%
5.01 to 5.50 .....	71	2.51%	15,910,092	3.34%
5.51 >= .....	0	0.00%	0	0.00%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Weighted Average .....	4.30%			
Minimum .....	3.00%			
Maximum .....	5.30%			

(1) As at the Cut-Off Date.

(2) Margin is assumed to be the actual contractual margin the Borrower is obliged to pay over the relevant interest rate index.

**Table 14: Distribution of Loans by arrears (Months) <sup>(1)</sup>**

The following table shows the months in arrears of the Loans:

Arrears	No. of Loans	% of Loans	Principal Balance (£)	% of Principal Balance
<= 0.00.....	2,739	96.92%	462,109,383	96.98%
0.01 to 1.00.....	60	2.12%	9,629,345	2.02%
1.01 to 3.00.....	27	0.96%	4,767,052	1.00%
3.01 >=.....	0	0.00%	0	0.00%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>
Weighted Average.....	0.03			
Minimum.....	0.00			
Maximum.....	2.53			

<sup>(1)</sup> Months in arrears are calculated in accordance with standard market practice in the United Kingdom. A Loan is identified by the Mortgage Administrator as being in arrears when, on any date of determination, the aggregate amount of principal and/or interest due but otherwise unpaid by the Borrower is equal to or greater than one contractual monthly instalment or £100. In making an arrears determination, the Mortgage Administrator calculates the differences between the sum of all monthly payments that were due and payable by a Borrower on any due date up to the date of determination and the sum of all payments actually made by that Borrower up to the date of determination. If the result arrived at by dividing the difference (if any) by the amount of the contractual monthly instalment equals or exceeds one but is less than two the Loan is deemed to be one month in arrears i.e. the arrears classification is determined based on the number of full contractual monthly instalments due but unpaid by the Borrower. A Borrower that has missed payments that in aggregate equal or exceed two monthly instalments but less than three would be classified as being two months in arrears and so on.

**Table 15: Distribution of Loans by Original Tenure and Loan to Value<sup>(1)</sup>**

The following table shows the distribution of Loan by tenure at the date of origination and Original Loan to Value Ratios calculated by dividing the aggregate Principal Balance of all Loans as of the date of origination by the origination valuation amount of the Property securing the Loans:

Tenure by Original LTV %	No. of Loans	% of Loans	No. of Loans Freehold	% of Total	No. of Loans Leasehold	% of total	No. of Heritable Loans	No. of Heritable Loans % of total
0.01 to 10.00.....	7	0.25%	7	0.25%	0	0.00%	0	0.00%
10.01 to 20.00.....	58	2.05%	51	1.80%	6	0.21%	1	0.04%
20.01 to 30.00.....	86	3.04%	81	2.87%	4	0.14%	1	0.04%
30.01 to 40.00.....	111	3.93%	96	3.40%	13	0.46%	2	0.07%
40.01 to 50.00.....	151	5.34%	135	4.78%	13	0.46%	3	0.11%
50.01 to 60.00.....	195	6.90%	168	5.94%	21	0.74%	6	0.21%
60.01 to 70.00.....	347	12.28%	317	11.22%	23	0.81%	7	0.25%
70.01 to 80.00.....	1,005	35.56%	881	31.17%	75	2.65%	49	1.73%
80.01 to 90.00.....	828	29.30%	675	23.89%	102	3.61%	51	1.80%
90.01 >=.....	38	1.34%	29	1.03%	6	0.21%	3	0.11%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>2,440</b>	<b>86.34%</b>	<b>263</b>	<b>9.31%</b>	<b>123</b>	<b>4.35%</b>

<sup>(1)</sup> As at the Cut-Off Date.

**Table 16: Distribution of Loans by Loan Purpose<sup>(1)</sup>**

The following table shows the original purpose of the Loans:

Loan Purpose	No. of Loans	% of Loans	Principal Balance (£)	% of Principal Balance
Purchase.....	1,928	68.22%	356,185,544	74.75%
Re-mortgage.....	641	22.68%	89,107,349	18.70%
Debt Consolidation.....	257	9.09%	31,212,888	6.55%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> As at the Cut-Off Date.

**Table 17: Distribution of Loans by Property Type<sup>(1)</sup>**

The following table shows the distribution of Property types on which the Loans are secured:

<b>Property Type</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
House, detached or semi-detached .....	1,737	61.46%	322,699,885	67.72%
Terraced House .....	811	28.70%	106,872,974	22.43%
Flat/Apartment .....	148	5.24%	24,502,973	5.14%
Bungalow .....	130	4.60%	22,429,948	4.71%
Other .....	0	0.00%	0	0.00%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> As at the Cut-Off Date.

**Table 18: Distribution of Loans by Region<sup>(1)</sup>**

The following table shows the regional distribution of Properties securing the Loans throughout England and Wales and Scotland. Regions are determined in accordance with the Nomenclature of Territorial Units for Statistics (NUTS) 1 classification.

<b>Regions</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
Greater London .....	153	5.41%	46,954,103	9.85%
South East .....	341	12.07%	79,519,073	16.69%
East of England .....	289	10.23%	64,981,394	13.64%
North West .....	436	15.43%	58,299,024	12.23%
East Midlands .....	279	9.87%	41,698,906	8.75%
West Midlands .....	310	10.97%	45,666,958	9.58%
South West .....	221	7.82%	39,531,300	8.30%
Yorkshire and the Humber .....	351	12.42%	42,212,624	8.86%
Wales .....	189	6.69%	24,048,583	5.05%
North East .....	132	4.67%	16,078,529	3.37%
Scotland .....	125	4.42%	17,515,285	3.68%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> As at the Cut-Off Date.

**Table 19: Distribution of Loans by Occupancy Type<sup>(1)</sup>**

The following table shows the occupancy type in respect of the Loans:

<b>Ownership Type</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
Owner-occupied .....	2,826	100.00%	476,505,780	100.00%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> As at the Cut-Off Date.

**Table 20: Help-to-Buy<sup>(1)</sup>**

The following table shows whether the Loans were advanced in accordance with the UK Government Help to Buy Scheme (or Scottish equivalent):

<b>Help-to-Buy</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Principal Balance (£)</b>	<b>% of Principal Balance</b>
Non-Help-to-Buy .....	2,520	89.17%	413,406,298	86.76%
Help-to-Buy .....	306	10.83%	63,099,482	13.24%
<b>Total:</b> .....	<b>2,826</b>	<b>100.00%</b>	<b>476,505,780</b>	<b>100.00%</b>

<sup>(1)</sup> As at the Cut-Off Date.

### Other characteristics

The Loans comprised in the Provisional Completion Mortgage Pool as at the Cut-Off Date do not include: (i) any transferable securities for the purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for the purposes of Article 20(9) of the UK Securitisation Regulation; or (iii) derivatives for the purposes of article 21(2) of the UK Securitisation Regulation.

### **Environmental performance of the Loans**

As at the Cut-Off Date, the administrative records of the Legal Title-Holder do not contain complete and accurate information relating to the environmental performance of the Properties securing the Loans in the Provisional Completion Mortgage Pool. This information may be collated by the Legal Title-Holder utilising an external third party service provider and may be made available to potential investor prior to the Issue Date. It may be that complete and accurate information relating to the environmental performance of the Loan in the Mortgage Pool will not be available to the Legal Title-Holder after the Issue Date and none of the Issuer, the Trustee, the Seller, the Mortgage Administrator or the Legal Title-Holder will have any obligation to provide any on-going periodic reporting of this information after the Issue Date.

### **Data on static and dynamic historical default and loss performance of loans similar to the Loans**

Static and dynamic historical performance data in relation to loans originated by the Originator was made available prior to pricing of the Notes on the website of European DataWarehouse (UK portal) at <https://editor.eurowdw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214> and the website of European DataWarehouse (European portal) at <https://editor.eurowdw.eu/esma/viewdeal?edcode=RMBSUK000445500220212> and covers the period from 2015 to 2020. The loans which are included in such data are originated under and serviced in accordance with the same policies and procedures as the loans comprising the Provisional Completion Mortgage Pool and, as such, it is expected that the performance of such loans, over a period of five years, would not be significantly different to the performance of the loans in the Provisional Completion Mortgage Pool.

### **The Seller to retain accrued but unpaid interest**

Under the terms of the KHL/Issuer Mortgage Sale Agreement, the Issuer shall not be entitled to receive any Accrued Interest and any payments received by the Issuer in respect of Accrued Interest will be for the account of the Seller for so long as the relevant Borrower is not in arrears with respect to any amounts due from the relevant Purchase Date. As between the Seller and the Issuer, the Seller is not entitled to receive Accrued Interest from any Borrower if amounts due to the Issuer from that Borrower are in arrears with respect to any amounts due and payable from the relevant Purchase Date.

## HISTORICAL PERFORMANCE

The Originator has provided the following information regarding the historical performance of approximately 27,996 first charge owner-occupied mortgage loans originated by the Originator and subsequently securitised (the "**Wider Portfolio**") between May 2010 and October 2020 (the "**Historical Data Extract Period**").

The information consists of CPR, Loss Severity and Months in Arrears and no assurance can be made as to the performance of a particular pool of loans, whether similar to the information shown below for loans originated during any particular period or otherwise.

### CPR

The table below sets out on a monthly basis the annualised constant prepayment rate ("**CPR**") for the Wider Portfolio during the relevant Historical Data Extract Period. This calculation excludes any redemptions in the year of origination. CPR means the annualised ratio of the balance of loans that fully redeem in the relevant month or relative to the opening balance of all loans in the relevant month. For the avoidance of doubt CPR includes only voluntary or term redemptions and excludes redemptions related to sales of repossessed properties and partial repayments.

<b>Date</b>	<b>OO</b> <i>Annual CPR %</i>
Oct-2015.....	30.39%
Nov-2015.....	20.09%
Dec-2015.....	14.44%
Jan-2016.....	31.82%
Feb-2016.....	15.68%
Mar-2016.....	12.18%
Apr-2016.....	12.01%
May-2016.....	20.45%
Jun-2016.....	15.07%
Jul-2016.....	38.07%
Aug-2016.....	20.49%
Sep-2016.....	16.16%
Oct-2016.....	22.39%
Nov-2016.....	20.10%
Dec-2016.....	18.11%
Jan-2017.....	17.74%
Feb-2017.....	18.55%
Mar-2017.....	16.94%
Apr-2017.....	14.66%
May-2017.....	19.31%
Jun-2017.....	16.36%
Jul-2017.....	23.28%
Aug-2017.....	24.06%
Sep-2017.....	17.76%
Oct-2017.....	24.89%
Nov-2017.....	21.87%
Dec-2017.....	22.71%
Jan-2018.....	22.02%
Feb-2018.....	21.23%
Mar-2018.....	19.37%
Apr-2018.....	20.63%
May-2018.....	28.06%
Jun-2018.....	20.82%
Jul-2018.....	24.73%
Aug-2018.....	25.05%
Sep-2018.....	24.11%
Oct-2018.....	22.51%
Nov-2018.....	24.89%
Dec-2018.....	18.04%
Jan-2019.....	18.30%
Feb-2019.....	17.68%
Mar-2019.....	19.11%
Apr-2019.....	18.82%
May-2019.....	16.34%
Jun-2019.....	15.88%
Jul-2019.....	22.37%
Aug-2019.....	19.36%
Sep-2019.....	22.01%



	<b>OO</b>
	<i>Annual CPR %</i>
Oct-2019 .....	20.04%
Nov-2019 .....	21.48%
Dec-2019 .....	22.08%
Jan-2020 .....	20.08%
Feb-2020 .....	19.36%
Mar-2020 .....	20.85%
Apr-2020 .....	14.12%
May-2020 .....	15.76%
Jun-2020 .....	18.38%
Jul-2020 .....	19.97%
Aug-2020 .....	18.52%
Sep-2020 .....	19.49%

## Loss Severity

The table below sets out the monthly annualised loss severity ("**Loss Severity**") for the Wider Portfolio during the relevant Historical Data Extract Period. Loss severity is calculated, for any mortgage loan relating to a repossessed property, as the ratio of losses (including losses of accrued interest, principal and other amounts) in the relevant month to the balance of the loan after repossession and prior to sale.

<b>Month</b>	<b>Weighted Average Loss Severity (%)</b>	<b>Number of Sales</b>
July-2016 .....	0.00%	1
March-2017 .....	0.00%	1
Sept-2017 .....	7.84%	1
April-2019 .....	1.68%	1
July-2019 .....	23.17%	1
Feb-2020 .....	0.00%	1
Sept-2020 .....	23.06%	1
<b>Total</b> .....	<b>8.85%</b>	<b>7</b>

## Months in Arrears

The table below sets out, on a monthly basis, the ratio of the balance of all loans in the Wider Portfolio with an arrears multiple greater than one, over the total Balance of all loans in the given month. Arrears multiple means, in respect of a mortgage loan, the ratio calculated by dividing the balance in arrears in respect of such mortgage loan by the contractual monthly instalment in respect of such mortgage loan in the relevant month. Data for the arrears bucket should be read as greater than or equal to the lower end of the range and less than the upper end of the range.

	<b>Whole Book</b>						<b>Total in arrears</b>
	<b>Outstanding balance</b>	<b>Total balance in arrears</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>90-120 days</b>	<b>120+ days</b>	
Oct-2015 .....	970,616,662	10,398,386	0.68%	0.16%	0.05%	0.18%	1.07%
Nov-2015 .....	999,260,999	11,260,269	0.68%	0.20%	0.07%	0.17%	1.13%
Dec-2015 .....	1,034,881,731	12,986,122	0.76%	0.20%	0.12%	0.18%	1.25%
Jan-2016 .....	1,035,033,757	13,070,770	0.68%	0.22%	0.14%	0.23%	1.26%
Feb-2016 .....	1,061,319,895	12,728,638	0.56%	0.30%	0.09%	0.26%	1.20%
Mar-2016 .....	1,100,994,525	11,978,045	0.44%	0.24%	0.15%	0.25%	1.09%
Apr-2016 .....	1,129,293,896	13,214,448	0.56%	0.20%	0.15%	0.26%	1.17%
May-2016 .....	1,155,289,053	13,531,686	0.61%	0.18%	0.14%	0.25%	1.17%
Jun-2016 .....	1,194,029,903	11,270,828	0.40%	0.16%	0.12%	0.27%	0.94%
Jul-2016 .....	1,191,157,884	14,650,635	0.69%	0.14%	0.09%	0.31%	1.23%
Aug-2016 .....	1,219,196,362	15,371,451	0.72%	0.17%	0.10%	0.26%	1.26%
Sep-2016 .....	1,244,734,249	13,561,622	0.52%	0.24%	0.10%	0.23%	1.09%
Oct-2016 .....	1,262,926,841	15,948,727	0.56%	0.37%	0.09%	0.24%	1.26%
Nov-2016 .....	1,278,358,710	20,343,836	0.84%	0.39%	0.11%	0.25%	1.59%
Dec-2016 .....	1,301,008,749	19,892,391	0.88%	0.27%	0.13%	0.25%	1.53%
Jan-2017 .....	1,316,535,864	17,667,223	0.64%	0.37%	0.09%	0.24%	1.34%
Feb-2017 .....	1,337,570,547	20,481,194	0.85%	0.28%	0.18%	0.22%	1.53%
Mar-2017 .....	1,365,873,608	20,037,596	0.82%	0.29%	0.11%	0.24%	1.47%
Apr-2017 .....	1,380,405,427	21,996,976	0.92%	0.23%	0.19%	0.25%	1.59%
May-2017 .....	1,402,736,412	20,437,453	0.78%	0.26%	0.09%	0.33%	1.46%
Jun-2017 .....	1,436,857,961	24,921,352	1.03%	0.26%	0.13%	0.31%	1.73%
Jul-2017 .....	1,450,270,241	25,541,778	0.93%	0.39%	0.10%	0.33%	1.76%
Aug-2017 .....	1,479,491,699	26,843,320	1.03%	0.30%	0.18%	0.30%	1.81%

Whole Book

	Outstanding balance	Total balance in arrears	30-60 days	60-90 days	90-120 days	120+ days	Total in arrears
Sep-2017	1,510,148,375	28,921,552	1.04%	0.39%	0.14%	0.34%	1.92%
Oct-2017	1,528,318,673	29,407,641	1.01%	0.37%	0.23%	0.32%	1.92%
Nov-2017	1,565,766,337	35,435,830	1.30%	0.32%	0.21%	0.43%	2.26%
Dec-2017	1,596,805,461	41,722,699	1.51%	0.33%	0.24%	0.54%	2.61%
Jan-2018	1,616,890,486	40,864,934	1.37%	0.29%	0.28%	0.59%	2.53%
Feb-2018	1,638,356,786	46,209,734	1.60%	0.31%	0.27%	0.64%	2.82%
Mar-2018	1,665,569,047	47,728,139	1.38%	0.55%	0.23%	0.71%	2.87%
Apr-2018	1,685,277,010	50,665,069	1.59%	0.38%	0.31%	0.73%	3.01%
May-2018	1,701,149,711	52,474,516	1.61%	0.43%	0.26%	0.79%	3.08%
Jun-2018	1,747,688,555	53,230,600	1.51%	0.58%	0.21%	0.74%	3.05%
Jul-2018	1,779,298,688	54,920,897	1.54%	0.50%	0.35%	0.69%	3.09%
Aug-2018	1,824,494,112	54,383,702	1.52%	0.41%	0.28%	0.77%	2.98%
Sep-2018	1,868,093,894	61,472,216	1.67%	0.53%	0.25%	0.85%	3.29%
Oct-2018	1,918,275,798	57,876,420	1.46%	0.45%	0.25%	0.85%	3.02%
Nov-2018	1,962,634,823	60,265,794	1.51%	0.52%	0.24%	0.81%	3.07%
Dec-2018	2,009,534,662	64,708,984	1.61%	0.54%	0.27%	0.80%	3.22%
Jan-2019	2,044,740,776	64,760,288	1.53%	0.45%	0.33%	0.86%	3.17%
Feb-2019	2,081,479,575	67,819,053	1.54%	0.45%	0.33%	0.95%	3.26%
Mar-2019	2,101,468,073	68,787,887	1.50%	0.47%	0.31%	0.99%	3.27%
Apr-2019	2,125,857,044	68,474,646	1.58%	0.32%	0.31%	1.01%	3.22%
May-2019	2,155,052,504	71,840,191	1.57%	0.50%	0.27%	0.99%	3.33%
Jun-2019	2,185,524,794	77,498,313	1.69%	0.50%	0.38%	0.98%	3.55%
Jul-2019	2,211,175,984	75,732,142	1.61%	0.43%	0.38%	1.01%	3.42%
Aug-2019	2,247,524,346	85,108,344	1.92%	0.45%	0.35%	1.07%	3.79%
Sep-2019	2,280,020,851	86,721,008	1.83%	0.56%	0.32%	1.10%	3.80%
Oct-2019	2,334,797,285	89,354,490	1.75%	0.66%	0.35%	1.06%	3.83%
Nov-2019	2,377,232,820	95,303,062	2.02%	0.56%	0.40%	1.02%	4.01%
Dec-2019	2,423,771,984	99,912,493	2.02%	0.63%	0.43%	1.04%	4.12%
Jan-2020	2,452,786,466	109,055,436	2.24%	0.63%	0.47%	1.11%	4.45%
Feb-2020	2,489,397,083	111,178,472	2.18%	0.61%	0.53%	1.15%	4.47%
Mar-2020	2,522,158,125	101,206,707	1.80%	0.56%	0.59%	1.06%	4.01%
Apr-2020	2,537,494,362	102,372,660	1.88%	0.62%	0.44%	1.09%	4.03%
May-2020	2,540,648,021	98,543,919	1.57%	0.64%	0.46%	1.21%	3.88%
Jun-2020	2,533,034,076	93,610,938	1.42%	0.50%	0.55%	1.24%	3.70%
Jul-2020	2,523,618,398	89,271,318	1.54%	0.34%	0.41%	1.25%	3.54%
Aug-2020	2,511,340,519	113,847,077	2.47%	0.44%	0.36%	1.27%	4.53%
Sep-2020	2,504,350,642	116,281,506	2.61%	0.46%	0.29%	1.29%	4.64%

## CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

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

Set out in the following tables are certain characteristics of the United Kingdom mortgage market.

### Industry PPR Rates

In the following tables, quarterly industry principal payment rate ("**Industry PPR**") data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by banks, building societies and other specialist mortgage lenders in a quarter by the quarterly balance of mortgages outstanding for banks, building societies and other specialist mortgage lenders in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

<u>Year</u>	<u>Quarter</u>	<u>Industry PPR Rate for the Quarter</u>	<u>12-month rolling average</u>
2000 .....	Q1	13.76%	16.23%
	Q2	15.50%	16.04%
	Q3	16.09%	15.58%
	Q4	15.90%	15.31%
2001 .....	Q1	15.60%	15.77%
	Q2	18.42%	16.50%
	Q3	20.19%	17.53%
	Q4	19.88%	18.52%
2002 .....	Q1	18.73%	19.30%
	Q2	21.62%	20.10%
	Q3	23.80%	21.01%
	Q4	23.01%	21.79%
2003 .....	Q1	20.96%	22.35%
	Q2	22.27%	22.51%
	Q3	23.72%	22.49%
	Q4	24.25%	22.80%
2004 .....	Q1	20.75%	22.75%
	Q2	22.27%	22.75%
	Q3	23.15%	22.61%
	Q4	19.75%	21.48%
2005 .....	Q1	17.12%	20.57%
	Q2	19.58%	19.90%
	Q3	22.63%	19.77%
	Q4	22.78%	20.53%
2006 .....	Q1	20.54%	21.38%
	Q2	22.20%	22.04%
	Q3	23.13%	22.16%
	Q4	22.84%	22.18%
2007 .....	Q1	21.36%	22.38%
	Q2	22.51%	22.46%
	Q3	22.72%	22.36%
	Q4	20.63%	21.81%
2008 .....	Q1	18.73%	21.15%
	Q2	19.21%	20.32%
	Q3	17.31%	18.97%
	Q4	13.82%	17.27%
2009 .....	Q1	11.08%	15.36%
	Q2	10.34%	13.14%
	Q3	11.29%	11.63%
	Q4	11.21%	10.98%
2010 .....	Q1	9.63%	10.62%
	Q2	10.63%	10.69%
	Q3	11.13%	10.65%
	Q4	10.79%	10.55%
2011 .....	Q1	9.88%	10.61%
	Q2	10.49%	10.57%
	Q3	11.80%	10.74%
	Q4	11.26%	10.86%
2012 .....	Q1	10.41%	10.99%
	Q2	10.66%	11.03%
	Q3	11.00%	10.83%
	Q4	11.25%	10.83%

<b>Year</b>	<b>Quarter</b>	<b>Industry PPR Rate for the Quarter</b>	<b>12-month rolling average</b>
2013	Q1	10.89%	10.95%
	Q2	12.50%	11.41%
	Q3	14.11%	12.19%
	Q4	14.50%	13.00%
2014	Q1	13.20%	13.58%
	Q2	13.92%	13.93%
	Q3	14.85%	14.12%
	Q4	14.52%	14.12%
2015	Q1	13.20%	14.12%
	Q2	14.27%	14.21%
	Q3	15.48%	14.37%
	Q4	15.71%	14.67%
2016	Q1	15.44%	15.23%
	Q2	15.13%	15.44%
	Q3	15.95%	15.56%
	Q4	15.47%	15.50%
2017	Q1	14.99%	15.39%
	Q2	14.89%	15.33%
	Q3	16.15%	15.38%
	Q4	16.42%	15.61%
2018	Q1	15.26%	15.68%
	Q2	15.42%	15.81%
	Q3	16.86%	15.99%
	Q4	16.42%	15.99%
2019	Q1	14.81%	15.88%
	Q2	14.65%	15.68%
	Q3	15.36%	15.31%
	Q4	15.60%	15.11%
2020	Q1	14.47%	15.02%
	Q2	11.20%	14.16%
	Q3	12.95%	13.56%

Source of repayment and outstanding mortgage information: Bank of England via Haver Analytics, UK Finance

### Repossession Rates for UK Total Mortgages

The table below sets out the repossession rates of residential properties in the United Kingdom since 1985.

<b>Year</b>	<b>Number of Mortgages outstanding (at end of period)</b>	<b>Possession Rate (%)</b>
1985	7,717,000	0.25
1986	8,138,000	0.30
1987	8,283,000	0.32
1988	8,564,000	0.22
1989	9,125,000	0.17
1990	9,415,000	0.47
1991	9,815,000	0.77
1992	9,922,000	0.69
1993	10,137,000	0.58
1994	10,410,000	0.47
1995	10,521,000	0.47
1996	10,637,000	0.40
1997	10,738,000	0.31
1998	10,821,000	0.31
1999	10,987,000	0.27
2000	11,177,000	0.20
2001	11,251,000	0.16
2002	11,368,000	0.11
2003	11,452,000	0.07
2004	11,515,000	0.07
2005	11,608,000	0.12
2006	11,746,000	0.18
2007	11,852,000	0.22
2008	11,667,000	0.34
2009	11,504,000	0.43
2010	11,478,000	0.34
2011	11,384,000	0.33
2012	11,284,000	0.30

<b>Year</b>	<b>Number of Mortgages outstanding (at end of period)</b>	<b>Possession Rate (%)</b>
2013 .....	11,186,000	0.26
2014 .....	11,146,000	0.19
2015 .....	11,111,000	0.09
2016 .....	11,063,000	0.07
2017 .....	10,996,000	0.07
2018 .....	10,950,000	0.06
2019 .....	10,982,000	0.07

Source: UK Finance

## House Price Index

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007 to 2013.

<b>Date</b>	<b>House Price Index</b>	<b>House Price Index annual % change</b>
01/01/2006 .....	83.90106635	6.198306248
01/02/2006 .....	84.03811568	6.474109964
01/03/2006 .....	84.7196006	6.464102111
01/04/2006 .....	86.56111003	7.253262352
01/05/2006 .....	87.38144064	7.119575156
01/06/2006 .....	88.20926226	7.282829
01/07/2006 .....	89.47865094	7.443174787
01/08/2006 .....	90.22983183	7.90644391
01/09/2006 .....	90.59768337	8.51528607
01/10/2006 .....	91.12833682	9.369777894
01/11/2006 .....	91.59754895	9.606709462
01/12/2006 .....	92.73809927	10.36774855
01/01/2007 .....	92.7060532	10.49448742
01/02/2007 .....	92.9699346	10.6282951
01/03/2007 .....	93.6912864	10.58985848
01/04/2007 .....	95.58267348	10.42219012
01/05/2007 .....	96.67766106	10.63866692
01/06/2007 .....	97.73591554	10.80006004
01/07/2007 .....	98.96472591	10.60149529
01/08/2007 .....	99.53883743	10.31699318
01/09/2007 .....	99.66799121	10.01163331
01/10/2007 .....	99.4355989	9.116003177
01/11/2007 .....	99.38335173	8.500012145
01/12/2007 .....	99.22825691	6.998372498
01/01/2008 .....	97.43880398	5.105115165
01/02/2008 .....	96.60122108	3.905871824
01/03/2008 .....	95.89847146	2.355806124
01/04/2008 .....	96.0574324	0.496699774
01/05/2008 .....	96.64460261	-0.034194502
01/06/2008 .....	95.3665921	-2.424209592
01/07/2008 .....	94.3252631	-4.687996422
01/08/2008 .....	92.35697046	-7.215140494
01/09/2008 .....	90.03203546	-9.668054544
01/10/2008 .....	88.20557481	-11.29376624
01/11/2008 .....	85.72469566	-13.74340454
01/12/2008 .....	84.41731915	-14.92612913
01/01/2009 .....	82.46609398	-15.36627031
01/02/2009 .....	81.51335523	-15.61871132
01/03/2009 .....	81.00722929	-15.52813298
01/04/2009 .....	81.74138369	-14.90363458
01/05/2009 .....	82.87022818	-14.25260601
01/06/2009 .....	83.68663124	-12.24743446
01/07/2009 .....	85.18780297	-9.687182241
01/08/2009 .....	86.02804737	-6.852675071
01/09/2009 .....	86.70381405	-3.696707954
01/10/2009 .....	87.28658117	-1.041877051
01/11/2009 .....	87.58094362	2.165359631
01/12/2009 .....	88.15549102	4.428204903

<b>Date</b>	<b>House Price Index</b>	<b>House Price Index annual % change</b>
01/01/2010 .....	87.83415287	6.509413308
01/02/2010 .....	88.05378018	8.023746457
01/03/2010 .....	88.04867624	8.692368575
01/04/2010 .....	89.17627719	9.095629614
01/05/2010 .....	89.60532026	8.127275905
01/06/2010 .....	90.04725361	7.600523858
01/07/2010 .....	90.95909915	6.774791677
01/08/2010 .....	90.95403852	5.726029244
01/09/2010 .....	90.72042788	4.6325688
01/10/2010 .....	89.70958659	2.775919727
01/11/2010 .....	88.64406249	1.213870084
01/12/2010 .....	88.48125218	0.369530197
01/01/2011 .....	87.74567853	-0.100728865
01/02/2011 .....	87.28147147	-0.877087518
01/03/2011 .....	86.87939315	-1.327996217
01/04/2011 .....	88.22705682	-1.064431485
01/05/2011 .....	87.83456424	-1.976172864
01/06/2011 .....	87.98309446	-2.292306621
01/07/2011 .....	89.09127032	-2.053482117
01/08/2011 .....	89.14487428	-1.989097208
01/09/2011 .....	88.92226247	-1.982095383
01/10/2011 .....	87.94127174	-1.971154838
01/11/2011 .....	87.9851811	-0.7432888
01/12/2011 .....	87.6132631	-0.980986428
01/01/2012 .....	87.01572809	-0.831893317
01/02/2012 .....	86.77897713	-0.575717084
01/03/2012 .....	87.03610237	0.180375592
01/04/2012 .....	88.03612531	-0.216409244
01/05/2012 .....	88.32005117	0.552728799
01/06/2012 .....	89.18743457	1.368831278
01/07/2012 .....	89.52941305	0.491790876
01/08/2012 .....	89.63492853	0.549727905
01/09/2012 .....	89.31643871	0.443281835
01/10/2012 .....	88.68411942	0.844708826
01/11/2012 .....	88.75635758	0.8764845
01/12/2012 .....	88.55474342	1.074586527
01/01/2013 .....	87.96352364	1.089223256
01/02/2013 .....	87.94614511	1.344989333
01/03/2013 .....	88.47010539	1.647595636
01/04/2013 .....	89.33754346	1.478277398
01/05/2013 .....	89.80872879	1.685548868
01/06/2013 .....	90.5538877	1.532113951
01/07/2013 .....	91.57019948	2.279459182
01/08/2013 .....	92.29924408	2.972407735
01/09/2013 .....	92.35983956	3.407436405
01/10/2013 .....	91.98251248	3.719260094
01/11/2013 .....	92.49292028	4.20990992
01/12/2013 .....	93.3420886	5.406085534
01/01/2014 .....	93.45304911	6.240683912
01/02/2014 .....	93.84076857	6.702537622
01/03/2014 .....	94.16353809	6.435431131
01/04/2014 .....	96.25871422	7.747214096
01/05/2014 .....	97.2787639	8.31771611
01/06/2014 .....	98.11845072	8.353659034
01/07/2014 .....	99.49876176	8.658452561
01/08/2014 .....	100.6646094	9.063308643
01/09/2014 .....	100.7726233	9.108703238
01/10/2014 .....	100.6239445	9.394646603
01/11/2014 .....	100.285454	8.425005588
01/12/2014 .....	100.5267755	7.697156772
01/01/2015 .....	100	7.005608464
01/02/2015 .....	100.085049	6.654127331
01/03/2015 .....	100.4575155	6.684095983
01/04/2015 .....	101.3425525	5.28143575
01/05/2015 .....	102.43788	5.303439069
01/06/2015 .....	103.2190061	5.198369196
01/07/2015 .....	104.9703002	5.499106004
01/08/2015 .....	105.9310448	5.231669204
01/09/2015 .....	106.1488952	5.335056124
01/10/2015 .....	106.293447	5.634351376
01/11/2015 .....	107.1110571	6.806178694

<b>Date</b>	<b>House Price Index</b>	<b>House Price Index annual % change</b>
01/12/2015 .....	107.476627	6.913437273
01/01/2016 .....	107.7619676	7.761967603
01/02/2016 .....	107.8097556	7.718142361
01/03/2016 .....	108.9173311	8.421286908
01/04/2016 .....	109.3243607	7.876067872
01/05/2016 .....	110.5984228	7.96633323
01/06/2016 .....	111.6547846	8.172698787
01/07/2016 .....	112.829855	7.487408191
01/08/2016 .....	112.8392873	6.521452295
01/09/2016 .....	112.6668774	6.14041452
01/10/2016 .....	112.2948097	5.646032621
01/11/2016 .....	112.8225539	5.332312999
01/12/2016 .....	113.0254097	5.162780881
01/01/2017 .....	112.8904772	4.759109046
01/02/2017 .....	113.12907	4.933982487
01/03/2017 .....	112.8872191	3.644863433
01/04/2017 .....	114.6732025	4.892634834
01/05/2017 .....	115.3613565	4.306511371
01/06/2017 .....	116.3472825	4.202684167
01/07/2017 .....	117.8607536	4.458836362
01/08/2017 .....	118.3952151	4.923753007
01/09/2017 .....	117.9530007	4.691816585
01/10/2017 .....	118.0564838	5.130846271
01/11/2017 .....	117.7209981	4.341724208
01/12/2017 .....	118.1811274	4.561556297
01/01/2018 .....	117.7687697	4.321261299
01/02/2018 .....	118.0768678	4.373586512
01/03/2018 .....	117.3640934	3.96579378
01/04/2018 .....	118.4854363	3.32443302
01/05/2018 .....	118.9698875	3.128024088
01/06/2018 .....	119.7678545	2.939967195
01/07/2018 .....	121.2530285	2.878205695
01/08/2018 .....	121.6257692	2.728618793
01/09/2018 .....	121.3931876	2.916574322
01/10/2018 .....	121.2657284	2.718397552
01/11/2018 .....	120.7481048	2.571424617
01/12/2018 .....	120.4884638	1.95237295
01/01/2019 .....	119.7464467	1.679288212
01/02/2019 .....	119.4443311	1.15811283
01/03/2019 .....	119.1115474	1.488917027
01/04/2019 .....	119.9745207	1.256765733
01/05/2019 .....	120.1380376	0.981887199
01/06/2019 .....	120.6561853	0.741710534
01/07/2019 .....	122.0036281	0.619035766
01/08/2019 .....	122.3959345	0.633225427
01/09/2019 .....	122.4851029	0.899486505
01/10/2019 .....	122.1634569	0.740298652
01/11/2019 .....	121.7405509	0.821914473
01/12/2019 .....	121.6063572	0.927801205
01/01/2020 .....	121.7378075	1.662981073
01/02/2020 .....	121.0354401	1.332092462
01/03/2020 .....	122.2912107	2.669483635
01/04/2020 .....	120.7471506	0.643994981
01/05/2020 .....	121.2627099	0.936150035
01/06/2020 .....	123.271723	2.167760998
01/07/2020 .....	124.5236945	2.065566692
01/08/2020 .....	125.9166056	2.876460787
01/09/2020 .....	127.7867975	4.328440316
01/10/2020 .....	128.7300502	5.375251674

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

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

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## TITLE TO THE MORTGAGE POOL

The Loans and the Collateral Security will be sold by the Seller to the Issuer. The sale of the Loans and their related English Mortgages will take effect in equity only and, in the case of their related Scottish Mortgages, by means of the Scottish Trust declared by the Legal Title-Holder in favour of the Issuer. As at the relevant Purchase Date, legal title to all Loans and Collateral Security is either held by the Legal Title-Holder or is in the process of being registered in its name. The Issuer will grant a first fixed equitable charge (or, in the case of Scottish Mortgages, a first fixed charge over its beneficial interest therein) in favour of the Trustee over its interests in the Loans, the Mortgages and their related Collateral Security.

The Mortgage Administrator is required under the terms of the Mortgage Administration Agreement to ensure the safe custody of title deeds. The Mortgage Administrator will have custody of title deeds in respect of the Loans and the Collateral Security as agent of the Issuer and, following any enforcement action by the Trustee against the Issuer, the Trustee.

Save as mentioned below, neither the Issuer nor the Trustee will effect any registration at the Land Registry or the Registers of Scotland (as applicable) to protect the sale of the Loans and the Collateral Security by the Seller to the Issuer or the charge of them by the Issuer in favour of the Trustee nor, save as mentioned below, will they be entitled to obtain possession of the title deeds to the Properties or the Loans and their related Mortgages.

Save as mentioned below, notice of the sale to the Issuer and the equitable charge (or, in the case of Scottish Mortgages, each assignation in security) in favour of the Trustee will not be given to the Borrowers.

Under the KHL/Issuer Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) or, following the service of an Enforcement Notice, the Trustee will be entitled (but not obliged) to effect such registrations, recordings and give such notices as it considers necessary to protect and perfect the interests respectively of the Issuer (as purchaser) and the Trustee (as chargee) in the Loans and the Collateral Security, *inter alia*, where (i) the Trustee considers that the Charged Property or any part thereof is in jeopardy (including the possible insolvency of one or more of the Seller or the Legal Title-Holder), (ii) the Issuer, the Trustee, the Seller or the Legal Title-Holder becoming obliged to provide notice of assignment or (as applicable) assignation of the Loan by order of court, by law or any relevant regulatory authority, (iii) a Legal Title-Holder Termination Event occurs and a replacement legal title-holder has not been appointed within 60 calendar days, (iv) an Insolvency Event occurs in respect of the Legal Title-Holder; or (v) a Severe Deterioration Event occurs in respect of the Legal Title-Holder.

The effect of (i) not giving notice to the Borrowers of the sale of the relevant Loans and their Collateral Security to the Issuer and the charging of the Issuer's interest in the Loans and their Collateral Security to the Trustee and (ii) the charge of the Issuer's rights thereto in favour of the Trustee pursuant to the Deed of Charge taking effect in equity (or, in the case of Scottish Mortgages, in respect of the Issuer's beneficial interest therein) only, is that the rights of the Issuer and the Trustee may be, or may become, subject to equities as well as to the interests of third parties who perfect a legal interest or title prior to the Issuer or the Trustee acquiring and perfecting a legal interest or title (such as, in the case of English Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without notice of the Issuer's or the Trustee's interests or, in the case of Mortgages over registered land (whether at the Land Registry or the Registers of Scotland), a third party acquiring a legal interest or title by registration or recording prior to the registration or recording of the Issuer's or the Trustee's interests).

The risk of such equities and other interests leading to third party claims obtaining priority to the interests of the Issuer or the Trustee in the Loans and the Collateral Security is likely to be limited to circumstances arising from a breach by the Seller, the Legal Title-Holder or the Issuer of its or their contractual or other obligations or fraud or mistake on the part of the Seller, the Legal Title-Holder or the Issuer or their respective officers, employees or agents (if any).

## SALE OF THE MORTGAGE POOL

### Acquisition of Loans on the Issue Date

KHL will acquire the beneficial interest to the Loans in the Completion Mortgage Pool on the Issue Date pursuant to the SLQ/KHL Mortgage Sale Agreement and the Legacy/KHL Mortgage Sale Agreement. On the Issue Date KHL will sell its interest in the Completion Mortgage Pool to the Issuer.

### Acquisition of Additional Loans during the Further Sale Period

The Seller may (but is not obliged to) sell to the Issuer from time to time during the Further Sale Period further Loans, to the extent that the relevant conditions to purchase in the KHL/Issuer Mortgage Sale Agreement are satisfied (such as Loans being "**Additional Loans**").

Pursuant to the terms of the KHL/Issuer Mortgage Sale Agreement, the Issuer will be permitted to purchase Additional Loans during the Further Sale Period.

During such period, the Issuer will be entitled to purchase Additional Loans on any Business Day and pay the relevant Additional Loan Purchase Consideration for such Additional Loans utilising:

- (a) on any Business Day other than an Interest Payment Date (i) from any Principal Collections received by the Issuer during the relevant Determination Period, provided first that the amount standing to the credit of the Principal Ledger on the relevant Further Purchase Date is sufficient to redeem the A Notes on the next Interest Payment Date in the amount necessary (as determined by the Mortgage Administrator) to ensure the aggregate Principal Amount Outstanding on such following the application of the Principal Collections as Available Principal Funds is then equal to the Class A Target Notional Amount on the Interest Payment Date immediately following such Determination Period, and/or (ii) from any amounts then standing to the credit of the Retained Principal Ledger; and
- (b) on any Interest Payment Date, from Available Principal Funds in accordance with the Pre-Enforcement Priority of Payments,

in each case, subject to the satisfaction of the Additional Loan Criteria.

The applicable Additional Loan Purchase Consideration for any Additional Loans will be equal to the Principal Balance of the relevant Additional Loan as at the applicable Additional Loan Cut-Off Date.

Any purchase of each Additional Loan by the Issuer will be subject to (amongst other things) satisfaction of the following criteria on the Further Purchase Date (the "**Additional Loan Criteria**"):

- (a) the provision, by each of the Legal Title-Holder and the Seller of solvency certificates, dated as of the Further Purchase Date, signed by an authorised officer of the relevant company;
- (b) no Enforcement Notice having been served;
- (c) no Event of Default under (and as defined in) Notes Condition 9 (*Events of Default*) of the Notes having occurred and having been notified to the Trustee or any Mortgage Administrator Termination Event having occurred which, in any such case, is continuing on the Further Purchase Date;
- (d) following application of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments on the Interest Payment Date immediately prior to the Further Purchase Date, the amount standing to the credit of the General Reserve Fund Ledger was equal to the General Reserve Fund Required Amount;
- (e) following application of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments on the Interest Payment Date immediately prior to the Further Purchase Date, there was no debit balance reflected in the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger or the E Principal Deficiency Ledger;

- (f) the Further Purchase Date is a Business Day during the Further Sale Period;
- (g) in respect of each Additional Loan to be acquired on the relevant Further Purchase Date:
  - (i) the end of the remaining term of such Additional Loan does not fall after the date which is two years prior to the Final Maturity Date;
  - (ii) such Additional Loan is not more than zero months in arrears (as calculated by reference to the arrears amount outstanding divided by the relevant contractual monthly payment);
  - (iii) such Additional Loan has a current LTV of less than or equal to 95 per cent. as at the applicable Additional Loan Cut-Off Date;
  - (iv) the fixed rate period of the Additional Loan is less than or equal to 5 years from the Further Purchase Date;
  - (v) which is a Fixed Rate Mortgage:
    - (A) its inclusion in the Mortgage Pool on the Further Purchase Date will not cause the Forecast Adjusted Fixed Rate Mortgage Principal Amount for any subsequent Interest Payment Date (calculated as at the Further Purchase Date) to exceed the aggregate notional amount of all Interest Rate Swaps for that or any subsequent Interest Payment Date taking into account any Further Interest Rate Swap which may be entered into by the Issuer on or prior to the Further Purchase Date which in each case will have an Effective Date falling on or prior to the Further Purchase Date and an Interest Period Issuer Amount calculated on the basis of a fixed rate of no greater than 0.25 per cent. (the "**Additional Loan Hedging Condition**");
    - (B) any required drawdown under the Subordinated Loan having been advanced to the Issuer no later than the applicable Further Purchase Date to enable the Issuer to fund in full any required Issuer Upfront Payment (if any) under an Interest Rate Swap and to be paid on the Interest Payment Date immediately following the Further Purchase Date pursuant to the terms of a Swap Agreement and the Cash/Bond Administration Agreement to the extent there are insufficient funds standing to the credit of the Start-up Costs Ledger for this purpose; and
- (h) on the relevant Further Purchase Date, the Additional Loan Pool complying with the following criteria as at the applicable Additional Loan Cut-Off Date:
  - (i) the aggregate Principal Balance of the largest ten Loans in the Additional Loan Pool is less than or equal to £12,500,000;
  - (ii) the aggregate Principal Balance of the largest 20 Loans in the Additional Loan Pool is less than or equal to £20,000,000;
  - (iii) the weighted average current LTV of the Loans in the Additional Loan Pool is less than or equal to 74.00 per cent.;
  - (iv) the aggregate Principal Balance of the Loans in the Additional Loan Pool with a current LTV of more than 80.00 per cent. does not exceed 35.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
  - (v) the aggregate Principal Balance of the Loans in the Additional Loan Pool with a current LTV of more than 85.00 per cent. does not exceed 20.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
  - (vi) the weighted average spread of the Loans in the Additional Loan Pool is at least 3.00 per cent. provided that for the purpose of calculating the weighted average spread:
    - (A) the spread of any Fixed Rate Mortgage in the Additional Loan Pool (including, for the avoidance of doubt, any unhedged Fixed Rate Mortgage) is calculated by reference to the fixed rate on such Loan after the deduction of the weighted

average fixed rate payable to each Swap Counterparty under any outstanding Interest Rate Swaps pursuant to the Swap Agreements; and

- (B) the spread of any Floating Rate Mortgage in the Additional Loan Pool is calculated by reference to the floating rate on such Loan after deduction of either (i) three-month LIBOR set quarterly; (ii) the Kensington Standard Rate set quarterly; (iii) BBR set quarterly; or (iv) an alternative reference rate set monthly or quarterly and in respect of which a Rating Agency Confirmation has been obtained, each in accordance with the terms and conditions of those Loans;
- (vii) the weighted average remaining term of the Loans in the Additional Loan Pool is no longer than 360 calendar months;
- (viii) the weighted average reversionary margin of the Loans in the Additional Loan Pool is at least 3.75 per cent.;
- (ix) the aggregate Principal Balance of the Loans in the Additional Loan Pool which are secured on Properties located in the South East of England and Greater London is less than or equal to 40 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (x) the weighted average LTIR of each Borrower under the Loans in the Additional Loan Pool at origination is less than or equal to 3.65;
- (xi) the aggregate Principal Balance of the Loans in the Additional Loan Pool advanced to Borrowers that are self-employed being less than or equal to 45 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xii) the aggregate Principal Balance of the Loans in the Additional Loan Pool advanced to Borrowers (including both primary and secondary Borrower) that have had a prior CCJ issued against them being less than or equal to 17.50 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xiii) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Interest Only Loans is less than or equal to 5.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xiv) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Help to Buy Loans is less than or equal to 17.50 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xv) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Buy-to-Let Loans is less than or equal to 0.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xvi) the aggregate Principal Balance of the Loans in the Additional Loan Pool advanced for the purpose of re-mortgaging a Property is less than or equal to 40 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xvii) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are debt consolidation loans is less than or equal to 10.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xviii) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Owner-Occupied Loans which had an LTIR calculated at origination of greater than 4.5 times the gross income of the Borrower and was specifically advanced on the basis that the Borrower was either (A)(i) employed in a qualified profession defined in the Originator's lending policy from time to time; (ii) registered with the appropriate professional body in the United Kingdom; (iii) practicing in the professional field in which they are certified; and (iv) earning a gross annual income of below £100,000; or (B) an essential skilled worker employed in the provision of a vital service to the community as described in the Originator's lending policy from time to time, is less than or equal to 5.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;

- (xix) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are advanced to Borrowers which are Non-Standard Construction Loans is less than or equal to 2.50 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xx) the aggregate Principal Balance of the Additional Loans where the Borrower's age at maturity will be greater than 75 years is equal to zero per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xxi) the aggregate Principal Balance of the Additional Loans that have more than 2 Borrowers on the Loan is no more than 10.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool; and
- (xxii) the inclusion of such Additional Loan in the Mortgage Pool will not affect the homogeneity (as determined in accordance with Article 20(8) of the UK Securitisation Regulation) of the Loans comprising the Mortgage Pool.

### **Consideration for Loans**

The consideration payable by the Issuer to KHL in respect of the sale of the Loans and Collateral Security pursuant to the KHL/Issuer Mortgage Sale Agreement shall be:

- in respect of the Completion Mortgage Pool, an immediate cash payment of £492,748,019.10 payable on the Issue Date (being the Initial Purchase Consideration for the Loans being purchased on the Issue Date);
- in respect of each Additional Loan, an amount equal to the relevant Additional Loan Purchase Consideration for that Additional Loan on the applicable Purchase Date; and
- in respect of the Completion Mortgage Pool, any Additional Loans, and any Substitute Loans issuance of the Certificates.

The consideration payable on the Issue Date may be settled by way of set-off in the event the Seller agrees to subscribe for some or all of the Notes.

### **Warranties and Repurchase**

#### ***Issue Date and relevant Purchase Date***

The KHL/Issuer Mortgage Sale Agreement contains representations and warranties given by the Legal Title-Holder and the Seller, in relation to the relevant Loans sold pursuant to the KHL/Issuer 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 or the Trustee, each of whom is relying upon the representations and warranties in the KHL/Issuer Mortgage Sale Agreement.

If there is an unremedied or irremediable breach of any of these representations and warranties which could have a material adverse effect on the value of any Loan, its related Mortgage and Mortgage Rights, (other than where such breach was disclosed at the point of sale to the Issuer), then the Seller or KMC, on a joint and several basis, on or before the date falling 15 Business Days after notification of such breach to the Seller and KMC by the Mortgage Administrator on behalf of the Issuer, is required to repurchase, or procure the repurchase by one of its affiliates of, the relevant Loan and its Collateral Security for a consideration in cash equal to the Repurchase Price or at the option of the Seller or KMC, substitute an alternative mortgage loan of an appropriate value in replacement of the Loan where the breach applies. Performance of the obligation to repurchase will be in satisfaction of all liabilities of the Legal Title-Holder and the Seller in respect thereof.

The representations and warranties referred to will include, *inter alia*, statements to the following effect:

- (a) The particulars of (i) each Loan and its related Mortgage set out in Appendix A to the KHL/Issuer Mortgage Sale Agreement and (ii) each Additional Loan and its related Mortgage set out in the relevant Additional Loans Notice, are complete, true and accurate in all material respects.

- (b) Immediately prior to the applicable Purchase Date, KHL was the absolute beneficial owner of all of the relevant Loans and their related Mortgages and Mortgage Rights and such other related property and entitled to call for the transfer of legal title of such Loans from the Legal Title-Holder and the Mortgages and Mortgage Rights and such other property relating thereto to be sold to the Issuer, and KHL has not assigned (whether by way of absolute assignment or assignation or by way of security only), transferred, charged, disposed of or dealt with the benefit of any of the relevant Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the KHL/Issuer Mortgage Sale Agreement in any way whatsoever other than (i) pursuant to the KHL/Issuer Mortgage Sale Agreement, the SLQ/KHL Mortgage Sale Agreement and the Legacy/KHL Mortgage Sale Agreement and (ii) any security interest which will be released immediately prior to sale.
- (c) Immediately prior to the applicable Purchase Date, the Legal Title-Holder holds or will hold, upon completion of any pending applications for registration or recording of the Legal Title-Holder at the Land Registry or Registers of Scotland, legal title to all relevant Loans and related Mortgages and the Mortgage Rights.
- (d) Immediately prior to the applicable Purchase Date, the Legal Title-Holder has not assigned (whether by way of absolute assignment or assignation or by way of security only), transferred, charged, disposed of or dealt with the benefit of the relevant Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the KHL/Issuer Mortgage Sale Agreement in any way whatsoever other than (i) pursuant to the KHL/Issuer Mortgage Sale Agreement, pursuant to the SLQ/KHL Mortgage Sale Agreement and the Legacy/KHL Mortgage Sale Agreement, (ii) charged or assigned pursuant to the Deed of Charge or (iii) in its capacity as trustee of the legal title to the Scottish Loans and their related Mortgages held for the previous beneficial owners of such Scottish Loans and their related Mortgages (such arrangements to be released on the applicable Purchase Date immediately prior to the sale of such Scottish Loans).
- (e) Each Loan and its related Mortgage is non-cancellable and constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms (except that: (a) enforceability may be limited by (i) bankruptcy or insolvency of the Borrower or other laws relating to enforcement of general applicability affecting the enforcement rights of creditors generally and the court's discretion in relation to equitable remedies (or, in limited circumstances, if the Borrower purchased the property from a bankrupt vendor); (ii) the application of the UTCCR, the CRA or the CCA (if the CCA is deemed to apply to the Loans); or (iii) fraud; and (b) no warranty is given in relation to any obligation of the Borrower to pay early repayment charges or charges payable in the event of Borrower default) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower (other than in relation to any repayment charges where repayment takes place following the early repayment charge period) **provided that** nothing in this paragraph (e) constitutes a representation or a warranty as to the sufficiency of such Property as security for indebtedness secured on it.
- (f) Subject to completion of any registration which may be pending at the Land Registry or Registers of Scotland, each Mortgage relating to a Loan constitutes a first legal mortgage or standard security over the relevant Property except in so far as there is a prior ranking statutory charge or first ranking standard security (as the case may be) where the Loan is a Right to Buy Loan for which the Seller or the Legal Title-Holder and the relevant Borrower have the benefit of a Right to Buy Insurance Policy.
- (g) The Loans were originated by the Originator and, at the time of origination of the Loans, the Originator took reasonable steps to verify that each Loan was made in accordance with the applicable Lending Criteria in effect at the time of its origination subject only to exceptions made (i) on a case by case basis and (ii) in accordance with the relevant Originator's internal policies and the standard of a Prudent Mortgage Lender.
- (h) The Loans were originated by the Originator in the ordinary course of business pursuant to underwriting standards that are no less stringent than those the Originator applied at the time of origination to similar exposures that are not included in the Mortgage Pool.

- (i) All steps necessary to perfect the Legal Title-Holder's title to each Loan, together with their related Mortgages, were duly taken at the appropriate time or are in the process of being taken with all due diligence.
- (j) The Legal Title- Holder has full recourse to the Borrower under the relevant Loan and no lien or right of set-off or counterclaim has been created or arisen between the Seller or the Legal Title-Holder and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan.
- (k) In relation to:
  - (i) each English Mortgage relating to a Loan which is not the subject of a Title Insurance Policy:
    - (A) if the Property is not registered the Borrower has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or other good freehold state (if freehold) or a term of years absolute (if leasehold) free (save for the Mortgage) from any encumbrance which would affect such title; and
    - (B) if the Property is registered it has been or is in the course of registration with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property or possessory title in the case of freehold or leasehold title where (in accordance with the relevant Lending Criteria) such possessory title has been taken into account by the valuer in the valuation of the Property; and
  - (ii) each Scottish Mortgage relating to a Loan, the Borrower has a valid and marketable heritable or long lease title to the Property free (save for the Mortgage) from any encumbrance which would materially affect such a title.
- (l) In relation to each Mortgage of Property relating to a Loan, title to which is registered (or, in the case of a Scottish Property, which is subject to a first registration) and which is not subject to a Title Insurance Policy, an application for registration has been delivered to the Land Registry or, as applicable, the Registers of Scotland within the priority period conferred by an official search or, as applicable, within the protected period conferred by an advance notice registered against the relevant title at the Land Registry or, as applicable, Registers of Scotland and in relation to each English Mortgage of Property, title to which is unregistered and which is not subject to a Title Insurance Policy, such English Mortgage was completed within the priority period conferred by an official search at the Land Charges Department and, where such unregistered English Property is subject to first registration, an application for registration of the Borrower's title and of the related English Mortgage has been delivered to the Land Registry within two months of the date of the dealing giving rise to first registration in accordance with section 4 of the Land Registration Act 2002 and, in each case, the relevant search did not reveal any matter which would materially adversely affect the mortgagee's interest under the relevant English Mortgage.
- (m) In relation to each Mortgage of Property relating to a Loan, where registration is pending at the Land Registry or Registers of Scotland (as applicable), so far as it is aware, there is no caution, notice, inhibition or restriction which would prevent the registration of the Mortgage.
- (n) Each Loan and its related Mortgage:
  - (i) has been materially made on the terms of the Standard Documentation referred to in Appendix B (*Standard Documentation*) of the KHL/Issuer Mortgage Sale Agreement (so far as applicable); and
  - (ii) has not been varied, amended or modified and no waiver or extension has been granted which would impair the enforceability or collectability of all or a material part of such Loan since the date of completion of such Loan.
- (o) Interest on each Loan is charged on such Loan in accordance with the provisions of that Loan and its related Mortgage.

- (p) No Loan has a Principal Balance of greater than £2,000,000 on the relevant Purchase Date.
- (q) No Loan has a final maturity beyond the date falling two years prior to the Final Maturity Date of the A Notes.
- (r) The Originator has procured that since the creation of each Loan full and proper accounts, books and records have been kept showing clearly all transactions, payments, receipts and proceedings relating to that Loan and its related Mortgage and all such accounts, books and records are up to date, accurate and in the possession of the Legal Title-Holder or held to its order.
- (s) Neither the Seller nor the Legal Title-Holder has received written notice of any litigation or claim calling into question in any material way its title to any Loan and its related Mortgage or their ability to fully, effectively and promptly enforce the same.
- (t) In respect of any Property which is subject to a second ranking or subsequent mortgage or standard security, the Mortgage has first priority for the full amount of the Loan and all costs, fees and expenses relative thereto except in so far as there is a prior ranking statutory charge or standard security (as the case may be) where the relevant Loan is a Right to Buy Loan in respect of which the representation and warranty in paragraph (f) is correct.
- (u) Subject to completion of any registration or recording which may be pending at the Land Registry or Registers of Scotland (as applicable), all property deeds relating to the Loans and loan files relating to the Loans are held by, or to the order of, the Legal Title-Holder.
- (v) All the title deeds, the deeds constituting the Mortgage and the correspondence file (such as it exists and whether in physical or dematerialised form) relating to each of the Loans are held by or to the order of the Legal Title-Holder or have been lodged by, or on behalf of, the Legal Title-Holder at the Land Registry or Registers of Scotland.
- (w) Each Borrower is an individual, and no Borrower is at present an employee of the Legal Title-Holder or the Seller or any related company.
- (x) No Loan or its related Mortgage contains an obligation to make any further advance to the Borrower.
- (y) All Loans are either Fixed Rate Mortgages or Floating Rate Mortgages.
- (z) All formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their related Mortgages and the Mortgage Rights to be sold under the KHL/Issuer Mortgage Sale Agreement have been obtained or taken and all Loans and Collateral Security are freely assignable and no formal approvals, consents or other steps are necessary as at the relevant Purchase Date to permit a legal, equitable or beneficial transfer of the Loans and Collateral Security, save only for the relevant transfer (and in the case of a legal transfer, registration at the relevant registries and notification to the relevant Borrower) itself, and no notification to any Borrower is required to effect any equitable or beneficial transfer of the Loans and Collateral Security to the Issuer pursuant to the KHL/Issuer Mortgage Sale Agreement and the Loans and Collateral Security are not subject to any contractual confidentiality restrictions which may restrict the ability of the Issuer to acquire the same.
- (aa) At origination of each Loan, variable direct debit instructions in favour of the Legal Title-Holder or the Originator (or other arrangements acceptable to the Legal Title-Holder to ensure regular payment) were completed in respect thereof and such completed variable direct debit instructions were held by or on behalf of the Legal Title-Holder.
- (bb) The only third party having an interest in the Loans, Mortgages and other rights granted to or held for the Seller and being the subject of the KHL/Issuer Mortgage Sale Agreement is the Legal Title-Holder in its capacity as bare trustee of the legal title to the Loans and Mortgages held for the Seller.
- (cc) To the best of the Legal Title-Holder's knowledge, information and belief, no fraud, misrepresentation or concealment has been perpetrated in respect of a Loan by:
  - (i) any person who prepared a valuation of a Property; or



- (ii) any solicitors who acted for the Legal Title-Holder or the Originator in relation to any Loan; or
- (iii) any insurance broker or agent in relation to any insurance policy; or
- (iv) any Borrower of any Loan; or
- (v) any other party within the knowledge of the Legal Title-Holder,

which would result in any monies owed by any of the Borrowers not being or being unlikely to be repaid in full under the terms of any of the Loans.

- (dd) Each Loan was originated, and is currently denominated, in sterling and the currency of the repayments cannot be changed by the Borrower to a currency other than sterling.
- (ee) The Legal Title-Holder has not excluded, restricted or waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Loan and the related Mortgage.
- (ff) Except in any case where the related Property is covered by a Title Insurance Policy issued by the Title Insurance Provider, prior to making each Loan to a Borrower, the Originator instructed or required to be instructed on its behalf solicitors or licensed or qualified conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions that would have been undertaken by a Prudent Mortgage Lender when advancing money in an amount equal to such advance to an individual to be secured on a property of the kind permitted under the Lending Criteria and a report on title was received by or on behalf of it from such solicitors or licensed or qualified conveyancers which either initially or after further investigation revealed no material matter which would cause a Prudent Mortgage Lender to decline such Loan having regard to the Lending Criteria.
- (gg) Prior to making each Loan:
  - (i) in respect of a Loan other than an Automated Valuation Loan, the relevant Property was valued by an independent valuer from the panel of valuers from time to time approved by the Legal Title-Holder; or
  - (ii) in respect of an Automated Valuation Loan, a valuation of the relevant Property was undertaken by the Originator in accordance with a valuation system provided by a third party entity for the automated valuation of properties securing mortgage loans (including, but not limited to, the Realtime Valuation System provided by Hometrack Data Systems Limited).
- (hh) The Legal Title-Holder took all reasonable steps to ensure that at the date of completion of each Mortgage the relevant Property was insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by (i) a valuer approved by the Legal Title-Holder or the Originator; or (ii) an automated valuation model (as applicable) and the Legal Title-Holder or the Originator became either the sole or a joint insured or its interest was noted by the insurers or, in the case of leasehold property, is covered by a landlord's buildings insurance policy, with, where possible, the interests of the Legal Title-Holder and the Borrower endorsed or deemed noted thereon (*primo loco* in the case of a Scottish Borrower), in each case with a reputable insurance company agreed to by the Originator against all risks usually covered by a Prudent Mortgage Lender when advancing money on the security of the property of the same nature to at or around the time the related Loan was completed and the Legal Title-Holder has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.
- (ii) In relation to each Mortgage relating to a Loan, any person who at the date when the Loan was made had attained the age of 18 and who has been identified by the Borrower of such Loan as residing or about to reside in the relevant Property is either named as a joint Borrower or has signed a form of consent declaring that he or she will assert no right to any overriding or other interest by occupation adverse to the mortgagee's rights under the relevant Mortgage, or the Legal Title-

Holder holds insurance in respect thereof, or in relation to each Mortgage in respect of a Scottish Loan, obtained the appropriate MH/CP Documentation.

- (jj) At the date of origination:
  - (i) as far as the Originator was aware the terms of, and the origination steps taken in respect of, all Loans complied with applicable laws and regulations (including without limitation all requirements of the CCA, UCTA and UTCCR or CRA) that were necessary to ensure that the relevant Loans and Mortgages were enforceable and the relevant Borrower was obliged to pay interest and repay principal on the dates specified in the relevant Loans, subject to any reservations or matter disclosed generally as regards non-compliance with any laws and regulations contained within the Legal Opinions; and
  - (ii) the Legal Title-Holder and the Originator had all necessary consents, authorisations, approvals, licences and orders including without limitation all necessary licences under the CCA and FSMA to originate the Loans.
- (kk) Each Title Insurance Policy referred to in paragraph (ff) above is in full force and effect and all premiums thereon due on or before the date this warranty is given have been paid in full, the Legal Title-Holder is not aware of any circumstances giving the Title Insurance Provider the right to avoid or terminate such policy and there is no claim outstanding under such Title Insurance Policy in relation to any Property.
- (ll) No Loan is subject to a Retention at the date of the KHL/Issuer Mortgage Sale Agreement.
- (mm) In relation to any Loan which is the subject of a Regulated Mortgage Contract, as far as the Seller is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Loan (as applicable).
- (nn) Neither the Originator nor the Seller:
  - (i) is aware of any material breach by the Borrower under any Loan or related Collateral Security which would have a material adverse effect on such Loan or Collateral Security and no steps have been taken by the Originator to enforce any Collateral Security as a result of such breach; or
  - (ii) has received notice of the bankruptcy, insolvency, sequestration or death of any Borrower.
- (oo) All the Loans in respect of English Properties are governed by English law and all Loans in respect of Scottish Properties are governed by Scots law.
- (pp) The Legal Title-Holder has not given express written consent to the grant of a tenancy by a Borrower in circumstances where no Prudent Mortgage Lender at the time such consent was given would give such consent.
- (qq) Each Borrower is a natural person and was aged 18 years or older at the date that he or she executed the relevant Mortgage.
- (rr) There are no guarantees given in support of the obligations of any Borrower under any Loan.
- (ss) The Right to Buy Insurance Policy in respect of each Right to Buy Loan is in full force and effect and all premiums thereon are current as at the relevant Purchase Date, and neither the Seller nor the Legal Title-Holder are aware of any circumstances giving the insurer thereunder the right to avoid or terminate such policy in so far as it relates to such Right to Buy Loan.
- (tt) As far as the Seller and the Legal Title-Holder are aware, in relation to a Loan which is a Right to Buy Loan, either:
  - (i) the:
    - (A) Originator was at the time of origination of that Loan an approved lending institution within the meaning given to that expression in the Housing Act 1985

- or (if applicable) a recognised lending institution within the meaning of Part 3 of the Housing (Scotland) Act 1987;
- (B) original advance was made to the person exercising the right to buy; and
  - (C) for the purposes of enabling the recipient thereof to purchase the relevant Property; or
- (ii) the Legal Title-Holder has the benefit of a Right to Buy Insurance Policy in respect of such Right to Buy Loan.
- (uu) Each Property is a residential property.
  - (vv) No material legal proceedings by Borrowers are outstanding against the Seller or the Legal Title-Holder which would call into question their beneficial or legal title to the Loans.
  - (ww) In relation to any leasehold Property, (i) in any case where the Legal Title-Holder has received written notice from the relevant landlord that it is or may be taking steps to forfeit or irritate the lease of that Property, the Legal Title-Holder has taken such steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and Loan and (ii) any requisite consent of the landlord to, or notice of, the creation of the Mortgage has been obtained or given (as applicable).
  - (xx) Each Property is located in England, Wales or Scotland.
  - (yy) At least one contractual monthly instalment due in respect of each Loan was paid by the relevant Borrower.
  - (zz) No agreement for any Loan is or includes a consumer credit agreement (as defined in section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than sections 137 to 140 of such Act) or any modification or re-enactment thereof or, to the extent that it is so regulated or partly regulated, all the requirements of the Consumer Credit Act 1974 have been met in full.
  - (aaa) The proposed limitations or exclusions of the liability of the Originator contained in the loan agreement relating to each Loan are fair and reasonable having regard to the circumstances of the particular Borrower for the purposes of the Unfair Contract Terms Act 1977 and are not "unfair terms" within the meaning of the UTCCR or, as applicable, the CRA.
  - (bbb) To the extent that any loan agreement relating to a Loan was entered into after 1 July 1995 between the Originator and a "consumer" and such loan agreement was not "individually negotiated" with such consumer (as such terms are defined in the UTCCR), none of the terms contained in such loan agreements are unfair terms within the meaning of the UTCCR or, as applicable, the CRA; no injunction or interdict has been granted by the court pursuant to regulation 8 of the UTCCR which might prevent or restrict the use in a loan agreement of any particular term or the enforcement of any such term; and in carrying out the procedures for enabling Borrowers to enter into loan agreements, the Originator complied with the UTCCR and, in particular, ensured that each Borrower had a real opportunity to read and understand the terms of the relevant loan agreement before the conclusion of the loan agreement.
  - (ccc) To the best of the Seller's or the Legal Title-Holder's knowledge, no Borrower in respect of each Loan:
    - (i) has filed for bankruptcy, 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) within three years prior to the date of origination of the relevant Loan;
    - (ii) had a non-appealable county court judgment, Scottish court decree for payment or bankruptcy order entered or made against them within three years prior to the date of origination of the relevant Loan;

- (iii) has incurred material damages as a result of a missed payment within three years prior to the relevant Purchase Date; or
  - (iv) has undergone a debt restructuring process with regard to their non-performing exposures within three years prior to the relevant Purchase Date.
- (ddd) According to the Legal Title-Holder's records and to the best of the Seller's or the Legal Title-Holder's knowledge, the Borrower in respect of each Loan:
- (i) was, at the time of origination, where applicable, not on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the Seller or the Legal Title-Holder; or
  - (ii) has neither a credit assessment nor a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the Originator which are not included in the Mortgage Pool.
- (eee) No Loan is considered by the Seller or the Legal Title-Holder as being in "default" within the meaning of (i) Article 178(1) of Regulation (EU) No.575/2013 (the "EU CRR"), as further specified by the Delegated Regulation on the materiality threshold for credit obligations past due developed in accordance with Article 178 of the EU CRR and by the European Banking Authority Guidelines on the application of the definition of default developed in accordance with Article 178(7) of the EU CRR and (ii) Article 178(1) of EU CRR as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "UK CRR").
- (fff) No Loan, so far as the Seller or the Legal Title-Holder is aware, is a Loan to a Borrower who is a "credit-impaired debtor" as described in Article 20(11) of the UK Securitisation Regulation and Article 20(11) of the EU Securitisation Regulation and, in each case, in accordance with any official guidance issued in relation thereto.
- (ggg) No Loan, so far as the Seller or Legal Title-Holder is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in (i) Article 13(2)(j) of the UK LCR Regulation and Article 13(2)(j) of the EU LCR Regulation, or (ii) paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 and paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (or, in each case, if different, the equivalent provisions in any such enacted version of such EU Commission Delegated Regulation or such EU Commission Delegated Regulation as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as applicable)).
- (hhh) No Loan:
- (i) was more than three months in arrears (as calculated by reference to the arrears amount outstanding divided by the relevant contractual monthly payment) as at the Completion Cut-Off Date or Additional Loan Cut-Off Date (as applicable); or
  - (ii) has more than three contractual monthly payments due and unpaid as at the relevant Purchase Date.
- (iii) The weighted average Indexed LTV of the Mortgage Pool does not exceed 80 per cent. as at the Completion Cut-off Date or Additional Loan Cut-Off Date (as applicable) corresponding to the Purchase Date.
- (jjj) No Loan has an Indexed LTV greater than 95 per cent. as at the Completion Cut-off Date or Additional Loan Cut-Off Date (as applicable) corresponding to the Purchaser Date.
- (kkk) The aggregate Principal Balance of all Loans made to a single Borrower in the Mortgage Pool does not exceed 2.00 per cent. of the aggregate Principal Balance of all the Loans in the Mortgage Pool.
- (lll) As at the relevant Purchase Date, the average "standardised risk weight" of the Loans in the Mortgage Pool is equal to or smaller than 40 per cent. on an "exposure value-weighted average"

basis for the Mortgage Pool as such terms are described in Article 243 of the UK CRR and Article 243 of the EU CRR.

- (mmm) No Loan is a Buy-to-Let Loan, a Flexible Loan or a Self-Certified Loan.
- (nnn) Each Loan was granted to the Borrower in respect of a Property which is the Borrower's main residence.
- (ooo) No Collateral Security comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of the 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) or a chargeable interest (within the meaning of Section 4 of the Land Transaction Tax and Anti - avoidance of Devolved Taxes (Wales) Act 2017) or a chargeable interest (within the meaning of section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013).
- (ppp) The Loans and the Mortgage Rights (i) constitute financial assets (as defined in Regulation 9A of the Tax Regulations); and (ii) are not shares.
- (qqq) The Originator has applied the same sound and well-defined credit-granting criteria for the Loans as it has applied to equivalent mortgage loans originated by the Originator that are not part of the Mortgage Pool. In particular:
  - (i) the Originator has applied the same clearly established processes for approving and, where relevant, amending, renewing and refinancing Loans as it has applied to equivalent mortgage loans that are not part of the Mortgage Pool; and
  - (ii) the Originator has effective systems in place to apply those criteria and processes in order to ensure that credit-granting is based on a thorough assessment of the Borrower's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the Borrower meeting his obligations under the relevant mortgage loan agreement.

#### ***Product Switch Effective Date***

The KHL/Issuer Mortgage Sale Agreement also contain representations and warranties given by the Legal Title-Holder and the Seller, in relation to each Product Switch Loan to be retained within the Mortgage Pool following the relevant Product Switch Effective Date on the relevant Product Switch Effective Date.

If there is an unremedied or irremediable breach of any of these representations and warranties which could have a material adverse effect on the value of any Loan, its related Mortgage and its Collateral Security (other than where such breach was disclosed at the point of sale to the Issuer), then the Seller or KMC, on a joint and several basis, on or before the date falling 15 Business Days after notification of such breach to the Seller and KMC by the Mortgage Administrator on behalf of the Issuer, is required to repurchase, or procure the repurchase by one of its affiliates of, the relevant Loan and its Collateral Security for a consideration in cash equal to the Repurchase Price or at the option of the Seller or KMC, substitute an alternative mortgage loan of an appropriate value in replacement of the Loan where the breach applies. Performance of the obligation to repurchase will be in satisfaction of all liabilities of the Legal Title-Holder and the Seller in respect thereof.

The representations and warranties referred to in relation to Product Switch Loans will include, *inter alia*, statements to the following effect:

- (a) Each Loan and its related Mortgage is non-cancellable and constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms (except that: (a) enforceability may be limited by (i) bankruptcy or insolvency of the Borrower or other laws relating to enforcement of general applicability affecting the enforcement rights of creditors generally and the court's discretion in relation to equitable remedies (or, in limited circumstances, if the Borrower purchased the property from a bankrupt vendor); (ii) the application of the UTCCR, the CRA or the CCA (if the CCA is deemed to apply to the Loans); or (iii) fraud; and (b) no warranty is given in relation to any obligation of the Borrower to pay early repayment charges or charges payable in the event of Borrower default) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower (other than in relation to any

repayment charges where repayment takes place following the early repayment charge period) **provided that** nothing in this paragraph (a) constitutes a representation or a warranty as to the sufficiency of such Property as security for indebtedness secured on it.

- (b) Subject to completion of any registration which may be pending at the Land Registry or Registers of Scotland, each Mortgage relating to a Loan constitutes a first legal mortgage or first ranking standard security over the relevant Property.
- (c) In relation to each Mortgage:
  - (i) relating to an English Loan which is not the subject of a Title Insurance Policy:
    - (A) if the Property is not registered the Borrower has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or other good freehold state (if freehold) or a term of years absolute (if leasehold) free (save for the Mortgage) from any encumbrance which would affect such title; and
    - (B) if the Property is registered it has been or is in the course of registration with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property or possessory title in the case of freehold or leasehold title where (in accordance with the relevant Lending Criteria) such possessory title has been taken into account by the value in the valuation of the Property.
  - (ii) each Scottish Mortgage relating to a Loan, the Borrower has a valid and marketable heritable or long lease title to the Property free (save for the Mortgage) from any encumbrance which would affect such title;
- (d) Each Loan and its related Mortgage:
  - (i) has been materially made on the terms of the Standard Documentation referred to in Appendix B of the KHL/Issuer Mortgage Sale Agreement (so far as applicable); and
  - (ii) has not been varied, amended or modified and no waiver or extension has been granted which would impair the enforceability or collectability of all or a material part of such Loan since the date of completion of such Loan other than an amendment to reflect a Product Switch made in accordance with the Transaction Documents.
- (e) Interest on each Loan is charged on such Loan in accordance with the provisions of that Loan and its related Mortgage.
- (f) Each Loan is either a Floating Rate Mortgage or a Fixed Rate Mortgage.
- (g) Neither the Seller nor the Legal Title-Holder has received written notice of any litigation or claim calling into question in any material way its title to any Loan and its related Mortgage or their ability to fully, effectively and promptly enforce the same.
- (h) In respect of any Property which is subject to a second ranking or subsequent mortgage or standard security, the Mortgage has first priority for the full amount of the Loan and all costs, fees and expenses relative thereto.
- (i) Each Title Insurance Policy in relation to the relevant Loan is in full force and effect and all premiums thereon due on or before the date this warranty is given have been paid in full and the Legal Title-Holder is not aware of any circumstances giving the Title Insurance Provider the right to avoid or terminate such policy and there is no claim outstanding under such Title Insurance Policy in relation to the Properties.
- (j) In relation to any Loan which is the subject of a Regulated Mortgage Contract, as far as the Seller is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Loan (as applicable).

- (k) Neither the Originator nor the Seller:
  - (i) is aware of any material breach by the Borrower under any Loan or related Collateral Security which would have a material adverse effect on such Loan or Collateral Security and no steps have been taken by the Originator to enforce any Collateral Security as a result of such breach; or
  - (ii) has received notice of the bankruptcy, insolvency, sequestration or death of any Borrower.
- (l) To the extent that any loan agreement relating to a Loan was entered into after 1 July 1995 between the Originator and a "consumer" and such loan agreement was not "individually negotiated" with such consumer (as such terms are defined in UTCCR), none of the terms contained in such loan agreements are unfair terms within the meaning of the UTCCR or, as applicable, the CRA; no injunction or interdict has been granted by the court pursuant to regulation 8 of the UTCCR or, as applicable, the CRA which might prevent or restrict the use in a loan agreement of any particular term or the enforcement of any such term; and in carrying out the procedures for enabling Borrowers to enter into loan agreements, the Originator complied with the UTCCR and, in particular, ensured that each Borrower had a real opportunity to read and understand the terms of the relevant loan agreement before the conclusion of the loan agreement.
- (m) Each Loan was originated by the Originator in the ordinary course of business pursuant to underwriting standards that were no less stringent than those the Originator applied at the time of origination to similar exposures that are not included in the Mortgage Pool.
- (n) No Loan is a Self-Certified Loan.

#### **Product Switch Loans**

The Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. Should a Product Switch be accepted by the Borrower, the Legal Title-Holder shall have the option to repurchase the Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date. Alternatively, if an Asset Repurchase Trigger Event has occurred or will occur in relation to a Product Switch Loan on the Product Switch Effective Date, then the Legal Title-Holder will be required to repurchase that Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date. These Product Switch Criteria in respect of which non-compliance could constitute an Asset Repurchase Trigger Event are described in "*Administration, Servicing and Cash Management of the Mortgage Pool - Mortgage Administration Agreement – Product Switches*" below.

Consideration payable by the Legal Title-Holder in respect of the repurchase of any relevant Product Switch Loans and their Collateral Security shall be a cash payment to the Issuer equal to the Repurchase Price.

#### **Non-Compliant Loans**

The Seller or the Legal Title-Holder may at its discretion repurchase from the Issuer any Loan which a Non-Compliant Loan.

Consideration payable by the Legal Title-Holder in respect of the repurchase of any relevant Non-Compliant Loans and their Collateral Security shall be a cash payment to the Issuer equal to the Repurchase Price.

#### **Ongoing Purchase of Additional Loans during the Further Sale Period**

##### **Acquisition of Additional Loans**

The Seller may (but is not obliged to) sell further Loans to the Issuer from time to time during the Further Sale Period, to the extent that the relevant conditions to purchase in the KHL/Issuer Mortgage Sale Agreement are satisfied (such as Loans being "**Additional Loans**").

Pursuant to the terms of the KHL/Issuer Mortgage Sale Agreement, the Issuer will be permitted to purchase Additional Loans during the Further Sale Period.

The Issuer will pay the relevant Additional Loan Purchase Consideration for any Additional Loans and their Collateral Security to the Seller on the applicable Further Purchase Date utilising:

- (a) if the Further Purchase Date is a Business Day other than an Interest Payment Date (i) Principal Collections received by the Issuer during the corresponding Determination Period, provided that the amount standing to the credit of the Principal Ledger on the Further Purchase Date will be sufficient to redeem the A Notes in the amount necessary (as determined by the Mortgage Administrator) to ensure that the aggregate Principal Amount Outstanding of the A Notes following the application of Available Principal Funds on the Interest Payment Date immediately following the corresponding Determination Period is equal to or less than the Class A Target Notional Amount, and/or (ii) from any amounts then standing to the credit of the Retained Principal Ledger; and
- (b) if the Further Purchase Date is an Interest Payment Date, Available Principal Funds in accordance with the Pre-Enforcement Priority of Payments,

in each case, subject to the satisfaction of the Additional Loan Criteria.

The applicable Additional Loan Purchase Consideration for any Additional Loans will be equal to the Principal Balance of the relevant Additional Loan as at the applicable Additional Loan Cut-Off Date.

Any such purchase of Additional Loans, where applicable, by the Issuer will be subject to the certain conditions including (amongst other things):

- the provision, by each of the Issuer and the Seller of solvency certificates, dated the date of such purchase, signed by an authorised officer of the relevant company;
- no Enforcement Notice having been served;
- no Event of Default under (and as defined in) Notes Condition 9 (*Events of Default*) of the Notes having occurred and having been notified to the Trustee or any Mortgage Administrator Termination Event having occurred which, in any such case, is continuing on the Further Purchase Date;
- the aggregate of all Additional Loans purchased complying with the Additional Loan Criteria on each date that any Additional Loan is purchased.

Any Principal Collections and/or any outstanding balance in the Retained Principal Ledger on any Determination Date shall be applied as Available Principal Funds in accordance with the Pre-Enforcement Principal Priorities of Payments.

### **Repurchase of Additional Loans**

If an Asset Repurchase Trigger Event has occurred in relation to an Additional Loan on a Further Purchase Date, then the Seller or KMC, on a joint and several basis, on or before the date falling 15 Business Days after notification of such event to the Seller and KMC by the Mortgage Administrator on behalf of the Issuer, is required to repurchase, or procure the repurchase by one of its affiliates of, the relevant Loan and its Collateral Security for a consideration in cash equal to the Repurchase Price.

### **Further Advance**

Borrowers may request further advances.

Should the Legal Title-Holder agree to pay any further advances made on a Loan on or after the Issue Date, this will result in the Seller or, KMC (or an affiliate thereof), being required to repurchase such Loan (or procure the repurchase of such Loan) from the Issuer and make a cash payment to the Issuer as consideration therefor.

### **Shortfall Loans**

Should there be any Shortfall Loans in the Mortgage Pool, the Seller shall have the right but not the obligation, to offer to repurchase (i) all Shortfall Loans outstanding at that time or (ii) a random selection



of the Shortfall Loans existing at that time and make a cash payment to the Issuer, or to such person as the Issuer may direct, in an amount equal to the Shortfall Loan Repurchase Amount.

### **Mechanism for substitution of Loans**

In relation to a Loan which is subject to a breach of Warranty, the Seller may transfer or assign to the Issuer, the Seller's whole right, title, interest and benefit in and to one or more Substitute Loans. The Issuer shall execute and deliver a deed of re-assignment, discharge and release relating to the Loan and the related Mortgage and the relevant Mortgage Rights.

The Seller shall then complete (and, where applicable, procure the execution by the Legal Title-Holder), at its own cost, such documentation as is necessary to perfect a transfer, assignment or assignation of its interests in respect of any relevant Substitute Loan, the related first legal mortgage or charge or standard security of Property which is security for the Substitute Loan and mortgage rights. The Seller shall reimburse the Issuer for the reasonable costs incurred by the Issuer in relation to such substitution.

Any such substitution shall constitute a discharge and release in full of the Seller and the Legal Title-Holder (where applicable) from any claims which the Issuer may have against it arising from the breach of Warranty or any right of set-off in relation to that Loan, the related Mortgage and Mortgage Rights only and shall not affect any rights arising from a breach of any express provision of the KHL/Issuer Mortgage Sale Agreement, or any representation, warranty or undertaking or from any right of set-off in relation to any other Loan, the related Mortgage and Mortgage Rights.

### **No active portfolio management**

The Seller's rights to sell Loans and their Related Security to the Issuer and/or the Seller and/or the Legal Title-Holders rights or obligations to repurchase Loans and their Related Security from the Issuer pursuant to the KHL/Issuer Mortgage Sale Agreement (including with respect to breach of Warranties, breach of any Product Switch Criteria or Additional Loan Criteria resulting in the occurrence of an Asset Repurchase Trigger Event and any discretionary repurchase of Non-Compliant Loans) do not constitute active portfolio management for purposes of Article 20(7) of the UK Securitisation Regulation.

### **Mortgage Pool Option**

Pursuant to the Deed Poll, the Mortgage Pool Option Holder has the Mortgage Pool Option on which the Notes will be redeemed in accordance with the Notes Conditions and for a purchase price which, together with any amounts standing to the credit of the Transaction Account and/or the Reserve Account and/or any other cash held by or on behalf of the Issuer (other than any Swap Excluded Receivable Amounts), would be required to pay any amounts required under the relevant Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date, redeem all Notes then outstanding in full together with accrued and unpaid interest on such Notes and pay costs associated with the redemption, as calculated as at Mortgage Pool Purchase Completion Date but with regard to the amounts to be paid on the relevant Interest Payment Date.

To effect such Mortgage Pool Option, the Mortgage Pool Option Holder must at least 25 days prior to the relevant Interest Payment Date deliver an Exercise Notice which shall contain details of the proposed Mortgage Pool Purchase Completion Date, which shall be any Business Day immediately prior to the next Interest Payment Date to occur after the delivery of the Exercise Notice, (**provided that**, if the Exercise Notice is delivered within 25 days of the next Interest Payment Date, the Mortgage Pool Purchase Completion Date shall occur on any Business Day during the Interest Period immediately prior to the second Interest Payment Date to occur after the date of Exercise Notice). Following receipt of the Exercise Notice, the Mortgage Administrator, on behalf of the Issuer, shall send to the Mortgage Pool Option Holder a Purchase Price Notice. If the Mortgage Pool Option Holder agrees to the Mortgage Pool Purchase Price as set out in the Purchase Price Notice, it will send an acceptance notice to the Issuer, the Trustee, the Cash/Bond Administrator and the Principal Paying Agent confirming that the purchase shall take place on the Mortgage Pool Purchase Completion Date at the then agreed Mortgage Pool Purchase Price.

It will be a condition of the exercise of the Mortgage Pool Option that either (i) the purchaser is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer and the Trustee, as applicable, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in form and substance satisfactory to it, or such other comfort as may reasonably be required by it (including,

without limitation, any clearance or other confirmation granted by HMRC), is satisfied that the sale of the Loans will not expose the Issuer or the Legal Title-Holder, as applicable, to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans. The costs relating to such tax advice shall be borne by the Mortgage Pool Option Holder.

On the date during such Interest Period that the Mortgage Pool Option Holder (or nominated third party purchaser) acquires the Mortgage Pool pursuant to the terms of the Deed Poll such person will on such date deposit such amounts as may be required to purchase the Mortgage Pool and its Collateral Security in the Transaction Account as the cash collateral for the Issuer's payment obligations (including the redemption of the Notes in full) on the immediately following Interest Payment Date.

### **Risk Retention Regulatory Change Option**

Pursuant to the Risk Retention Regulatory Change Deed Poll, following a Risk Retention Regulatory Change Event, the Risk Retention Regulatory Change Option Holder has the right to purchase (or nominate a third party purchaser to purchase) the Mortgage Pool and its Collateral Security during the Interest Period immediately preceding the Interest Payment Date on which the Notes will be redeemed in accordance with the Notes Conditions and for a purchase price which, together with any amounts standing to the credit of the Transaction Account and/or the Reserve Account and/or any other cash held by or on behalf of the Issuer (other than any Swap Excluded Receivable Amounts), would be required to pay any amounts required under the relevant Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date, redeem all Notes then outstanding in full together with accrued and unpaid interest on such Notes and pay costs associated with the redemption as calculated at the Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date but with regard to the amounts to be paid on the relevant Interest Payment Date.

To effect such Risk Retention Regulatory Change Option, the Risk Retention Regulatory Change Option Holder must at least 25 days prior to the relevant Interest Payment Date deliver a Risk Retention Regulatory Change Option Exercise Notice which shall contain details of the proposed Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date, which shall be any Business Day immediately prior to the next Interest Payment Date to occur after the delivery of the Risk Retention Regulatory Change Option Exercise Notice, (**provided that**, if the Risk Retention Regulatory Change Option Exercise Notice is delivered within 25 days of the next Interest Payment Date, the Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date shall occur on any Business Day during the Interest Period immediately prior to the second Interest Payment Date to occur after the date of Risk Retention Regulatory Change Option Exercise Notice). Following receipt of the Exercise Notice, the Mortgage Administrator, on behalf of the Issuer, shall send to the Risk Retention Regulatory Change Option Holder a Risk Retention Regulatory Change Option Purchase Price Notice. If the Risk Retention Regulatory Change Option Holder agrees to the Risk Retention Regulatory Change Option Purchase Price as set out in the Risk Retention Regulatory Change Option Purchase Price Notice, it will send an acceptance notice to the Issuer, the Trustee, the Cash/Bond Administrator and the Principal Paying Agent confirming that the purchase shall take place on the Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date at the then agreed Risk Retention Regulatory Change Option Purchase Price.

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

On the date during such Interest Period that the Risk Retention Regulatory Change Option Holder (or nominated third party purchaser) acquires the Mortgage Pool pursuant to the terms of the Risk Retention Regulatory Change Deed Poll such person will on such date deposit such amounts as may be required to purchase the Mortgage Pool and its Collateral Security in the Transaction Account as the cash collateral for the Issuer's payment obligations (including the redemption of the Notes in full) on the immediately following Interest Payment Date.

***Redemption of Notes and Cancellation of Certificates***

On the Interest Payment Date immediately following the Mortgage Pool Purchase Completion Date or the Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date, the Notes will be redeemed in full and the Certificates will be cancelled.

## CREDIT STRUCTURE

The Notes and Certificates will not be obligations of the Account Bank, the Swap Collateral Account Bank, the Collection Accounts Provider, the Arranger, the Cash/Bond Administrator, the Cash/Bond Administrator Facilitator, the Corporate Services Provider, the Trustee, each Swap Counterparty, the Mortgage Administrator, the Mortgage Administrator Facilitator, the Subordinated Loan Provider, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Seller, the Principal Paying Agent, the Joint Lead Managers or anyone other than the Issuer and will not be guaranteed by any such party. None of the Swap Collateral Account Bank, the Account Bank, Collection Accounts Provider, the Arranger, the Cash/Bond Administrator, the Cash/Bond Administrator Facilitator, the Corporate Services Provider, the Trustee, each Swap Counterparty, the Mortgage Administrator, the Mortgage Administrator Facilitator, Subordinated Loan Provider, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Seller, the Principal Paying Agent, the Joint Lead Managers nor anyone other than the Issuer will accept any liability whatsoever in respect of any failure to pay any amount due under the Notes and Certificates.

As a condition to the issue of the Notes:

- the A Notes are expected to be rated AAA (sf) by DBRS, and AAAsf by Fitch;
- the B Notes are expected to be rated AA (sf) by DBRS and AAsf by Fitch;
- the C Notes are expected to be rated A (sf) by DBRS and A+sf by Fitch;
- the D Notes are expected to be rated A (low) (sf) by DBRS and A+sf by Fitch;
- the E Notes are expected to be rated CCCsf by Fitch;
- the X Notes are expected to be rated BB (high) (sf) by DBRS and BBsf by Fitch;

None of the Z Notes or the Certificates will be rated.

Ratings are expected to be assigned to the Rated Notes as set out above on or before the Issue Date. For the avoidance of doubt the Z Notes are not expected to be assigned ratings.

The ratings assigned by Fitch address, *inter alia*:

- in respect of the A Notes and the B Notes, the likelihood of full and timely payment of interest due to the holders of such A Notes and B Notes on each Interest Payment Date;
- in respect of the C Notes and the D Notes, the likelihood of full and timely payment of interest due to the holders of such C Notes and D Notes respectively on each Interest Payment Date when such class is the Most Senior Class;
- in respect of the E Notes and the X Notes, the likelihood of full and ultimate payment to the holders of the E Notes and X Notes of all payments of interest by the Final Maturity Date; and
- the likelihood of full and ultimate payment of principal due to the holders of the Rated Notes by the Final Maturity Date.

For more information as to what the ratings assigned by Fitch represent, please see <https://www.fitchratings.com/site/definitions> (such website and the contents thereof do not form part of this Prospectus).

The ratings assigned by DBRS address, *inter alia*:

- (a) in respect of the A Notes, the likelihood of full and timely payment of interest due to the holders of such A Notes on each Interest Payment Date;
- (b) in respect of the B Notes, C Notes and the D Notes, the likelihood of full and timely payment of interest due to the holders of such B Notes, C Notes and the D Notes on each Interest Payment Date when such class is the Most Senior Class;

- (c) in respect of the B Notes, the C Notes, the D Notes and the X Notes, the likelihood of full and ultimate payment to the holders of the B Notes, C Notes, D Notes and X Notes of all payments of interest by a date that is not later than the Final Maturity Date; and
- (d) the likelihood of full and ultimate payment of principal due to the holders of the Rated Notes (other than the E Notes) by the Final Maturity Date.

DBRS was engaged to provide a rating in respect of all Rated Notes and as at the Issue Date declined to provide a rating in respect of the E Notes. The E Notes are therefore "Note Rated" by DBRS as at the Issue Date. Prospective investors should carefully consider, prior to making any investment decisions, the fact that DBRS and Fitch made different and competing assessments of the E Notes and that only Fitch was able to provide a rating for the E Notes.

For more information as to what the ratings assigned by DBRS represent, please see <https://www.dbrs.com/understanding-ratings/#about-ratings> (such website and the contents thereof do not form part of this Prospectus).

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. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Rated Notes.

The structure of the credit arrangements may be summarised as follows:

### **The Notes**

The Notes will be issued fully paid on the Issue Date and the proceeds will be used for the purposes described in the section entitled "*Use of Proceeds*".

### **Issue Price and Redemption of Notes**

On the Issue Date, the Issuer will issue:

- (a) the A Notes at an issue price of 100 per cent. of the principal amount of the A Notes;
- (b) the B Notes at an issue price of 100 per cent. of the principal amount of the B Notes;
- (c) the C Notes at an issue price of 100 per cent. of the principal amount of the C Notes;
- (d) the D Notes at an issue price of 100 per cent. of the principal amount of the D Notes;
- (e) the E Notes at an issue price of 100 per cent. of the principal amount of the E Notes;
- (f) the X Notes at an issue price of 100 per cent. of the principal amount of the X Notes; and
- (g) the Z Notes at an issue price of 100 per cent. of the principal amount of the Z Notes.

On the Issue Date, the Issuer will also issue the Certificates. The E Notes, the X Notes and the Z Notes and the Certificates will initially be issued to and fully retained by KHL. Each of the Notes will be redeemed in accordance with Notes Condition 5 (*Redemption*).

### **Receipts**

The Cash/Bond Administrator on behalf of the Issuer will calculate on each Determination Date the Available Revenue Funds of the Issuer for the previous Determination Period (as set out in the Cash/Bond Administration Agreement). The Cash/Bond Administrator will on the next Interest Payment Date apply such Available Revenue Funds on behalf of the Issuer to make payments of interest on the Notes as well as certain amounts under the Pre-Enforcement Revenue Priority of Payments (see Notes Condition 2(c) (*Pre-Enforcement Revenue Priority of Payment*)).

## **Credit Support for the Notes Provided by Available Revenue Funds**

The interest rates payable by Borrowers in respect of the Loans vary in respect of different Borrowers and different types of Loans. The actual amount of interest received from Borrowers will vary during the life of the Notes; two of the key factors determining such variations are the level of delinquencies experienced and the weighted average interest rate in each case on the Mortgage Pool. Available Revenue Funds may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency.

To the extent that the amount of Available Revenue Funds standing to the credit of the Revenue Ledger on each Interest Payment Date exceeds the amount required to meet items (i) to (xiii) inclusive of the Pre-Enforcement Revenue Priority of Payments such funds are available to replenish the General Reserve Fund which is itself available to be drawn upon on any other Interest Payment Date upon which there exists a Shortfall.

### **The Reserve Funds**

In order to provide limited coverage for insufficient funds available (a) to provide, in respect of the General Reserve Fund for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments (a "Shortfall") the Issuer will establish the General Reserve Fund on the Issue Date and/or (b) to provide, in respect of the Liquidity Reserve Fund, for payment of the Senior Fees, the interest on the A Notes, and/or the interest on the B Notes (such shortfall arising from time to time, a "Revenue Shortfall"), the Issuer will establish the Liquidity Reserve Fund on the Issue Date (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes).

### **General Reserve Fund**

The General Reserve Fund will, on the Issue Date be maintained within the Reserve Account and in the General Reserve Fund Ledger, be fully funded by the proceeds from the Z Notes in an amount equal to General Reserve Fund Required Amount.

The Issuer is required to maintain at all times a minimum balance standing to the credit of the General Reserve Fund. The "**General Reserve Fund Required Amount**" means:

- (a) on the Issue Date and on any Interest Payment Date, 2.00 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes as at the Issue Date, being £9,440,000; and
- (b) following redemption in full of the A Notes to D Notes (inclusive), zero.

The General Reserve Fund Ledger will, from time to time, be credited in accordance with the Pre-Enforcement Revenue Priority of Payments.

Amounts standing to the credit of the General Reserve Fund Ledger in excess of the General Reserve Fund Required Amount (the "**General Reserve Fund Excess Amounts**") will be transferred to the Transaction Account on the relevant Determination Date and will be applied as Available Revenue Funds.

The General Reserve Fund shall be maintained and, when applicable, increased until such time as the D Notes are redeemed in full. Following redemption in full of the D Notes, any remaining balance in the General Reserve Fund will be transferred to the Transaction Account on the relevant Determination Date and will form part of Available Revenue Funds to be applied in accordance with the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).

The General Reserve Fund will be applied as set out in "*Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall*" below.

### **Liquidity Reserve Fund**

On the Issue Date, the Issuer will establish the Liquidity Reserve Fund and the amount required, from time to time, to be standing to the credit of the Liquidity Reserve Fund Ledger within the Reserve Account shall be an amount equal to Liquidity Reserve Fund Required Amount.

On and after the occurrence of the Liquidity Reserve Fund Trigger Event, the Available Principal Funds are available in accordance with the Pre-Enforcement Principal Priority of Payments to replenish the Liquidity Reserve Fund which is itself available to be drawn upon on any other Interest Payment Date upon which there exists a Revenue Shortfall.

The "**Liquidity Reserve Fund Required Amount**" shall be calculated as follows:

- (a) on the Issue Date, the Liquidity Reserve Fund Required Amount will be zero; and
- (b) on any Interest Payment Date, on which the amount standing to the credit of the General Reserve Fund as at such Interest Payment Date (after application of the Available Revenue Funds) is less than 1.50 per cent. of the aggregate Principal Amount Outstanding of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes on such Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments (the "**Liquidity Reserve Fund Trigger Event**"), the Liquidity Reserve Fund Required Amount will be 2.00 per cent. of the aggregate Principal Amount Outstanding of the A Notes and the B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments; and
- (c) after the Liquidity Reserve Fund Trigger Event, on any subsequent Interest Payment Date, the Liquidity Reserve Fund Required Amount will be 2.00 per cent. of the aggregate Principal Amount Outstanding of the A Notes and the B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments.

The Liquidity Reserve Fund Ledger will, from time to time, be credited in accordance with the Pre-Enforcement Principal Priority of Payments.

If, on any Determination Date it is determined that a surplus will be released from the Liquidity Reserve Fund Ledger over and above the Liquidity Reserve Fund Required Amount (the "**Liquidity Reserve Fund Excess Amounts**"), then such Liquidity Reserve Fund Excess Amounts will be transferred to the Transaction Account on the relevant Determination Date to be applied as and form part of Available Principal Funds.

#### **Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall**

If the Cash/Bond Administrator determines on the immediately preceding Determination Date that there will be a Shortfall or Revenue Shortfall (as applicable), the Cash/Bond Administrator may (as set out in the Cash/Bond Administration Agreement), on any Interest Payment Date, apply any amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund towards a Shortfall or a Revenue Shortfall (as applicable) as follows:

- (a) where there is a Shortfall, the Issuer shall first pay or provide for that Shortfall by the application of the General Reserve Fund; and
- (b) thereafter if there remains a Revenue Shortfall, the Issuer shall pay or provide for that Revenue Shortfall by the application of the Liquidity Reserve Fund.

On each Determination Date, if following application of items (a), (b), (c), (d), (e), (f), (g), (i) and (j) of the Available Revenue Funds, there remains a shortfall in any of items ((i), (ii), (iii), (iv), (v), (vi), (viii), (x) and (xii)) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall apply item (h) of the Available Revenue Funds as follows:

- (a) for any such shortfall in any of items (i), (ii), (iii), (iv), (v) and (vi) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall make up such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled "*Credit Structure – Principal Deficiency Ledger*";
- (b) for any such shortfall in any of items (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, subject to the relevant PDL Condition, the Cash/Bond Administrator shall make up such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled "*Credit Structure – Principal Deficiency Ledger*"; and

- (c) where "**PDL Condition**" means for each Interest Payment Date (i) unless the B Notes are the Most Senior Class, in respect of interest on the B Notes, the debit balance of the B Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 10 per cent. of the Principal Amount Outstanding of the B Notes; (ii) unless the C Notes are the Most Senior Class, in respect of interest on the C Notes, the debit balance of the C Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 0.00 per cent. of the Principal Amount Outstanding of the C Notes; (iii) unless the D Notes are the most Senior Class, in respect of interest on the D Notes, the debit balance of the D Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 0.00 per cent. of the Principal Amount Outstanding of the D Notes; and,

for the avoidance of doubt, item (h) of the Available Revenue Funds may be available only upon application of the Pre-Enforcement Principal Priority of Payments.

### **The Subordinated Loan**

The Subordinated Loan will be made available to the Issuer on the Issue Date pursuant to the Subordinated Loan Agreement. The Subordinated Loan will be a term loan facility which may be drawn by the Issuer (i) to fund any Issuer Upfront Payment due and payable by the Issuer to a Swap Counterparty on a committed basis or (ii) to fund any Additional Revenue Payment to be advanced by the Subordinated Loan Provider to the Issuer on a solely discretionary basis by the Subordinated Loan Provider. Pursuant to the Subordinated Loan Agreement, the Subordinated Loan Provider will not be authorised to assign, transfer or novate any of its rights and/or obligations under the Subordinated Loan Agreement unless such transfer, assignment or novation is to any of its majority-owned affiliates.

If, (i) on or prior to a Further Purchase Date of any Additional Loans by the Issuer or (ii) on or prior to a Product Switch Effective Date in respect of any Product Switch Loan which will be retained in the Mortgage Pool, it is determined that an Issuer Upfront Payment will be due and payable by the Issuer to the relevant Swap Counterparty on the subsequent Interest Payment Date, the Mortgage Administrator (on behalf of the Issuer) will draw down the Subordinated Loan on or prior to such Further Purchase Date or Product Switch Effective Date (as applicable) in an amount equal to the Issuer Upfront Payment and the Mortgage Administrator will notify the Cash/Bond Administrator of any advances made under the Subordinated Loan. Any such amounts advanced to the Issuer will constitute Available Revenue Funds to be applied in accordance with the Pre-Enforcement Revenue Priority of Payments.

If, on or prior to the Further Purchase Date of any Additional Loans by the Issuer or prior to a Product Switch Effective Date in respect of any Product Switch Loan which will be retained in the Mortgage Pool (as applicable), it is determined that a Swap Counterparty Upfront Payment will be due and payable by the relevant Swap Counterparty to the Issuer on the subsequent Interest Payment Date, the amount of such Swap Counterparty Upfront Payment will be paid by such Swap Counterparty to the Issuer on the Interest Payment Date immediately following such Further Purchase Date or Product Switch Effective Date (as applicable) in accordance with the relevant Swap Agreement and such amounts will be applied to repay the outstanding balance of the Subordinated Loan until it is repaid in full, and any surplus will be paid directly to the Certificateholders (and will not form part of Available Revenue Funds) for the immediately preceding Determination Period to be applied in accordance with the Pre-Enforcement Revenue Priority of Payments.

The Subordinated Loan Provider may on any date advance any Additional Revenue Payments to the Issuer on a solely discretionary basis by the Subordinated Loan Provider to be used as Available Revenue Funds on the next Interest Payment Date.

### ***The Notes***

Each Class of Notes will be constituted by the Trust Deed and will share the same security, although upon enforcement the A Notes will rank in priority to the B Notes, which will rank in priority to the C Notes, which will rank in priority to the D Notes, which will rank in priority to the X Notes, which will rank in priority to the E Notes, which will rank in priority to the Z Notes, which will rank in priority to the Certificates, and:



- (a) prior to (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event:
- (i) the A Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the B Notes, the C Notes, the D Notes, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;
  - (ii) the B Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the C Notes, the D Notes, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;
  - (iii) the C Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the D Notes, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;
  - (iv) the D Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;
  - (v) the X Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the E Notes, the Z Notes and the Certificates as to payment of principal;
  - (vi) the E Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the Z Notes and the Certificates as to payment of principal;
  - (vii) the Z Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the Certificates as to payment of principal; and
  - (viii) subject as provided below, the Certificates will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank after the A Notes, the B Notes, the C Notes, the D Notes, the X Notes, the E Notes and the Z Notes.

No repayments of principal will be made on the Z Notes until the A Notes to the D Notes (inclusive) and the X Notes have been repaid in full.

Prior to (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event, payments in respect of the Z Notes shall be payable only out of Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments to the extent there are Available Revenue Funds; and

- (b) following (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event:
- (i) the A Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the B Notes, the C Notes, the D Notes, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;
  - (ii) the B Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the C

Notes, the D Notes, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;

- (iii) the C Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the D Notes, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;
- (iv) the D Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the X Notes, the E Notes, the Z Notes and the Certificates as to payment of principal;
- (v) the X Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the E Notes, the Z Notes and the Certificates as to payment of principal;
- (vi) the E Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the Z Notes and the Certificates as to payment of principal;
- (vii) the Z Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Notes Condition 2 (*Status, Security and Administration*) and Notes Condition 5 (*Redemption*) below, the Certificates as to payment of principal; and
- (viii) subject as provided below, the Certificates will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank after the A Notes, the B Notes, the C Notes, the D Notes, the X Notes, the E Notes and the Z Notes.

It is noted that the X Notes are to be repaid in full on an accelerated basis out of the Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments prior to the repayment in full of the other Classes of Notes (including the E Notes and the Z Notes).

No repayment of principal will be made at any time on the Z Notes until the A Notes to the D Notes (inclusive) and the X Notes have been repaid in full. Following the service of an Enforcement Notice, no repayment of principal will be made on the Z Notes until the E Notes have been repaid in full.

Further, payments of principal in respect of the Z Notes will be payable only to the extent there are: (i) Available Revenue Funds (which will include, at such time, any amounts then standing to the credit of the General Reserve Fund Ledger) under and in accordance with the Pre-Enforcement Revenue Priority of Payments; or (ii) available funds under the Post-Enforcement Priority of Payments, if applicable.

Interest on the Notes will be payable in arrears as provided in Notes Condition 4 (*Interest*).

The proceeds of the Z Notes will be used to fully fund the General Reserve Fund in an amount equal to the General Reserve Fund Required Amount. The proceeds of the X Notes will be used, among other things, to fund Issuer Costs and Expenses. An amount equal to £1,530,000 shall be credited on the Issue Date to the Start-Up Costs Ledger for the payment by the Issuer of such Issuer Costs and Expenses. Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall be paid directly to the Certificateholders and will not form part of the Available Revenue Funds.

Each Certificate represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool, any Additional Loans and any Substitute Loans.

Payments in respect of the Certificates shall only be payable (a) out of Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments; (b) out of Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments; (c) out of Available Revenue Funds and Available Principal Funds in accordance with the Post-Enforcement Priority of Payments after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event; (d) on each Interest Payment Date from any Mortgage Early Redemption Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (e) on each Interest Payment Date from any Product Switch Upfront Fee Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (f) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger; (g) on the Issue Date, from any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on the Issue Date; (h) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date, and (i) on the second Interest Payment Date, from any surplus amount standing to the credit of the Start-Up Costs Ledger as at the second Determination Date.

### **Principal Deficiency Ledger**

Available Revenue Funds will be credited to the sub-ledgers of the Principal Deficiency Ledger on each Interest Payment Date to reduce the debit balance of the Principal Deficiency Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments.

Any Losses, the amount of any Available Principal Funds used to fund a Revenue Shortfall (in respect of the B Notes, subject to the relevant PDL Condition) or, subject to the relevant PDL Condition, a shortfall in respect of interest on the C Notes and/or the D Notes, any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall, (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) or the amount of Available Principal Funds used to redeem any Class X Notes will be calculated and allocated to the Notes and recorded as a debit to the Principal Deficiency Ledger on each Determination Date as follows:

- (a) *firstly*, to the E Principal Deficiency Ledger (up to an amount (including all other debits to the E Principal Deficiency Ledger) equal to the aggregate Principal Amount Outstanding of the E Notes) (as calculated on the immediately preceding Determination Date);
- (b) *secondly*, to the D Principal Deficiency Ledger (up to an amount (including all other debits to the D Principal Deficiency Ledger) equal to the aggregate Principal Amount Outstanding of the D Notes) (as calculated on the immediately preceding Determination Date);
- (c) *thirdly*, to the C Principal Deficiency Ledger (up to an amount (including all other debits to the C Principal Deficiency Ledger) equal to the aggregate Principal Amount Outstanding of the C Notes) (as calculated on the immediately preceding Determination Date);
- (d) *fourthly*, to the B Principal Deficiency Ledger (up to an amount (including all other debits to the B Principal Deficiency Ledger) equal to the aggregate Principal Amount Outstanding of the B Notes) (as calculated on the immediately preceding Determination Date);
- (e) *fifthly*, to the A Principal Deficiency Ledger (up to an amount (including all other debits to the A Principal Deficiency Ledger) equal to the aggregate Principal Amount Outstanding of the A Notes) (as calculated on the immediately preceding Determination Date).

### **Collection Accounts, Bank Accounts and Authorised Investments**

#### ***Collection Accounts***

##### ***General***

Unless otherwise agreed in writing by the Issuer and the Trustee, all payments by Borrowers in respect of amounts due under the Loans will be made into the Main Collection Accounts, the F Collection Account or the R Collection Account.

### *Main Collection Accounts*

Payments by Borrowers in respect of amounts due under the Loans may be made by direct debits, into an account in the name of KMC (the "**Main Collection Accounts**") at the Collection Accounts Provider pursuant to the Main Collection Accounts Agreement. Payments by Borrowers by standing orders and DWP payments may also be made by Borrowers direct into the Main Collection Accounts. No payments from Borrowers with mortgage loans from the Legal Title-Holder which are not Loans in the Mortgage Pool should be paid into the Main Collection Accounts. The Legal Title-Holder will declare a trust over the Main Collection Accounts (the "**Main Collection Account Declaration of Trust**") in favour of the Issuer.

The Collection Accounts Provider shall be entitled at any time to deduct from the Collection Accounts any amounts to satisfy any of their obligations and/or liabilities properly incurred under the direct debiting scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to the Main Collection Accounts in respect of the Mortgage Pool, or to pay amounts due or owing to the Collection Accounts Provider under the terms of the Main Collection Account Agreement.

Additional main collection accounts may be established in accordance with the Transaction Documents from time to time. An account so established will constitute a Main Collection Account **provided that** (i) the Legal Title-Holder has declared a trust over such account in favour of the Issuer; (ii) the relevant accounting holding bank has the requisite Collection Accounts Rating Agency Required Ratings; and (iii) such account holding bank enters into an agreement on substantially the same terms as the Main Collection Account Agreement.

### *F Collection Account*

If a Borrower makes a payment in respect of amounts due under the Loans by cash or cheque then those amounts may be paid by the Borrower into an account in the name of KMC (the "**F Collection Account**") at the Collection Accounts Provider pursuant to the F Collection Account Agreement. Cash or cheque payments from Borrowers with mortgage loans from the Legal Title-Holder which are not Loans in the Mortgage Pool will also be paid into the F Collection Account. On 17 December 2015 the Legal Title-Holder declared a trust over the F Collection Account (the "**F Collection Account Declaration of Trust**") in favour of the relevant beneficiaries of the amounts deposited in the F Collection Account. On or about the Issue Date the Issuer will enter into the F Collection Account Supplemental Deed of Declaration of Trust and will be the beneficiary in respect of the Loans in the Mortgage Pool. The F Collection Account Declaration of Trust is therefore in respect of a number of beneficiaries, being the relevant beneficial owners of the relevant mortgage loans to which the amounts deposited in the F Collection Account relate.

### *R Collection Account*

If a Borrower makes a payment in respect of amounts due under the Loans by debit card then those amounts may be paid by the Borrower into an account in the name of KMC (the "**R Collection Account**") at the Collection Accounts Provider pursuant to the R Collection Account Agreement. Debit card payments from Borrowers with mortgage loans from the Legal Title-Holder which are not Loans in the Mortgage Pool will also be paid into the R Collection Account. On 17 December 2015 the Legal Title-Holder declared a trust over the R Collection Account (the "**R Collection Account Declaration of Trust**") in favour of the relevant beneficiaries of the amounts deposited in the R Collection Account. On or about the Issue Date the Issuer will enter into the R Collection Account Supplemental Deed of Declaration of Trust and will be the beneficiary in respect of the Loans in the Mortgage Pool. The R Collection Account Declaration of Trust is therefore in respect of a number of beneficiaries, being the relevant beneficial owners of the relevant mortgage loans to which the amounts deposited in the R Collection Account relate.

### *Bank Agreement*

All amounts received from Borrowers will be credited initially to the Main Collection Accounts, the F Collection Account or the R Collection Account.

All amounts credited to the Main Collection Accounts will be transferred to the Transaction Account on the Business Day following the date of receipt.

### ***Transaction Account***

The Issuer will open with the Account Bank the Transaction Account, which will be used as the Issuer's operational account in respect of the Mortgage Pool and from which the Issuer will make payments in accordance with the applicable Priority of Payments.

### ***Reserve Account***

The Issuer will open with the Account Bank the Reserve Account, which will be used as the Issuer's account in respect of the establishment and operation of each of the General Reserve Fund and the Liquidity Reserve Fund thereunder and in relation to which the Cash/Bond Administrator shall make the relevant debits or credits to such accounts (as applicable) pursuant to the terms of the Cash/Bond Administration Agreement.

### ***Authorised Investments***

Funds of the Issuer will be deposited into the Transaction Account and the Reserve Account, and if in the opinion of the Mortgage Administrator, the rate of interest earned is likely to exceed the rate of interest paid on the Transaction Account, the Issuer will be entitled to invest, and the Cash/Bond Administrator (acting on the instruction of the Mortgage Administrator), may invest on behalf of the Issuer in accordance with applicable laws and regulations all, or some, of such funds standing to the credit of the Transaction Account and/or the Reserve Account in Authorised Investments (as set out in the Cash/Bond Administration Agreement).

### **The Swap Agreements**

#### ***Interest Rate Risk for the Notes***

The Fixed Rate Mortgages in the Completion Mortgage Pool pay a fixed rate of interest for a period of time. However, the interest rate payable by the Issuer with respect to the Floating Rate Notes is an amount calculated by reference to Compounded Daily SONIA (or such other rate as may be agreed between the Issuer and the relevant Swap Counterparty in the context of a Benchmark Rate Modification).

To attempt to provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Mortgages in the Completion Mortgage Pool; and
- (b) a rate of interest calculated by reference to SONIA payable on the Floating Rate Notes,

the Issuer will initially enter into the Initial Interest Rate Swap with the Initial Swap Counterparty on or around the Issue Date.

The Initial Interest Rate Swap will be governed by the Initial Swap Agreement.

Upon the purchase by the Issuer of any Additional Loans or the retention of any Product Switch Loans which are Fixed Rate Mortgages, the Issuer may enter into further interest rate swaps (each a "**Further Interest Rate Swap**") in order to comply with the Additional Loan Hedging Condition or the Product Switch Hedging Condition (as applicable). The Issuer may enter into Further Interest Rate Swaps with the Initial Swap Counterparty or with a different Permitted Swap Counterparty **provided that** any Swap Agreement is entered into on substantially the same terms as the Initial Swap Agreement.

#### ***Interest Rate Swap***

Under each Interest Rate Swap, for each Interest Period falling prior to the termination date of such Interest Rate Swap, the following amounts will be calculated:

- (a) the amount produced by applying a rate equal to Compounded Daily SONIA for the relevant Interest Period to the applicable notional amount of such Interest Rate Swap and multiplying the resulting amount by the applicable day count fraction specified in the relevant Swap Agreement (the "**Interest Period Swap Counterparty Amount**"); and

- (b) the amount produced by applying the Swap Fixed Rate to applicable notional amount of such Interest Rate Swap and multiplying the resulting amount by the applicable day count fraction specified in the relevant Swap Agreement (the "**Interest Period Issuer Amount**").

After these two amounts are calculated in relation to an Interest Period, the following payments will be made on the relevant Interest Payment Date:

- (a) if the Interest Period Swap Counterparty Amount for that Interest Payment Date is greater than the Interest Period Issuer Amount for that Interest Payment Date, then the relevant Swap Counterparty will pay the difference to the Issuer;
- (b) if the Interest Period Issuer Amount is greater than the Interest Period Swap Counterparty Amount for that Interest Payment Date, then the Issuer will pay the difference to the relevant Swap Counterparty; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by a Swap Counterparty, that payment will be included in the Available Revenue Funds and will be applied on or about the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

***The Initial Interest Rate Swap***

The Effective Date (as defined in the Initial Interest Rate Swap) of the Interest Rate Swap is the Issue Date.

The Termination Date of the Interest Rate Swap is the Relevant Period End Date falling on the earliest of:

- (a) the Final Maturity Date in respect of the Notes;
- (b) the date on which the Notes have been redeemed in full in accordance with Notes Condition 5(b) (*Mandatory Redemption of the Notes*) or with the prior written consent of the relevant Swap Counterparty; and
- (c) the date on which the notional amount as set out in the relevant Swap Notional Amount Schedule is reduced to zero.

For the purposes of calculating the Interest Period Swap Counterparty Amount and the Interest Period Issuer Amount for each Interest Period for the Initial Interest Rate Swap, the notional amount of the Initial Interest Rate Swap will reflect a fixed amortisation schedule as set out in the table below (the "**Swap Notional Amount Schedule**").

<b>Fixed Rate Payer Calculation Period/Floating Rate Payer Calculation Period</b>		<b>Notional Amount (£)</b>
<b>Start</b>	<b>End</b>	
24-Feb-21	16-Jun-21	407,891,491
16-Jun-21	16-Sep-21	402,764,779
16-Sep-21	16-Dec-21	388,485,148
16-Dec-21	16-Mar-22	356,931,170
16-Mar-22	16-Jun-22	332,768,721
16-Jun-22	16-Sep-22	299,606,399
16-Sep-22	16-Dec-22	243,147,823
16-Dec-22	16-Mar-23	144,500,764
16-Mar-23	16-Jun-23	80,676,904
16-Jun-23	16-Sep-23	75,039,255
16-Sep-23	16-Dec-23	73,954,798
16-Dec-23	16-Mar-24	72,894,666
16-Mar-24	16-Jun-24	71,929,217
16-Jun-24	16-Sep-24	70,043,452
16-Sep-24	16-Dec-24	68,348,654
16-Dec-24	16-Mar-25	67,425,534
16-Mar-25	16-Jun-25	62,130,431
16-Jun-25	16-Sep-25	49,709,042
16-Sep-25	16-Dec-25	30,165,220
16-Dec-25	16-Mar-26	6,986,184

### ***Further Interest Rate Swap***

On or prior to (i) each Further Purchase Date of any Additional Loans during the Further Sale Period; or (ii) each Product Switch Effective Date in respect of any Product Switch Loan, the Issuer may enter into a Further Interest Rate Swap in order to comply with the Additional Loan Hedging Condition or the Product Switch Hedging Condition (as applicable).

In respect of any Further Interest Rate Swap, the applicable Swap Fixed Rate will be used to calculate the Interest Period Issuer Amount and the notional amount in respect of any Further Interest Rate Swap with either the Initial Swap Counterparty or any other Permitted Swap Counterparty will be calculated at such time that such relevant Further Interest Rate Swap is entered into and in accordance with the relevant Swap Agreement. Notwithstanding that the fixed rate may not be higher than the Swap Fixed Rate, the prevailing market value of a Further Interest Rate Swap may vary from the relevant Swap Counterparty's perspective and this difference may result in the payment of (i) a Swap Counterparty Upfront Payment or (ii) an Issuer Upfront Payment, with such amounts being calculated on the basis of the prevailing market value of the Further Interest Rate Swap from the relevant Swap Counterparty's perspective taking into consideration the Swap Notional Amount Schedule of such Further Interest Rate Swap.

### ***Restrictions on entering into Interest Rate Swaps***

Except for the purpose of hedging interest rate risk, the Issuer will not enter into any derivative contracts for the purposes of Article 21(2) of the UK Securitisation Regulation.

### ***Upfront Payments in respect of the Interest Rate Swaps for Additional Loans and Product Switch Loans***

If as a result of (a) the purchase of any Further Additional Loan on a Further Purchase Date or (b) the retention in the Mortgage Pool of any Product Switch Loan on the Product Switch Effective Date (as applicable), an Issuer Upfront Payment will be payable on the immediately following Interest Payment Date to the then relevant Swap Counterparty who at such Further Purchase Date or Product Switch Effective Date (as applicable) entered into a Further Interest Rate Swap with the Issuer, such amount will be funded by way of the Mortgage Administrator (on behalf of the Issuer) requesting a drawdown under the Subordinated Loan on such Further Purchase Date or Product Switch Effective Date (as applicable) and the Issuer will credit such amount to the Transaction Account on such Further Purchase Date or Product Switch Effective Date (as applicable) so as to meet such future payment obligations.

If a Swap Counterparty Upfront Payment is payable by the relevant Swap Counterparty, such payment will be paid on the relevant Interest Payment Date and credited to the Transaction Account.

### ***Overview of a Swap Agreement***

Under the terms of a Swap Agreement, in the event that the relevant rating(s) of a Swap Counterparty (or its guarantor, if applicable) assigned by a Rating Agency is or are below the Swap Counterparty Required Ratings, such Swap Counterparty will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures within the timeframe stipulated in the relevant Swap Agreement and at its own cost which may include providing Swap Collateral for its obligations under the relevant Swap Agreement, and/or arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the Swap Counterparty Required Ratings, procuring another entity with the Swap Counterparty Required Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Swap Agreement or taking such other action (or inaction) that would result in the rating of the Rated Notes being maintained at, or restored to, the level it would have been at prior to such lower rating being assigned by the relevant Rating Agency.

To the extent required to be provided as set out above, Swap Collateral will be provided under a Credit Support Annex to the Schedule to the relevant Swap Agreement and may take the form of cash in various currencies or eligible securities. The relevant Swap Counterparty will be responsible for determining (in accordance with stipulated parameters) the amount of Swap Collateral which is required to be transferred. Any Swap Collateral provided will be transferred by the relevant Swap Counterparty to the Swap Collateral Account Bank. The relevant Swap Counterparty may from time to time be required to transfer additional Swap Collateral, or may be entitled to require a transfer of equivalent Swap Collateral to it (**provided that** the Issuer will not be a net transferor of Swap Collateral). The Cash/Bond Administrator will, in accordance with the instructions of the Mortgage Administrator, (a) credit to the Swap Collateral Ledger any Swap

Collateral deposited by any Swap Counterparty, together with any income, interest and/or distributions thereof in accordance with the terms of the Swap Agreement and (b) debit to the Swap Collateral Ledger any Swap Collateral returned to the Swap Counterparty or otherwise withdrawn in accordance with the terms of the relevant Swap Agreement. In certain circumstances of termination of a Swap Agreement, the value of Swap Collateral then held by the Swap Collateral Account Bank will be taken into account in determining the respective obligations of the parties to such Swap Agreement as described below. Swap Collateral will not form part of Available Revenue Funds.

A Swap Agreement may be terminated in certain circumstances, including, but not limited to, the following, each as more specifically defined in the relevant Swap Agreement (an "**Additional Termination Event**"):

- (a) if there is a failure by a party to pay amounts due under the relevant Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of the relevant Swap Agreement by the relevant Swap Counterparty is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal;
- (e) if the relevant Swap Counterparty is downgraded and fails to comply with the requirements of the downgrade provisions contained in the relevant Swap Agreement (as described above);
- (f) service by the Trustee of an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) of the Notes;
- (g) if any Transaction Document, the Notes Conditions or the Certificates Conditions is modified or supplemented without the prior consent of the relevant Swap Counterparty and, in the reasonable opinion of the relevant Swap Counterparty, such modification would materially adversely affect any of the following:
  - (i) the amount, timing or priority of any payments or deliveries due to be made by or to such Swap Counterparty under the Notes Conditions, the Certificates Conditions or any Transaction Document;
  - (ii) the Issuer's ability to make such payments or deliveries to such Swap Counterparty;
  - (iii) such Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
  - (iv) any amendment to Condition 5 (*Redemption*) of the Notes Conditions or any additional redemption rights in respect of the Notes; or
  - (v) Clause 20.1.2 (*Modification*) of the Trust Deed;
- (h) if, on substitution of the Issuer for taxation reasons pursuant to Condition 5(f) (*Optional Redemption for Taxation or Other Reasons*), the relevant Swap Counterparty determines, acting in a commercially reasonable manner, that such substitution would, or there is a reasonable likelihood that it would, adversely affect such Swap Counterparty or any of its rights under any Transaction Document;
- (i) if an irrevocable notice is given by or on behalf of the Issuer that redemption of all the Notes will occur pursuant to Notes Condition 5(d) (*Optional Redemption in Full*) or Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*) or Notes Condition 5(f) (*Optional Redemption for Taxation or Other Reasons*) or any other reason (other than in accordance with Notes Condition 5(a) (*Final Redemption of the Notes*) or Notes Condition 5(b) (*Mandatory Redemption of the Notes*) or with the prior written consent of the relevant Swap Counterparty);



- (j) if an irrevocable notice is given by or on behalf of the Issuer that the Issuer proposes to sell all of the Loans and their Mortgages and Mortgage Rights to the Mortgage Pool Option Holder as a result of the Mortgage Pool Option Holder exercising the Mortgage Pool Option pursuant to the Deed Poll; and
- (k) if the Issuer has proposed a Benchmark Rate Modification and Swap Rate Modification in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) and the requisite numbers of Noteholders have not objected to such Benchmark Rate Modification in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) within the relevant notification period but at such time the Swap Counterparty has not provided its written consent to the proposed Swap Rate Modification within the time period specified by the Issuer (or the Mortgage Administrator on its behalf).

Upon an early termination of an Interest Rate Swap, depending on the type of Additional Termination Event (as defined in the relevant Swap Agreement) and circumstances prevailing at the time of termination, the Issuer or the relevant Swap Counterparty 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 swap 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, taking account of any Swap Collateral transferred by the relevant Swap Counterparty to the Issuer.

Depending on the terms of the relevant Interest Rate Swap 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 and Certificateholders.

A Swap Counterparty may, subject to certain conditions specified in the relevant Swap Agreement including (without limitation) the satisfaction of certain requirements of the Rating Agencies, transfer its obligations under such Swap Agreement to another entity with the Swap Counterparty Required Ratings.

The Issuer is not obliged, under a 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 the relevant Interest Rate Swap.

A Swap Counterparty 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 relevant Interest Rate Swap (other than in respect of any FATCA withholdings). However, if the relevant Swap Counterparty is required to gross up a payment under the relevant Interest Rate Swap due to a change in the law, such Swap Counterparty may terminate the relevant Interest Rate Swap.

Each Swap Agreement, and any non-contractual obligations arising out of or in connection with it, will be governed by English law.

## **ADMINISTRATION, SERVICING AND CASH MANAGEMENT OF THE MORTGAGE POOL**

### **Mortgage Administration Agreement**

The Mortgage Administrator is required to administer the Mortgage Pool on behalf of the Issuer under the Mortgage Administration Agreement (see "*The Originator, the Mortgage Administrator and the Legal Title-Holder – Kensington Mortgage Company Limited*"). The duties of the Mortgage Administrator include, *inter alia*:

- (a) maintaining the Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage, and sending each Borrower an account statement as required by applicable law;
- (b) collecting the scheduled monthly payments due on the Loans. Payments due on the majority of the Loans are settled by direct debit. The Mortgage Administrator is, therefore, required to present to the relevant bank the direct debit instruction approximately five days before the relevant payment date;
- (c) notifying Borrowers of changes in their scheduled monthly payments;
- (d) notifying the Legal Title-Holder in the event that the Mortgage Administrator becomes aware that a Borrower's building policy has lapsed;
- (e) taking action required in connection with the enforcement of a Loan;
- (f) with respect to the warranties given by KHL and the Legal Title-Holder as set out in Part 1 of Schedule 1 to the KHL/Issuer Mortgage Sale Agreement, the Mortgage Administrator shall comply with its obligations pursuant to clause 7.3.2 of the KHL/Issuer Mortgage Sale Agreement;
- (g) following the occurrence of a Perfection Event, implementing, at the Issuer's expense, instructions issued by the Trustee in order to perfect or vest legal title in and to the Loans in the Issuer;
- (h) arranging all lender insurance that an experienced lender, servicer or administrator of residential mortgage loans made to borrowers in England and Wales and Scotland would consider prudent in the circumstances to obtain;
- (i) dealing with the administrative aspects of redemption of a Loan. This includes arranging for the release of any deeds relating to the relevant Property in its possession or under its control together with the deed of release (or, as applicable, a discharge) of the Mortgage to the relevant Borrower upon receipt of amounts required to repay the Loan; and
- (j) dealing with enquiries and requests from Borrowers. These may include (but are not limited to) providing a credit reference from the lender, consenting to a transfer from joint Borrowers to a single Borrower (for example, upon a divorce), approving a tenancy agreement where a Borrower wishes temporarily to let the Property and providing details of the current outstanding balance.

The Mortgage Administrator is permitted to sub-contract or delegate its obligations under the Mortgage Administration Agreement subject to satisfying various conditions including, in certain circumstances, obtaining (i) prior written notification is given to the Issuer, the Trustee and the Rating Agencies and (ii) a Rating Agency Confirmation.

The Mortgage Administrator will be obliged under the Mortgage Administration Agreement to act upon the instructions of the Legal Title-Holder in relation to certain aspects of the administration of the Loans and the Mortgages. The Legal Title-Holder shall exercise such discretion as is vested in it for the purpose of administering the Mortgage Pool as would be exercised by a Prudent Mortgage Lender.

For further information regarding the fees the Mortgage Administrator is entitled, see section (*Fees*) on page 100.

The appointment of KMC as Mortgage Administrator may be terminated by the Issuer (with the consent of the Trustee) or, following delivery of an Enforcement Notice, the Trustee by written notice to the Mortgage Administrator on the occurrence of certain events of default, including non-performance of its obligations

under the Mortgage Administration Agreement or if insolvency or similar events occur in relation to the Mortgage Administrator (each a "**Mortgage Administrator Termination Event**") or if an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Mortgage Administrator is materially prejudicial to the interests of the parties to the Mortgage Administration Agreement. The Mortgage Administrator may agree to continue to provide the duties under the Mortgage Administration Agreement for up to an additional three months after service of notice of termination.

If a Mortgage Administrator Termination Event, occurs the Issuer (with the consent of the Trustee) or, following delivery of an Enforcement Notice, the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administrator Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administrator Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of its selection (the "**Proposed Replacement Mortgage Administrator**") to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Mortgage Administrator, the Issuer shall appoint the Proposed Replacement Mortgage Administrator as Mortgage Administrator on substantially the same terms as set out in the Mortgage Administration Agreement, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.

The appointment of the Mortgage Administrator may also be terminated upon the expiry of not less than six months' notice of termination given in writing by the Mortgage Administrator to the parties to the Mortgage Administration Agreement, **provided that** *inter alia* the Trustee and the Issuer consent in writing to such termination, a substitute administrator shall be appointed no later than the date of termination of the Mortgage Administrator and on substantially the same terms as the relevant terms of the Mortgage Administration Agreement, and the Trustee and the Issuer provide written approval of the substitute administrator.

Under the Mortgage Administration Agreement, to the extent that the Legal Title-Holder is required to pay any amount to a Borrower under the terms of the Transaction Documents or by operation of law or at the request of any regulatory authority as a result of holding the legal title to the relevant Loan, such requirement to pay shall be the obligation of the Issuer and not the Legal Title-Holder, and the Issuer shall ensure that such obligation is satisfied, and such payment may be made by the Issuer on any Business Day, whether or not an Interest Payment Date.

### ***Compliance with the UK Securitisation Regulation and EU Securitisation Regulations***

#### ***Transparency requirements – Investor Reporting – UK Securitisation Regulation***

The Issuer and KHL, as the originator within the meaning of the UK Securitisation Regulation, have agreed that the Issuer is the designated entity for the purposes of the Article 7(2) of the UK Securitisation Regulation. The Issuer has delegated certain of its obligations under the Article 7 of the UK Securitisation Regulation to the Mortgage Administrator under the Mortgage Administration Agreement and appointed the Cash/Bond Administrator to assist with certain of its obligations under the Cash/Bond Administration Agreement. The Mortgage Administrator on behalf of the Issuer will publish the UK SR Investor Report and UK SR Data Tape as required by and in accordance with Article 7(1)(e) and Article 7(1)(a) of the UK Securitisation Regulation respectively.

Such UK SR Investor Reports and UK SR Data Tapes in each case will be published in the form prescribed by the technical standard published under the UK Securitisation Regulation. The relevant regulatory and implementing technical standards, including the standardised templates adopted by the FCA which set out the form in which the relevant reporting entity is required to comply with certain of the periodic reporting requirements (the "**UK Disclosure Templates**") and the Issuer will comply such regulatory and implementing technical standards and will make use of the UK Disclosure Templates. The Issuer, the Cash/Bond Administrator and the Mortgage Administrator (if required) may agree in writing the form, content, method of distribution and frequency of the reporting contemplated under the Mortgage Administration Agreement and the Cash/Bond Administration Agreement. The Cash/Bond Administrator must use commercially reasonable endeavours to update the format of the Performance Reports to include any field reasonably requested by the Mortgage Administrator.

Such UK SR Investor Reports and UK SR Data Tapes referred to above will be published or made otherwise available by the Mortgage Administrator as required under Article 7(2) of the UK Securitisation Regulation via the website (the "**UK SR Website**") at <https://editor.eurodw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time), being a website that conforms to the requirement set out in Article 7(2) of the UK Securitisation Regulation.

The information referred to above will through the UK SR Website be available to the Noteholders and Certificateholders, relevant competent authorities and, upon request, to potential investors in the Notes or the Certificates. Any information required to be made available prior to pricing to potential investors in the Notes pursuant to Article 7 of the UK Securitisation Regulation will be made available through the UK SR Website.

*Transparency requirements – Investor Reporting – EU Securitisation Regulation*

KHL have, pursuant to the Risk Retention Letter, contractually agreed to comply with the terms of the EU Securitisation Regulation in force as at the Issue Date, including the transparency requirements set out in Article 7 of the EU Securitisation Regulation. For the purposes of satisfying Article 7(2) of the EU Securitisation Regulation, KHL (as the originator within the meaning of the EU Securitisation Regulation) and the Issuer have agreed that the Issuer will act as the designated entity. The Issuer has delegated certain of its obligations relating to Article 7 of the EU Securitisation Regulation to the Mortgage Administrator under the Mortgage Administration Agreement and appointed the Cash/Bond Administrator to assist with certain of its obligations under the Cash/Bond Administration Agreement. The Mortgage Administrator on behalf of the Issuer will publish the EU SR Investor Report and EU SR Data Tape as required by and in accordance with Article 7(1)(e) and Article 7(1)(a) of the EU Securitisation Regulation respectively.

Such EU SR Investor Reports and EU SR Data Tapes in each case will be published in the form prescribed by the technical standard published under the EU Securitisation Regulations. The relevant regulatory and implementing technical standards, including the standardised templates developed by ESMA which set out the form in which the relevant reporting entity is required to comply with certain of the periodic reporting requirements (the "**ESMA Disclosure Templates**") in connection with the EU Securitisation Regulation came in force in September 2020. The Issuer will make use of the ESMA Disclosure Templates.

The Issuer, the Cash/Bond Administrator and the Mortgage Administrator (if required) may agree in writing the form, content, method of distribution and frequency of the reporting contemplated under the Mortgage Administration Agreement and the Cash/Bond Administration Agreement. The Cash/Bond Administrator must use commercially reasonable endeavours to update the format of the Performance Reports to include any field reasonably requested by the Mortgage Administrator.

Such EU SR Investor Reports and EU SR Data Tapes referred to above will be published or made otherwise available by the Mortgage Administrator as required under Article 7(2) of the EU Securitisation Regulation via:

- (a) once there is a securitisation repository registered under Article 10 of the EU Securitisation Regulation and appointed by the Issuer for the Transaction (the "**EU SR Repository**"), the EU SR Repository; or
- (b) while no EU SR Repository has been registered, the website (the "**EU SR Website**") at <https://editor.eurodw.eu/esma/viewdeal?edcode=RMBSUK000445500220212> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time), being a website that conforms to the requirement set out in Article 7(2) of the EU Securitisation Regulation as at the Issue Date.

The information referred to above will through the EU SR Website or the EU SR Repository, as applicable, be available to the Noteholders and Certificateholders, relevant competent authorities and, upon request, to potential investors in the Notes or the Certificates.

### *Cash Flow model*

KHL will procure that the Mortgage Administrator will make available to the holders of the Notes a Cash Flow Model, either directly or indirectly through one or more entities which provide such Cash Flow Models to investors generally. KHL shall procure that such Cash Flow Model precisely represents the contractual relationship between the Loans and the payments flowing between the Seller, investors in the Notes, other third parties and the Issuer. The Cash Flow Model shall be made available (via the website of European DataWarehouse (UK portal) at <https://editor.eurodw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214>, of European DataWarehouse (EU portal) at <https://editor.eurodw.eu/esma/viewdeal?edcode=RMBSUK000445500220212>) and on the website of EuroABS at <https://www.euroabs.com/IH.aspx?d=14876> (i) prior to pricing of the Notes to potential investors and (ii) to investors in the Notes on an ongoing basis and to potential investors on request. For the avoidance of doubt, the contents of these websites do not form part of this Prospectus and are not incorporated by reference into this Prospectus.

### **Legal Title-Holder**

The Legal Title-Holder is required to perform certain duties (the "**Legal Title-Holder Duties**") pursuant to the Mortgage Administration Agreement including, *inter alia*:

- (a) varying any service specification relating to the settlement and administration of the Loans, the Mortgages and the other relevant Assigned Rights by the Mortgage Administrator, on behalf of the Issuer and in doing so the Legal Title-Holder must act in a manner consistent with that of a Prudent Mortgage Lender;
- (b) varying the basis on which consents or approvals are given to Borrowers from time to time in accordance with the relevant Mortgage Conditions;
- (c) varying the Enforcement Procedures applicable to Loans that are in arrears from time to time in accordance with the practice of a Prudent Mortgage Lender and instructing the Mortgage Administrator to undertake certain discretionary elements of the Enforcement Procedures as the Legal Title-Holder deems is appropriate;
- (d) directing the Mortgage Administrator to release one or more of joint Borrowers from any liability under a Loan and all Collateral Security **provided that** the Legal Title-Holder acts in accordance with the practice of a Prudent Mortgage Lender and the Legal Title-Holder may direct the Mortgage Administrator on the date of such release of any such joint Borrowers to permit a substitute Borrower or Borrowers to take the place and assume the obligations of the released Borrower or Borrowers (again provided such actions are in accordance with the practice of a Prudent Mortgage Lender); and
- (e) determining whether any changes of interest rates applicable to Loans should be made in accordance with the Mortgage Administration Agreement.

Under the Mortgage Administration Agreement, the Issuer will grant the Legal Title-Holder full right, liberty and authority from time to time to determine and set the rate or rates of interest applicable to the Loans in accordance with the terms of such Loans.

The Legal Title-Holder may replace the reference rate applied to calculate the rate of interest on the LIBOR Mortgages with either:

- (a) the Kensington Standard Rate;
- (b) BBR; or
- (c) an alternative reference rate selected by the Legal Title-Holder (acting reasonably) **provided that** (i) a Rating Agency Confirmation in respect the proposed change has been obtained (subject, for the avoidance of doubt, to the provisos set out in the definition thereof); and (ii) the Legal Title-Holder has notified the Issuer, the Trustee, the Cash/Bond Administrator and the Mortgage Administrator of the proposed change at least 30 days prior to implementation.

Notwithstanding the ability to replace the reference rate applied to calculated interest on the LIBOR Mortgages, nothing will require the Legal Title-Holder to act contrary to the good industry practice of a Prudent Mortgage Lender, applicable law or the terms of the Mortgage Conditions applicable to the Loans.

The Legal Title-Holder is entitled to costs and expenses incurred by the Legal Title-Holder in accordance with the Mortgage Administration Agreement.

If a Legal Title-Holder Termination Event occurs the Issuer (with the consent of the Trustee) or, following delivery of an Enforcement Notice, the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Legal Title-Holder Facilitator of such occurrence and request it to identify and select a replacement legal title-holder. Upon being so notified, the Legal Title-Holder Facilitator shall use reasonable endeavours to identify and select a replacement legal title-holder within 30 calendar days of the occurrence of the applicable Legal Title-Holder Termination Event and provide details of the Proposed Replacement Legal Title-Holder to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Legal Title-Holder, the Issuer shall appoint the Proposed Replacement Legal Title-Holder as Legal Title-Holder on substantially the same terms as set out herein, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee and to the conditions that (i) a Rating Agency Confirmation is obtained and (ii) the Proposed Replacement Legal Title-Holder grants an irrevocable power of attorney in favour of the Issuer.

The Legal Title-Holder may transfer legal title in the Loans to a duly authorised third party or substitute entity at its discretion subject to (i) a Rating Agency Confirmation being provided to the Issuer and (ii) the proposed legal title-holder granting an irrevocable power of attorney in favour of the Issuer. If the proposed transfer of legal title in the Loans is to the Seller, the consent of the Issuer and the Trustee will also be required. In the event of such a transfer the Legal Title-Holder shall procure that any Proposed Replacement Legal Title-Holder agrees to perform the obligations of the Legal Title-Holder set out in the Mortgage Administration Agreement. Within 10 Business Days of the appointment of a Proposed Replacement Legal Title-Holder under the Mortgage Administration Agreement the Proposed Replacement Legal Title-Holder shall notify the Borrowers in writing of its appointment.

### ***Product Switches***

The Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. Should a Product Switch be accepted by the Borrower, the Legal Title-Holder shall have the option to repurchase the Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date. The Legal Title-Holder shall determine the terms of the Product Switch and the manner in which the Product Switch is offered and agreed and the Legal Title-Holder shall communicate the Product Switch Offer to the relevant Borrower. Upon a Borrower accepting a Product Switch Offer from the Legal Title-Holder the relevant Loan shall become a Product Switch Loan and the Product Switch with respect to that Loan will occur on the Product Switch Effective Date.

The Legal Title-Holder shall have the option of voluntarily repurchasing any Product Switch Loan from the Issuer at any time on or prior to the Product Switch Effective Date in accordance with the KHL/Issuer Mortgage Sale Agreement.

The Issuer may retain a Product Switch Loan in the Mortgage Pool following the Product Switch Effective Date provide that the following conditions are satisfied on the Product Switch Effective Date:

- (a) the Principal Balance of that Product Switch Loan will not increase as a result of the Product Switch other than in respect of any Borrower fees which may be added to the Principal Balance on the Product Effective Date;
- (b) the Product Switch Loan is not one or more contractual monthly payment(s) in arrear on the Product Switch Effective Date;
- (c) following the inclusion of the Product Switch Loan in the Mortgage Pool on the Product Switch Effective Date, the weighted average spread of the Loans in the Mortgage Pool will not be lower than 3.00 per cent. on such Product Switch Effective Date, **provided that** for the purpose of calculating the weighted average spread of all Loans in the Mortgage Pool:
  - (i) the spread of any Fixed Rate Mortgages is calculated by reference to the fixed rate on such Product Switch Loan after the deduction of the weighted average fixed rate payable to

each Swap Counterparty under any outstanding Interest Rate Swaps pursuant to the Swap Agreements; and

- (ii) the spread of any Floating Rate Mortgage in the Additional Loan Pool is calculated by reference to the floating rate on such Loan after deduction of either (i) three-month LIBOR set quarterly; (ii) the Kensington Standard Rate set quarterly; (iii) BBR set quarterly; or (iv) an alternative reference rate set monthly or quarterly and in respect of which a Rating Agency Confirmation has been obtained, each in accordance with the terms and conditions of those Loans;
- (d) following the inclusion of the Product Switch Loan in the Mortgage Pool on the Product Switch Effective Date, the weighted average reversionary margin of the Loans in the Mortgage Pool will not be less than the aggregate of 3.75 per cent.;
- (e) the end of the remaining term of the Product Switch Loan following the Product Switch will not fall after the date falling two years prior to the Final Maturity Date;
- (f) the inclusion of the Product Switch Loan in the Mortgage Pool will not cause the Forecast Adjusted Fixed Rate Mortgage Principal Amount for any subsequent Interest Payment Date (calculated as at the Product Switch Effective Date) to exceed the aggregate notional amount of all Interest Rate Swaps outstanding under the Swap Agreements for that or any subsequent Interest Payment Date, taking into account any Further Interest Rate Swap which may be entered into by the Issuer on or prior to the Product Switch Effective Date which in each case will have an Effective Date falling on or prior to the Product Switch Effective Date and an Interest Period Issuer Amount calculated on the basis of a fixed rate of no greater than 0.25 per cent. (the "**Product Switch Hedging Condition**");
- (g) the Subordinated Loan Provider has advanced any amount under the Subordinated Loan to the Issuer by the applicable Product Switch Effective Date to enable the Issuer to fund any required Issuer Upfront Payment in full under an Interest Rate Swap entered into in order to ensure that the Product Switch Hedging Condition is satisfied on the Product Switch Effective Date and to be paid on the Interest Payment Date immediately following the Product Switch Effective Date pursuant to the terms of a Swap Agreement and the Mortgage Administration Agreement;
- (h) the Product Switch Effective Date does not occur after the Step-up Date;
- (i) as a result of the Product Switch, the fixed rate period of the Product Switch Loan is less than or equal to 5 years from the Product Switch Effective Date;
- (j) the inclusion of the Product Switch Loan in the Mortgage Pool following the Product Switch will not cause the sum of the Principal Balance of all Product Switch Loans within the Mortgage Pool as at their respective Product Switch Effective Dates to exceed an amount equal to 20 per cent. of the Principal Amount Outstanding of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes on the Issue Date;
- (k) the inclusion of the Product Switch Loan in the Mortgage Pool following the Product Switch will not cause the sum of the Principal Balance of all Loans within the Mortgage Pool which have a fixed rate period of greater than 3 years to exceed an amount equal to 2.50 per cent. of the Principal Amount Outstanding of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes on the Issue Date; and
- (l) a Liquidity Reserve Fund Trigger Event has not occurred on or prior to the Product Switch Effective Date,

(together the "**Product Switch Criteria**").

The criteria set out in paragraphs (a) to (b) above may be amended by agreement amongst the Issuer and the Legal Title-Holder **provided that** (i) a Rating Agency Confirmation has been obtained and (ii) the amendment has been approved by an Ordinary Resolution of the Most Senior Class.

The Legal Title-Holder will be required to repurchase any Product Switch Loan from the Issuer at any time on or prior to the Product Switch Effective Date in accordance with the KHL/Issuer Mortgage Sale

Agreement if, with respect to that Product Switch Loan on the Product Switch Effective Date, the Issuer has failed complied with the Product Switch Criteria.

#### ***Product Switch Upfront Fee Amounts and Product Switch Capitalised Fee Amounts***

Under the terms of each Product Switch Loan, the Borrower may be required to pay a fee on the Product Switch Effective Date which will be either (i) paid by a Borrower on the Product Switch Effective Date (the "**Product Switch Upfront Fee Amounts**") or (ii) capitalised and added to the amounts secured by the relevant Mortgage in accordance with the conditions of the Loan on the Product Switch Effective Date (the "**Product Switch Capitalised Fee Amounts**").

Any Product Switch Upfront Fee Amounts received in respect of a Loan by the Issuer during a Determination Period will not be included in Available Revenue Funds but will instead be credited to the Transaction Account and paid directly to the Certificateholders on the following Interest Payment Date outside of the applicable Priority of Payments.

An amount equal to any Product Switch Capitalised Fee Amounts added to a Loan during a Determination Period will not be included in Available Principal Funds but will instead be credited to a separate ledger within the Transaction Account (the "**Product Switch Capitalised Fee Amounts Ledger**") and paid directly to the Certificateholders on the following Interest Payment Date outside of the applicable Priority of Payments.

#### **Cash/Bond Administration Agreement**

Pursuant to the terms of Cash/Bond Administration Agreement, the Cash/Bond Administrator will agree to provide certain cash management and other services to the Issuer.

The duties of the Cash/Bond Administrator include, *inter alia*:

- (a) operating the Bank Accounts;
- (b) making the required ledger entries and calculations in respect of such ledger entries;
- (c) maintaining and/or replenishing the General Reserve Fund and the Liquidity Reserve Fund behalf of the Issuer in accordance with the relevant Pre-Enforcement Priority of Payments;
- (d) calculating, on each Determination Date, the Available Revenue Funds and the Available Principal Funds to be applied on the relevant Interest Payment Date;
- (e) delivering a notice to the Paying Agent setting out the Note Principal Payment in respect of any Class of Notes to be paid on the relevant Interest Payment Date;
- (f) prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, distributing the Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments, the Available Principal Funds in accordance with the relevant Pre-Enforcement Principal Priority of Payments;
- (g) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, distributing available funds in accordance with the Post-Enforcement Priority of Payments and making arrangements for the payment by the Issuer of interest and principal in respect of the Notes subject to the terms thereof and to the availability of funds; and
- (h) calculating the amounts (if any) required for the Calculation Agent (as defined under each relevant Swap Agreement) to determine the amounts due under any Swap Agreement.

The appointment of the Cash/Bond Administrator may be terminated by the Issuer (with the consent of the Trustee) upon the happening of a Cash/Bond Administrator Termination Event or if, following the giving of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprised in the Security.



If a Cash/Bond Administrator Termination Event occurs the Issuer (prior to the delivery of an Enforcement Notice and with the consent of the Trustee) or the Trustee (after the delivery of an Enforcement Notice) may deliver a Cash/Bond Administrator Termination Notice to the Cash/Bond Administrator and the Cash/Bond Administrator Facilitator (with a copy to the Issuer or the Trustee (as the case may be)) to terminate its appointment of the Cash/Bond Administrator under the Cash/Bond Administration Agreement with effect from the date specified in the Cash/Bond Administrator Termination Notice, **provided that** the Cash/Bond Administrator's appointment shall not be terminated until a Replacement Cash/Bond Administrator has been appointed and in relation to limb (e) above only, if the Cash/Bond Administrator remedies such breach within 2 Business Days of the occurrence of such Cash/Bond Administrator Termination Event, such breach shall no longer constitute a Termination Event and **provided further that** any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained. Upon being so notified, the Cash/Bond Administrator Facilitator shall use reasonable endeavours to identify and select a Replacement Cash/Bond Administrator within 30 calendar days of the occurrence of the applicable Cash/Bond Administrator Termination Event and provide details of the Proposed Replacement Cash/Bond Administrator to the Issuer and the Trustee.

The appointment of the Cash/Bond Administrator may also be terminated if:

- (a) the Cash/Bond Administrator has given not less than 3 months' written notice to the Issuer with a copy to the Mortgage Administrator and the Trustee (or such shorter time as may be agreed between the Cash/Bond Administrator, the Issuer and the Trustee) of its intention to terminate its appointment as Cash/Bond Administrator to the Issuer without providing any reason therefor and without being responsible for any liability incurred by reason thereof; or
- (b) the Issuer (with the written consent of the Trustee) or, following the delivery of an Enforcement Notice, the Trustee, with a copy to the Mortgage Administrator and the Issuer or the Trustee (as applicable) has given not less than 3 months' written notice to the Cash/Bond Administrator (or such shorter time as may be agreed between the Cash/Bond Administrator, the Issuer and the Trustee) of its intention to terminate the appointment of the Cash/Bond Administrator without providing any reason therefor and without being responsible for any liability incurred by reason thereof,

and the appointment of the Cash/Bond Administrator shall terminate with effect from the date referred to in such notice **provided that** a Replacement Cash/Bond Administrator has been appointed and the Issuer shall notify the Rating Agencies of the identity of such Replacement Cash/Bond Administrator.

## **Insurance Contracts**

### ***Buildings Insurance***

At the time of completion, the relevant Property must have been insured by the Borrower under an insurance policy to an amount not less than the full reinstatement value determined at or around the time the related Loan was made. Where the Borrower has allowed his or her insurance policy to lapse, whether or not the Legal Title-Holder is aware of that lapse, the Legal Title-Holder and the beneficial owner of the relevant Loan will have the benefit of a Contingency Policy.

## **Enforcement Procedures**

The Legal Title-Holder has established the Enforcement Procedures, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. These same procedures as from time to time varied in accordance with the practice of a Prudent Mortgage Lender as dictated by the Legal Title-Holder will continue to be applied in respect of arrears arising on the Mortgages. In this context, the non-discretionary elements of the Enforcement Procedures will be operated by the Mortgage Administrator whereas the majority of the discretionary elements will remain with the Legal Title-Holder, who may appoint the Mortgage Administrator to undertake certain of these elements.

## **Arrears and Default Procedures**

Set out below is a description of the current arrears and default procedures applied by the Legal Title-Holder and the Mortgage Administrator. The Legal Title-Holder and Mortgage Administrator's servicing procedures set out in clear and consistent terms, remedies and actions relating to delinquency and default of debtors debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies. These procedures may be changed by the Mortgage

Administrator and the Legal Title-Holder in accordance with the Mortgage Administration Agreement and the standards of a Prudent Mortgage Lender and/or as required by applicable law and regulation.

The Mortgage Administrator collects all payments due under or in connection with the Loans in accordance with its administration procedures in force from time to time, but having regard to the circumstances of the relevant Borrower in each case and with repossession seen as a last resort.

The Mortgage Administrator identifies a Loan as being "in arrears" when, on any date which is one or more days past the relevant due date, the overdue amount is equal to or greater than one contractual monthly instalment or £100.

The arrears are monitored daily and reported at each calendar month end. Contact is made with the Borrower from the point a Loan is identified as being in arrears (i.e. the first day past the relevant due date) and the Mortgage Administrator will continue to contact the Borrower asking for payment of the arrears. The Mortgage Administrator classifies a Loan that is in arrears as a "non-performing mortgage loan" if the relevant Borrower has not made any payment within any period of three consecutive calendar months.

In seeking to control and manage arrears, the Mortgage Administrator from time to time enters into arrangements with Borrowers regarding the arrears, including:

- arrangements to make each payment as it falls due plus an additional amount to pay the arrears over a period of time; and/or
- arrangements to pay only a portion of each payment as it falls due.

Such arrangements will be based on individual customer circumstances and for varying time limits.

In some instances, based on the customer's individual circumstances, it may be appropriate to consider a contract variation, such as temporary payment type conversion, arrears capitalisation, term extension or interest deferral. Generally, a contract variation will be agreed in conjunction with a payment strategy.

Where an assessment of a customer's circumstances has determined that none of the repayment strategies or contract variations offered to the Mortgage Administrator are suitable, affordable and/or sustainable for that customer, the Mortgage Administrator will consider a range of mortgage exit options including assisted voluntary sales.

Legal proceedings do not usually commence until the arrears are overdue for a period of more than 90 days. However, in many cases legal proceedings may commence later than this. Once legal proceedings have commenced, the Mortgage Administrator may still enter into an arrangement with a Borrower at any time prior to a court hearing, or it may request an adjournment of a court hearing. If the Mortgage Administrator (on behalf of the Legal Title-Holder) applies to the court for an order for possession following a default of the Borrower, the court has discretion as to whether it will grant the order requiring the Borrower to vacate the mortgaged property, and discretion as to the terms upon which the order is granted. If, after the possession order has been granted, the Borrower does not voluntarily vacate the property, then the Mortgage Administrator may request a warrant for execution by a court officer of the possession order. On average over ten monthly payments may have been missed prior to the Mortgage Administrator obtaining possession, assuming no prior mortgage or the imposition of defences. Where a court order for possession is deferred to allow time for payment and the Borrower subsequently defaults in making the payment, the Mortgage Administrator may take any action it considers appropriate, including entering into an arrangement with the Borrower.

In all cases, the Mortgage Administrator has a duty of care to the Borrower to act reasonably and fairly.

For more information as to procedures which mortgage lenders can take in response to payment difficulties experienced by customers as a result of Covid-19 and specific limitations on commencing repossessions proceedings in such circumstances, please see "*Risk Factors – Risks related to economic environment – The impact of Covid-19*". The Mortgage Administrator has discretion to deviate from these arrears procedures. In particular, the Mortgage Administrator may deviate from these procedures where a Borrower suffers from a mental or physical infirmity, is deceased or where the Borrower is otherwise prevented from making payment due to causes beyond the Borrower's control. This is the case for both sole and joint Borrowers.

After the Legal Title-Holder has obtained possession, the Mortgage Administrator (on its behalf) may take any action it considers appropriate, subject to any fiduciary duties which the Legal Title-Holder may owe to the Borrower, including but not limited to:

- instructing panel solicitors to complete all conveyancing activities in relation to the sale of the property;
- instructing a panel asset manager and appointing an appropriate local estate agent to market and sell the property by private treaty wherever possible;
- ensuring that the repossessed property is secured;
- obtaining at least two Royal Institution of Chartered Surveyors and estate agent valuations, alongside local area information, such as demographics, unique selling points, previous marketing history and local comparables, which are all used to set the correct marketing price in order to sell the property for the best possible price in the shortest possible time period;
- reviewing marketing and considering price reductions every 30 days. This includes viewings, feedback, online click rates and any other relevant information. Auctions are only considered as a last resort or in the event of severe property defects; and
- carrying out property inspections.

All offers outside of asking price are referred to the Mortgage Administrator and reviewed on an individual basis, with full justification documented for either acceptance or decline. All properties unsold over 90 days are subject to monthly aged stock reviews, where individual strategies are agreed on for each property. When an offer is accepted a public notice is run online inviting higher offers. Full exchange checks of all costs incurred throughout the sale process are verified against the tariff and approval process before authority is given to exchange. This is replicated at completion to ensure that no further costs have been incurred.

Subject as provided above, the Mortgage Administrator (on behalf of the mortgagee) has discretion as to the timing of any of these actions, including whether to postpone the action for any period of time. The period between the Mortgage Administrator (on behalf of the mortgagee) obtaining possession and sale of a mortgaged property is generally between three and six months.

The Mortgage Administrator subjects all panel solicitors and asset managers to third party oversight. This includes but is not limited to, monthly and quarterly performance scorecards, quarterly review meetings, full annual audits and regular site visits/audits.

However, prospective investors should note that the Mortgage Administrator's ability to exercise its power of sale in respect of a mortgaged property is dependent upon mandatory legal restrictions as to notice requirements. In addition, there may be factors outside the Mortgage Administrator's control, such as whether the Borrower contests the sale and the market conditions at the time of sale, that may affect the length of time between the Mortgage Administrator's decision (on behalf of the mortgagee) to exercise the power of sale and final completion of the sale.

The Mortgage Administrator will apply the net proceeds of sale of the mortgaged property against the sums owed by the Borrower to the extent necessary to discharge the mortgage including any accumulated fees and interest. Where the funds arising from application of these procedures are insufficient to pay all amounts owing in respect of a Loan, the funds are first in paying costs (other than interest), secondly, in paying principal and third in paying interest.

At this point the Mortgage Administrator will close the Borrower's account. However, the Borrower remains liable for any deficit remaining after the mortgaged property is sold. The Mortgage Administrator may pursue the Borrower to the extent of any deficiency resulting from the sale, or may write off the balance, if the Mortgage Administrator deems it appropriate to do so. Following the application of the net proceeds of the sale, the Seller may repurchase (i) all Shortfall Loans outstanding at that time or (ii) a random selection of the Shortfall Loans existing at that time. See "*Sale of the Mortgage Pool – Shortfall Loans*".

These arrears and security enforcement procedures may change over time as a result, amongst other things, of a change in the Mortgage Administrator's business practices, a change in the identity of the Mortgage Administrator or a change in any relevant business codes of practice or any legislative or regulatory changes.

## WEIGHTED AVERAGE LIVES OF THE NOTES

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

The model used in this Prospectus for the Loans represents an assumed constant per annum rate of prepayment ("CPR") each month relative to the then outstanding Principal Balance of a pool of mortgage loans. CPR does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of any mortgage loans, including the Mortgages to be included in the Completion Mortgage Pool.

The following tables were prepared based on the characteristics of the Loans included in the Provisional Completion Mortgage Pool and the following additional assumptions (the "**Modelling Assumptions**"):

- (a) there are no arrears or enforcements;
- (b) no Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) no Loan is required to be repurchased by the relevant Seller, the Legal Title-Holder or any of its affiliates due to any breach of Warranty;
- (e) the portfolio mix of loan characteristics remain the same throughout the life of the Notes and 100 per cent. of the Provisional Completion Mortgage Pool is purchased at the Issue Date;
- (f) the principal payment for each Loan is calculated on a loan-by-loan basis assuming each Loan amortises monthly (meaning the amortisation of each Loan is determined by the loan specific (i) remaining term, (ii) principal outstanding and (iii) interest rate);
- (g) the amortisation of any Repayment Loan is calculated as an annuity loan on a 30/360 basis;
- (h) all Loans which are not Repayment Loans are assumed to be Interest Only Loans;
- (i) there are 107 days between the Issue Date and the first Interest Payment Date;
- (j) a LIBOR rate of 0.15 per cent. for all Loans and a Kensington Standard Rate of 0.15 per cent. for all Loans;
- (k) there is collateral of £472,000,000 and on the Issue Date the A Notes, the B Notes, the C Notes, the D Notes and the E Notes have an aggregate Principal Amount Outstanding of £472,000,000, with the A Notes representing 89.50 per cent., the B Notes representing 4.50 per cent., the C Notes representing 2.50 per cent, the D Notes representing 0.50 per cent. and the E Notes representing 3.00 per cent. of the Provisional Completion Mortgage Pool;
- (l) the weighted average lives are calculated on an actual/365 (fixed) basis but business days are ignored;
- (m) no further advances are made on a Loan;
- (n) the Completion Mortgage Pool as at the Completion Cut-Off Date and the Issue Date is the same as the Provisional Completion Mortgage Pool as at the Cut-Off Date. The Issue Date is assumed to be 1st March 2021 and that any Principal Collections from the Completion Cut-Off Date forward shall be for the account of the Issuer;
- (o) payments on the Notes are made on the 16th day in March, June, September and December in each year;
- (p) no Product Switches are made on a Loan;

- (q) the first Interest Period for the Notes will include four months of Principal Collections from the Mortgage Pool;
- (r) all Available Principal Funds remaining after the application of item (iii) of the Pre-Enforcement Principal Priority of Payments will be used to purchase Additional Loans prior to the Final Further Purchase Date, which is assumed to end immediately on and excluding the Step-Up Date;
- (s) the Additional Loans acquired during the Further Sale Period have the same characteristics as the Loans in the Completion Mortgage Pool, in particular the scheduled amortisation profile of the Mortgage Pool remains as specified as at the Issue Date and is not affected by Additional Loans;
- (t) the General Reserve Fund remains fully funded at its required amount;
- (u) no Available Principal Funds are transferred to Available Revenue Funds under item (ii) of the Pre-Enforcement Principal Priority of Payments; and
- (v) the Class A Target Notional Amount is assumed to be as follows when expressed as percentages rounded to two decimals:

<u>IPD falling in</u>	<u>Assumed Class A Target Notional Amount</u>
Issue Date	100.00%
Jun-21	97.13%
Sep-21	95.27%
Dec-21	93.91%
Mar-22	92.56%
Jun-22	91.23%
Sep-22	90.14%
Dec-22	89.50%
Mar-23	88.86%
Jun-23	88.22%
Sep-23	87.59%
Dec-23	86.97%
Mar-24	86.34%
Jun-24	85.73%
Sep-24	85.11%
Dec-24	84.50%
Mar-25	0.00%

The actual characteristics and performance of the Loans are likely to differ from the assumptions used in constructing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Loans will prepay at a constant rate until maturity, that all of the Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Loans. Moreover, the diverse remaining terms to maturity of the Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity of the Loans is assumed.

Any difference between such assumptions and the actual characteristics and performance of the Loans will cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

#### **Weighted Average Life in Years**

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of each Class of Notes by the number of years from the date of issue of the Notes to the related Interest Payment Date, (ii) adding the results and (iii) dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Notes.

**Weighted Average Life in Years (assuming a Mortgage Pool Option is exercised on the Call Option Date<sup>^</sup>)**

<b>Weighted Average Life</b>	<b>0.0% CPR</b>	<b>2.5% CPR</b>	<b>5.0% CPR</b>	<b>7.5% CPR</b>	<b>10.0% CPR</b>	<b>12.5% CPR</b>	<b>15.0% CPR</b>	<b>20.0% CPR</b>	<b>Pricing*</b>
A Notes .....	3.82	3.67	3.65	3.65	3.65	3.65	3.65	3.65	3.65
B Notes.....	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04
C Notes.....	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04
D Notes .....	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04
E Notes.....	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04	4.04

**Weighted Average Life in Years (with optional 20 per cent. call)**

<b>Weighted Average Life</b>	<b>0.0% CPR</b>	<b>2.5% CPR</b>	<b>5.0% CPR</b>	<b>7.5% CPR</b>	<b>10.0% CPR</b>	<b>12.5% CPR</b>	<b>15.0% CPR</b>	<b>20.0% CPR</b>	<b>Pricing*</b>
A Notes .....	14.07	11.03	9.4	8.27	7.47	6.88	6.41	5.77	5.67
B Notes.....	24.81	21.05	18.05	15.56	13.8	12.55	11.3	9.8	10.05
C Notes.....	24.81	21.05	18.05	15.56	13.8	12.55	11.3	9.8	10.05
D Notes .....	24.81	21.05	18.05	15.56	13.8	12.55	11.3	9.8	10.05
E Notes.....	24.81	21.05	18.05	15.56	13.8	12.55	11.3	9.8	10.05

<sup>^</sup> Mortgage Pool Option is exercised on the Step-Up Date.

\* Pricing CPR: 10% CPR for 18 months, followed by 35% CPR for 12 months, followed by 15% CPR for 24 months, followed by 35% for 12 months, followed by 15% CPR thereafter.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

### 1. **Form**

All Notes will be issued in fully registered form and will be represented, on issue, by either the Regulation S Global Notes or the Rule 144A Global Notes.

**The Notes are not issuable in bearer form.**

### 2. **Nominal Amount**

. The nominal amount of the Global Notes shall be the aggregate amount from time to time entered in the records of Euroclear, Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (each a relevant "**Clearing System**"). The Notes will be issued in the form of new global notes will have an ISIN and common code and are intended upon issue to be deposited with a common safekeeper on behalf of one of the ICSDs.

The Global Notes will be issued and held under the new safekeeping structure and are intended upon issue to be deposited with, and registered in the nominee name of, a common safekeeper on behalf of one of the ICSDs and in a manner which would allow Eurosystem eligibility. However, the deposit of the Global Notes with a common safekeeper on behalf of the ICSDs upon issuance or otherwise, does not necessarily mean that the Global Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

The records of such relevant Clearing System shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. The Trustee will not 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.

The Global Notes will be issued and held under the new safekeeping structure and are intended to be held in a manner which would allow Eurosystem eligibility.

The records of such relevant Clearing System shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. The Trustee will not 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.

### 3. **Issuance of Definitive Notes**

Holders of Book-Entry Interests in the Global Notes will be entitled to receive certificates evidencing definitive notes in registered form ("**Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests if:

- (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or of any political sub-division therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make



any deduction or withholding for or on account of Tax from any payment in respect of the Notes which would not be required were the Notes in definitive form.

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

Any Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Notes issued in exchange for Book-Entry Interests in a Global Note, as the case may be, will not be entitled to exchange such Definitive Note, for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under Notes Condition 1(b) (*Title and Transfer*) **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £1,000. As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

#### 4. **Payments**

Payments of principal and interest in respect of Notes represented by the Global Note will be made to its holder by the Principal Paying Agent on behalf of the Issuer to the Common Safekeeper or its nominee as the registered holder. The Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its nominees in respect of those Book-Entry Interests.

For the purpose of any payments made in respect of a Global Note, Notes Condition 6(d) (*Payments on business days*) shall not apply, and all such payments shall be made on a day which is a business day (as defined in Notes Condition 6(d) (*Payments on business days*)).

#### 5. **Book-Entry Interests**

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof, and in each case, for so long as the rules of Euroclear or Clearstream, Luxembourg so permit (each, a "**Minimum Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or ("**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 will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only

through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants).

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The record date, in respect of the Notes shall be one Clearing System Business Day prior to the relevant Interest Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Notes are being held is open for business. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Safekeeper, as applicable, is the registered holder of the respective Global Notes underlying the Book-Entry Interests, the nominee of the Common Safekeeper will be considered the sole Noteholder of the relevant Global Note for all purposes under the Trust Deed and the Paying Agency Agreement. Except as set forth under "*Issuance of Definitive Notes*" above, 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, as the case may be, unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear or Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Unless and until Book-Entry Interests in the Global Notes are exchanged for Definitive Notes, the Global Notes registered in the name of a nominee of the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the respective Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the

provisions set forth under "*Transfer Restrictions*"), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each respective Global Note, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

## 6. **Transfer**

Transfers of interests in the Notes are subject to certain restrictions and must be made in accordance with the detailed regulations concerning transfers contained set forth in the Paying Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. Each purchaser of Notes in making its purchase will be required to make, or will be deemed to have made, certain acknowledgements, representations and agreements. The transfer of Notes in breach of certain of such representations and agreements will result in affected Notes becoming subject to certain forced transfer provisions. See Notes Condition 1(b) (*Title and transfer*).

Beneficial interests in Rule 144A Global Notes will be subject to certain restrictions on transfer set forth therein, in the Trust Deed and as set forth in Rule 144A, and the Rule 144A Global Notes will bear the applicable legends regarding the restrictions set forth under "*Transfer Restrictions – Rule 144A Notes*". In the case of each Class of Notes, a beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note in denominations greater than or equal to the minimum denominations applicable to interests in such Rule 144A Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) to the effect that the transferor reasonably believes (following reasonable diligence) that the transferee is a QIB (and the transferee has certified in writing to that effect) and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Notes may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. Person and in accordance with Regulation S.

Beneficial interests in Regulation S Global Notes will be subject to certain restrictions on transfer set forth therein, in the Trust Deed and as set forth in Regulation S, and the Regulation S Global Notes will bear the applicable legends regarding the restrictions set forth under "*Transfer Restrictions – Regulation S Notes*". Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in such Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in a Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

## 7. **Action in Respect of the Global Note and the Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the

Global Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear and Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*Book-Entry Interests*" 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.

8. **Trading between Clearing System participants**

Secondary market sales of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

9. **Notices**

So long as the Notes are in global form and held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

10. **Prescription**

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate relevant date (as defined in Notes Condition 7 (*Prescription*)).

11. **Meetings**

Subject to the provisions of the Trust Deed, the holder of the Global Note shall be treated as a Noteholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Noteholders.

12. **Purchase and Cancellation**

On cancellation of any Note required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

13. **Trustee's Powers**

In considering the interests of Noteholders while the Global Note is held on behalf of a relevant Clearing System, the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

## SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

The Global Certificates contain provisions which apply to the Certificates while they are in global form, some of which modify the effect of the terms and conditions of the Certificates set out in this Prospectus. The following is a summary of certain of those provisions:

### 1. **Form**

All Certificates will be issued in fully registered form and will be represented, on issue, by the Global Certificates.

**The Certificates are not issuable in bearer form.**

### 2. **Amount**

Each Certificate bears a right to receive on a *pro rata* basis (i) a Residual Payment, plus any amounts equal to any Mortgage Early Redemption Amounts and any Product Switch Upfront Fee Amounts, (ii) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger; (iii) any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on the Issue Date, (iv) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date; and (v) on the second Interest Payment Date, any surplus amount standing to the credit of the Start-Up Costs Ledger as at the second Determination Date.

The amount of the Global Certificates shall be the aggregate amount from time to time entered in the records of Euroclear, Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (each a relevant "**Clearing System**").

The Certificates are intended upon issue to be deposited with, and registered in the nominee name of, a common depository.

The records of such relevant Clearing System shall be conclusive evidence of the amount of Certificates represented by the Global Certificates and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. The Trustee will not 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.

### 3. **Issuance of Definitive Certificates**

Holders of Book-Entry Interests in the Global Certificates will be entitled to receive certificates evidencing definitive certificates 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; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or of any political subdivision therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Certificates which would not be required were the Certificates in definitive form.

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

Any Definitive Certificates issued in exchange for Book-Entry Interests in a Global Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Certificates issued in exchange for Book-Entry Interests in a Global Certificate, as the case may be, will not be entitled to exchange such Definitive Certificate, for Book-Entry Interests in a Global Certificate. Any Certificates issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under Certificates Condition 1(b) (*Title*) **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Certificate.

4. **Payments**

The following amounts will be paid to the holders of the Certificates represented by the Global Certificates on a *pro rata* basis: (i) Residual Payments plus any Mortgage Early Redemption Amounts and any Product Switch Upfront Fee Amounts, (ii) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger, (iii) any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on the Issue Date; (iv) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date; and (v) on the second Interest Payment Date, any surplus amount standing to the credit of the Start-Up Costs Ledger as at the second Determination Date. The Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Depository or its nominees in respect of those Book-Entry Interests.

For the purpose of any payments made in respect of a Global Certificate, Certificates Condition 4(g) (*Payments on business days*) shall not apply, and all such payments shall be made on a day which is a business day (as defined in Certificates Condition 4(g) (*Payments on business days*)).

5. **Book-Entry Interests**

Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or ("**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 will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants).

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Certificateholders for the purposes of making payments to the Certificateholders. The record date, in respect of the Certificates shall be one Clearing System Business Day prior to the relevant Interest Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Certificates are

being held is open for business. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Depositary, as applicable, is the registered holder of the respective Global Certificates underlying the Book-Entry Interests, the nominee of the Common Depositary will be considered the sole Certificateholder of the relevant Global Certificate for all purposes under the Trust Deed and the Paying Agency Agreement. Except as set forth under "*Issuance of Definitive Certificates*" above, Participants or Indirect Participants will not be entitled to have Certificates registered in their names, will not receive or be entitled to receive physical delivery of Certificates in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Certificates under the Trust Deed. See "*Action in respect of the Global Certificate and the Certificate Book-Entry Interests*" below.

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

Unless and until Book-Entry Interests in the Global Certificates are exchanged for Definitive Certificates, the Global Certificates registered in the name of a nominee of the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary.

Purchasers of Book-Entry Interests in a Global Certificate will hold Book-Entry Interests in the respective Global Certificates relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Certificate directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each respective Global Certificate, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

## 6. **Transfer**

All transfers of Certificate Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section

above entitled "*Book-Entry Interests*"). Beneficial interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg.

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

Not later than 10 days after receipt by the Issuer of any notice in respect of the Global Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Certificate, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Certificate Book-Entry Interests or the Global Certificate and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Certificate Book-Entry Interests or the Global Certificate in accordance with any instructions set out in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under the section above entitled "*Book-Entry Interests*", with respect to soliciting instructions from their respective Participants.

8. **Trading between Clearing System participants**

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of Book-Entry Interests in the Certificates held through Euroclear or Clearstream, Luxembourg to purchasers of Book-Entry Interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

9. **Notices**

So long as the Certificates are in global form and held on behalf of a relevant Clearing System, notices to Certificateholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Certificates Conditions.

10. **Meetings**

Subject to the provisions of the Trust Deed, the holder of the Global Certificate shall be treated as a Certificateholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Certificateholders.

11. **Purchase and Cancellation**

On cancellation of any Certificate required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Certificates recorded in the records of the relevant Clearing Systems and represented by this Global Certificate shall be reduced by the aggregate nominal amount of the Certificates so cancelled.

12. **Trustee's Powers**

In considering the interests of Certificateholders while the Global Certificate is held on behalf of a relevant Clearing System, the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holder of the Global Certificate.



## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed. If the Notes were to be represented by Definitive Notes, the Conditions set out on the reverse of each of such Definitive Notes would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Deed and the other Transaction Documents (as defined below).*

The issue of £422,440,000 Class A Notes due December 2067 (the "**A Notes**"), £21,240,000 Class B Notes due December 2067 (the "**B Notes**"), £11,800,000 Class C Notes due December 2067 (the "**C Notes**"), £2,360,000 Class D Notes due December 2067 (the "**D Notes**"), £14,160,000 Class E Notes due December 2067 (the "**E Notes**"), £23,600,000 Class X Notes due December 2067 (the "**X Notes**"), £9,440,000 Class Z Notes due December 2067 (the "**Z Notes**" and, together with the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the X Notes, the "**Floating Rate Notes**" or the "**Notes**"), of Gemgarto 2021-1 Plc (the "**Issuer**") was authorised by a resolution of the Board of directors of the Issuer passed on 2 February 2021. Together, the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the X Notes are the "**Rated Notes**" (except that the E Notes are expected to be rated by Fitch only and are not expected to be rated by DBRS).

The Notes are constituted by a trust deed (as amended or modified from time to time, the "**Trust Deed**") dated on or about 24 February 2021 (the "**Issue Date**") between the Issuer and Apex Corporate Trustees (UK) Limited (the "**Trustee**") as trustee for the holders of the Notes (the "**Noteholders**"). Any reference in these terms and conditions (the "**Conditions**") to a "**Class**" of Notes or Noteholders shall be a reference to, as the case may be, the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes or to the respective holders thereof.

These Conditions include summaries of, and are subject to, the detailed provisions of (1) the Trust Deed, which includes the form of the Notes, (2) the paying agency agreement (the "**Paying Agency Agreement**") dated the Issue Date relating to the Notes between, among others, the Issuer, the Trustee, Citibank, N.A., London Branch as agent bank (the "**Agent Bank**"), Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**"), Citibank, N.A., London Branch as registrar (the "**Registrar**") and the other paying agents named in it (the Principal Paying Agent and any other or further paying agent appointed under the Paying Agency Agreement, the "**Paying Agents**" and together with the Registrar and the Agent Bank, the "**Agents**"), (3) the deed of charge and assignment (the "**Deed of Charge**") dated the Issue Date between the Issuer and the Trustee, (4) the cash/bond administration agreement (the "**Cash/Bond Administration Agreement**") dated the Issue Date between, *inter alios*, the Issuer and Citibank, N.A., London Branch (the "**Cash/Bond Administrator**") and (5) the retention letter (the "**Retention Letter**") dated the Issue Date between, among others, the Issuer and Kensington Holdco Limited.

In these Notes Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule dated on or about the Issue Date and signed for the purpose of identification by the Issuer and the Seller.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Cash/Bond Administration Agreement, the Master Definitions Schedule and the other Transaction Documents are available (i) for inspection during usual business hours at the specified offices from time to time of the Principal Paying Agent and (ii) online at [www.sf.citidirect.com](http://www.sf.citidirect.com) and will be available in such manner for at least as long as the Notes are admitted to listing on Euronext Dublin and the guidelines of Euronext Dublin so require. The Noteholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Schedule and the other Transaction Documents. For the avoidance of doubt, [www.sf.citidirect.com](http://www.sf.citidirect.com) will not be the website that conforms to the requirements set out in (i) Article 7(2) of the UK Securitisation Regulation on which the Transaction Documents and Prospectus will be made available in compliance with Article 7(1) of the UK Securitisation Regulation from time to time and (ii) Article 7(2) of the EU Securitisation Regulation on which the Transaction Documents and Prospectus will be made available in compliance with Article 7(1) of the EU Securitisation Regulation from time to time.

1. **Form, Denomination and Title**

(a) ***Form and denomination***

- (i) The Notes are in fully registered form in the Minimum Denomination for such Notes and will be represented on issue by beneficial interests in one or more Global Notes in fully registered form, without interest or principal receipts.
- (ii) The Notes of each Class initially offered and sold outside the United States to non-U.S. Persons pursuant to Regulation S under the Securities Act will be represented by one or more Regulation S Global Notes in fully registered form without coupons attached. The Notes of each Class initially offered and sold to persons who are QIBs in reliance on Rule 144A under the Securities Act, in transactions made in accordance with Rule 144A, will be represented by one or more Rule 144A Global Notes in fully registered form without coupons attached.
- (iii) For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. or Clearstream Banking, Luxembourg as appropriate.
- (iv) For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.
- (v) Certificates evidencing definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Global Notes (the "**Definitive Notes**") will be issued in registered form and in the circumstances referred to below. Definitive Notes, if issued, will be issued in the denomination of (a) in respect of the Rule 144A Definitive Notes, £100,000 and integral multiples of £1,000 in excess thereof and (b) in respect of the Regulation S Definitive Notes, £100,000 and integral multiples of £1,000 in excess thereof.
- (vi) If, while the Notes are represented by a Global Note:
  - (A) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or
  - (B) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or of any political subdivision therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Notes which would not be required were the Notes in definitive form.

The holders of Book-Entry Interests in the Global Notes will be entitled to receive certificates evidencing definitive notes in registered form, Definitive Notes in exchange for their respective holdings of Book-Entry Interests.

(b) ***Title and transfer***

- (i) The person registered in the register (the "**Register**") as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing

thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.

- (ii) The Issuer shall cause to be kept at the specified office of the Registrar the Register, on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes.
- (iii) No transfer of a Note will be valid unless and until entered on the Registrar.
- (iv) Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Paying Agency Agreement and the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the UK or the Registrar to any holder of a Note who so requests (and who provides evidence of such holding where the Notes are in global form) and will be available upon request at the specified office of the Registrar or the Principal Paying Agent.
- (v) A Definitive Note may be transferred in whole or in part upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Note, a new Definitive Note, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- (vi) Each new Definitive Note, to be issued upon transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the specified office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Note, to such address as may be specified in such request.
- (vii) Registration of Definitive Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.
- (viii) If the Issuer determines at any time that a holder of Rule 144A Notes is not a QIB (any such person, a "**Non-Permitted Holder**"), the Issuer shall, promptly after determination that such person is a Non-Permitted Holder by the Issuer send, or procure that the Registrar sends, notice to such Non-Permitted Holder demanding that such holder transfers its Notes outside the United States to a non-U.S. Person or within the United States to a QIB within 30 days following receipt of such notice. If such holder fails to sell or transfer its Rule 144A Notes within such period (a) upon direction from the Issuer or the Trustee on its behalf, the Registrar, on behalf of and at the expense of the Issuer, shall cause such Rule 144A Notes to be transferred in a sale to a person or entity that certifies to such Registrar and the Issuer, in connection with such transfer, that such person or entity either is not a U.S. Person and is acquiring an interest in a Regulation S Note or is a QIB and (b) pending such transfer, no further payments will be made in respect of such Rule 144A Notes. The Issuer may select the purchaser by soliciting one or more bids from one or more brokers or other market professionals that regularly deal in securities similar to the Rule 144A Notes and selling such Rule 144A Notes to the highest such bidder. However, the Issuer may select a purchaser by any other

means determined by it in its sole discretion. Each Noteholder and each other person in the chain of title from the permitted Noteholder to the Non-Permitted Holder by its acceptance of an interest in the applicable Notes agrees to cooperate with the Issuer and the Registrar to effect such transfers. The proceeds of such sale, net of any commissions, expenses and taxes due in connection with such sale shall be remitted to the selling Noteholder. The terms and conditions of any sale hereunder shall be determined in the sole discretion of the Issuer, subject to the transfer restrictions set out herein, and neither the Issuer nor the Registrar shall be liable to any person having an interest in the Notes sold as a result of any such sale or the exercise of such discretion. The Issuer and the Registrar reserve the right to require any holder of Notes to submit a written certification substantiating that it is a QIB or a non-U.S. Person. If such holder fails to submit any such requested written certification on a timely basis, the Issuer and the Registrar have the right to assume that the holder of the Notes from whom such a certification is requested is not a QIB or a non-U.S. Person. Furthermore, the Issuer and the Registrar reserve the right to refuse to honour a transfer of beneficial interests in a Rule 144A Note to any Person who is not a QIB.

- (ix) If any Noteholder of a non ERISA-Eligible Security is determined by the Issuer to be a Noteholder who has made or is deemed to have made a representation pertaining to ERISA (including its status as a Benefit Plan Investor or Controlling Person) or Similar Law that is subsequently shown to be false or misleading (any such Noteholder a "**Non-Permitted ERISA Holder**"), the Non-Permitted ERISA Holder may be required by the Issuer to sell or otherwise transfer its Notes to an eligible purchaser within 10 days of receipt of notice from the Issuer to such Non-Permitted ERISA Holder requiring such sale or transfer, at a price to be agreed between the Issuer and such eligible purchaser at the time of sale, subject to the transfer restrictions set out in the Trust Deed. Each Noteholder and each other Person in the chain of title from the Noteholder, by its acceptance of an interest in such Notes, agrees to cooperate with the Issuer and the Trustee, to the extent required to effect such transfers. None of the Issuer, the Trustee and the Registrar shall be liable to any Noteholder having an interest in the Notes sold or otherwise transferred as a result of any such sale or transfer. The Issuer shall be entitled to deduct from the sale or transfer price an amount equal to all the expenses and costs incurred and any loss suffered by the Issuer as a result of such forced transfer. The Non-Permitted ERISA Holder will receive the balance, if any.
- (x) No holder of a Definitive Note may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.
- (xi) All transfers of Notes and entities on the Register are subject to detailed regulations concerning the transfer of Notes scheduled to the Paying Agency Agreement, including, in the case of a transfer of a beneficial interest in a Rule 144A Global Note to a transferee taking delivery thereof in the form of a beneficial interest in a Regulation S Global Note, or *vice versa*, the requirement that the transferor provide written certifications relating to compliance with certain transfer restrictions in connection with such transfer. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2. **Status, Security and Administration**

(a) The Notes constitute direct, secured and unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Notes Condition 10 (*Enforcement of Security, Limited Recourse and Non-Petition*).

(i) As regards payments of interest:

(A) prior to the earlier to occur of (A) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable, (B) the Final Maturity Date, (C) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Notes Condition 5(d) (*Optional Redemption in Full*), Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*) or Notes Condition 5(f) (*Optional Redemption for Taxation or Other Reasons*) and (D) the date on which the E Notes have been redeemed in full (in the case of (B) to (D) (inclusive) each such date a "**Redemption Event**"), (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the X Notes, the Z Notes and the Certificates; (V) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X Notes, the Z Notes and the Certificates; (VI) the X Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Z Notes and the Certificates; (VII) subject as provided below, the Z Notes shall rank *pari passu* and without any preference of priority amongst themselves and in priority to the Certificates; and (VIII) subject as provided below, the Certificates shall rank *pari passu* and without any preference or priority amongst themselves; and

(B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the X Notes, the Z Notes and the Certificates; (V) the X Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the Z Notes and the Certificates; (VI), the E Notes, shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Z Notes and the Certificates; (VII) subject as provided below, the Z Notes shall rank *pari passu* and without any preference of priority amongst themselves and in priority to the Certificates; and (VIII) subject as

provided below, the Certificates shall rank *pari passu* and without any preference or priority amongst themselves.

- (ii) As regards repayments of principal on the A Notes, the B Notes, the C Notes, the D Notes, the X Notes and the E Notes:
  - (A) prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes, the X Notes and the E Notes; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the X Notes and the E Notes; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the X Notes and the E Notes; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X Notes and the E Notes; (V) the X Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes; (VI) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves; and
  - (B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, the provisions of Notes Condition 2(d) (*Post-Enforcement Priority of Payments*) shall apply.
- (iii) As regards payments on the X Notes, the Z Notes and the Certificates:
  - (A) prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments of interest and principal in respect of the Z Notes and payments in respect of the Certificates shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments;
  - (B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event payments in respect of the Z Notes and the Certificates will be made in accordance with the Post-Enforcement Priority of Payments;
  - (C) payments in respect of the X Notes will be payable only to the extent there are: (i) Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments; (ii) in respect of principal only, Available Principal Funds under and in accordance with the Pre-Enforcement Principal Priority of Payments; or (iii) available funds under and in accordance with the Post-Enforcement Priority of Payments (if applicable);
  - (D) payments in respect of the Z Notes will only be payable (i) to the extent there are Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments (or available funds under and in accordance with the Post-Enforcement Priority of Payments, if applicable) and (ii) to the extent that the A Notes to the D Notes (inclusive) and the X Notes have first been paid in full and, following the service of an Enforcement Notice, no payments will be made on the Z

Notes until the A Notes to the E Notes (inclusive) have been repaid in full; and

- (E) payments in respect of the Certificates shall only be payable (a) out of Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments; (b) out of Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments; (c) out of Available Revenue Funds and Available Principal Funds in accordance with the Post-Enforcement Priority of Payments after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event; (d) on each Interest Payment Date from any Mortgage Early Redemption Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (e) on each Interest Payment Date from any Product Switch Upfront Fee Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (f) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger; (g) on the Issue Date, from any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on the Issue Date; (h) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date, and (i) as provided in paragraph (v) below.
- (iv) For the avoidance of doubt any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will be payable to the X Notes, the Z Notes and the Certificates. As a result there may be insufficient funds or no funds available to make payments on the X Notes, the Z Notes and/or the Certificates.
- (v) An amount equal to £1,530,000 shall on the Issue Date be credited to a separate ledger within the Transaction Account (the "**Start-Up Costs Ledger**") for the payment by the Issuer of such Issuer Costs and Expenses. Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall be paid to the Certificateholders on the second Interest Payment Date and will not form part of the Available Revenue Funds.
- (vi) The Notes are constituted by the Trust Deed and are secured by the same security, but upon enforcement of the security created pursuant to the Deed of Charge (the "**Security**"), the Notes will rank in the priority as referred to above.
- (vii) The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee to have (except where expressly provided otherwise) regard only to the interests of the holders of the Most Senior Class if, in the Trustee's opinion, there is a conflict between the interests of the holders of the Most Senior Class and the interests of any of the other Noteholders and the other Noteholders (not being holders of the Most Senior Class) shall have no claim against the Trustee for so doing.
- (viii) The Trust Deed contains provisions limiting the powers of the holders of those Classes of Notes other than the Most Senior Class, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class. Except in certain circumstances set out in Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class, the exercise of

which will be binding on the holders of the other Classes of Notes, irrespective of the effect thereof on their interests.

- (ix) The Trust Deed and Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) also contain provisions regarding the resolution of disputes between the holders of more than one Class of Notes where all of such Classes are the Most Senior Class and between the holders of more than one Class of Notes other than the Most Senior Class.
- (x) The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons having the benefit of the Security constituted by the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.
- (xi) So long as any of the Notes and Certificates remain outstanding, in the exercise of its rights, authorities and discretions under the Trust Deed, the Trustee is not required to have regard to the interests of the other Secured Creditors (except for the Noteholders and Certificateholders).
- (xii) In determining whether the exercise of any right, power, trust, authority, duty or discretion by it under or in relation to the Conditions and/or any of the Transaction Documents is materially prejudicial to the interests of the Noteholders or Certificateholders (or any class thereof), the Trustee may take into account, if available, amongst any other things it may consider necessary and/or appropriate in its absolute discretion, whether the then rating of the Rated Notes will be adversely affected.

(b) **Security**

As security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Legal Title-Holder, the Legal Title-Holder Facilitator, the Mortgage Administrator and the Mortgage Administrator Facilitator under the Mortgage Administration Agreement, the Cash/Bond Administrator and the Cash/Bond Administrator Facilitator under the Cash/Bond Administration Agreement, the Agents under the Paying Agency Agreement, the Account Bank under the Bank Agreement, the Collection Accounts Provider under the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Accession Agreement, the R Collection Account Agreement and the R Collection Account Accession Agreement, each Swap Counterparty under each Swap Agreement, the Corporate Services Provider under the Corporate Services Agreement, the Joint Lead Managers under the Note Purchase Agreement and any other party which is, or accedes to the Deed of Charge as a Secured Party, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) first fixed equitable charges and security in favour of the Trustee over the Issuer's present and future right, title, benefit and interest in, to and under the Loans, the Mortgages and their related Collateral Security;
- (ii) an equitable assignment in favour of the Trustee of the Issuer's interests in the Insurance Contracts to the extent that they relate to the Loans;
- (iii) an assignment in favour of the Trustee of the Issuer's right, title, interest and benefit in, to and under the Bank Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Accession Agreement, the R Collection Account Agreement, the R Collection Account Accession Agreement, the Cash/Bond Administration Agreement, the



Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Corporate Services Agreement, the Deed Poll, the Risk Retention Regulatory Change Deed Poll, the Deed of Charge, the Mortgage Administration Agreement, the KHL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the Subordinated Loan Agreement, each Swap Agreement, the Swap Collateral Account Bank Agreement, the Reporting Designation Letter and any other agreement entered into between the Issuer and a secured party to the Deed of Charge (the "**Charged Obligation Documents**" other than the Trust Deed);

- (iv) a first fixed charge in favour of the Trustee over (x) the Issuer's interest in the Bank Accounts and any Authorised Investments, (y) the Issuer's beneficial interest in the Collection Accounts and (z) any other accounts with any bank or financial institution in which the Issuer now or in the future has an interest (to the extent of its interest);
- (v) pursuant to each Scottish Trust Security to be entered into pursuant to the Deed of Charge, each assignment in security of the Issuer's beneficial interest in the Scottish Loans and their Collateral Security (comprising the Issuer's beneficial interest under the trust declared by the Legal Title-Holder over such Scottish Loans and Collateral Security for the benefit of the Issuer pursuant to each relevant Scottish Declaration of Trust); and
- (vi) a first floating charge in favour of the Trustee (ranking after the security referred to in paragraphs (i) to (v) (inclusive) above) over the whole of the undertaking, property, assets and rights of the Issuer.

(c) ***Pre-Enforcement Revenue Priority of Payment***

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Redemption Event, on each Interest Payment Date, the Cash/Bond Administrator shall apply an amount equal to the Available Revenue Funds, which shall include for the avoidance of doubt:

- (i) interest earned pursuant to the Bank Agreement for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account and the Reserve Account for the Determination Period immediately preceding the relevant Determination Date;
- (ii) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (iii) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (iv) any amounts to be received or expected to be received by the Issuer under any Swap Agreement or any replacement Swap Agreement on the relevant Interest Payment Date immediately following the relevant Determination Date (but excluding (i) any Swap Counterparty Upfront Payment expected to be received on the Interest Payment Date immediately following the then applicable Determination Date; (ii) any Swap Excluded Receivables Amounts; (iii) any amounts credited to the Swap Collateral Accounts; and (iv) any Swap Collateral Accounts surplus);
- (v) any General Reserve Fund Excess Amount;
- (vi) any amount standing to the credit of the General Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the

immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (vii) and (viii) below) in respect thereof;

- (vii) for so long as there are any A Notes or, subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, B Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (vi) above but excluding paragraph (viii) below);
- (viii) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition being satisfied in the case of shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and/or the D Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (vi) and (vii) above). Any such amount may only be used for payment of Senior Fees and interest on the A Notes, the B Notes, the C Notes and/or the D Notes and not of any other amounts in the Pre-Enforcement Revenue Priority of Payments;
- (ix) following the Issue Date, any funds advanced to the Issuer under the Subordinated Loan Agreement, on or prior to a Further Purchase Date or a Product Switch Effective Date during a Determination Period in order to fund the payment of any Swap Counterparty Upfront Payment from the Issuer to a Swap Counterparty on the immediately following Interest Payment Date; and
- (x) any Additional Revenue Payment to be received or expected to be received by the Issuer under the Subordinated Loan Agreement on the immediately following Interest Payment Date,

but excluding (A) all Mortgage Early Redemption Amounts in respect of the Determination Period ending immediately prior to the Determination Date; (B) all Product Switch Upfront Fee Amounts in respect of the Determination Period ending immediately prior to the Determination Date; and (C) any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date, in each case as at the immediately preceding Determination Date in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full (the "**Pre-Enforcement Revenue Priority of Payments**"):

- (i) *first*, to pay *pro rata* (I) when due the remuneration payable to the Trustee (plus VAT, if any) and any fees (including legal fees), costs, charges, liabilities and expenses incurred by and/or payable to it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together or any other documents entered into by the Trustee in its capacity as trustee under the Trust Deed or the Deed of Charge or either or both of them with interest as provided in the Trust Deed or the Deed of Charge or either or both of them and (II) any amounts due and payable to any Receiver and any Appointee of the Trustee in relation to the Transaction Documents;
- (ii) *second*, to pay *pro rata* when due (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and prior to the next Interest Payment Date and

to provide for the Issuer's liability or possible liability for corporation tax to the extent not payable from the Issuer Profit; and (b) an amount equal to any premia in respect of Insurance Contracts;

- (iii) *third, to pay pro rata and pari passu:*
  - (A) the servicing fee due under the Mortgage Administration Agreement, comprising:
    - (1) the Servicing Fee payable to the Mortgage Administrator up to and including the Senior Servicing Fee Cap; and
    - (2) the costs and expenses due and payable to the Legal Title-Holder in respect of its performance of the Legal Title-Holder Duties in accordance with the Mortgage Administration Agreement;
  - (B) the Cash/Bond Administration Fee (plus value added tax, if any) together with any other amounts due and payable under the Cash/Bond Administration Agreement to the Cash/Bond Administrator;
  - (C) amounts due (plus value added tax, if any) and any fees (including legal fees), costs, charges, liabilities, and expenses incurred by it to the Agents and Agent Bank under the Paying Agency Agreement, the Account Bank and Custodian under the Bank Agreement and the Collection Accounts Provider under the Main Collection Account Agreement, (and to the extent relating to the collections which relate to Loans beneficially owned by the Issuer) the F Collection Account Agreement, the F Collection Account Accession Agreement, the R Collection Account Agreement and the R Collection Account Accession Agreement;
  - (D) amounts due and payable (plus value added tax, if any) to the Corporate Services Provider under and in accordance with the Corporate Services Agreement, the Mortgage Administrator Facilitator and the Legal Title-Holder Facilitator under the Mortgage Administration Agreement and the Cash/Bond Administrator Facilitator under the Cash/Bond Administration Agreement; and
  - (E) amounts due and payable to the Swap Collateral Account Bank and the Custodian under the Swap Collateral Account Bank Agreement;
- (iv) *fourth, to retain* an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;
- (v) *fifth, in, or towards payment pro rata and pari passu* of any amounts to any Swap *Counterparty* in respect of any Swap Agreement (other than any Swap Subordinated Amounts which are due and payable under item (xxii) below or any Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);
- (vi) *sixth, to pay pro rata and pari passu* amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlement of the A Noteholders);
- (vii) *seventh, amounts to be credited to the A Principal Deficiency Ledger* (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the A Principal *Deficiency* Ledger has reached *zero*;
- (viii) *eighth, to pay pari passu and pro rata* amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);

- (ix) *ninth*, amounts to be credited to the B Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the B Principal Deficiency Ledger has reached zero;
- (x) *tenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);
- (xi) *eleventh*, amounts to be credited to the C Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the C Principal Deficiency Ledger has reached zero;
- (xii) *twelfth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, amounts to be credited to the D Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the D Principal Deficiency Ledger has reached zero;
- (xiv) *fourteenth*, amounts to be credited to the General Reserve Fund Ledger, up to the General Reserve Fund Required Amounts;
- (xv) *fifteenth*, amounts to be credited to the E Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the E Principal Deficiency Ledger has reached zero;
- (xvi) *sixteenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
- (xvii) *seventeenth*, to pay amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders);
- (xviii) *eighteenth*, to pay principal *pari passu* and *pro rata* to the holders of the X Notes;
- (xix) *nineteenth*, the Servicing Fee payable to the Mortgage Administrator to the extent it exceeds the Senior Servicing Fee Cap;
- (xx) *twentieth*, to pay amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders);
- (xxi) *twenty-first*, to pay principal *pari passu* and *pro rata* to the holders of the Z Notes (**provided that** while the A Notes to the D Notes (inclusive) and the X Notes are outstanding no repayment of principal under the Z Notes shall be made);
- (xxii) *twenty-second*, in or towards payment *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of any Swap Agreement to the relevant Swap Counterparty of any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts); and
- (xxiii) *twenty-third*, to pay:
  - (A) all amounts of interest due or accrued (if any) but unpaid and any deferred interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(B) all amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(xxiv) *twenty-fourth*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

(d) ***Post-Enforcement Priority of Payments***

Following (i) the service of an Enforcement Notice, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the charged accounts, excluding (A) Swap Excluded Receivable Amounts, (B) any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus to the extent, in each case, utilised to discharge Swap Excluded Payable Amounts in accordance with the applicable Swap Agreement (C) amounts standing to the credit of the Issuer Profit Ledger, (D) any Mortgage Early Redemption Amounts, (E) any Product Switch Upfront Fee Amounts and (F) any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger or (ii) the occurrence of a Redemption Event, the Issuer (or the Cash/Bond Administrator) shall, to the extent that such funds are available, use funds standing to the credit of the Transaction Account to make payments in the following order of priority pursuant to and in accordance with the Deed of Charge (the "**Post-Enforcement Priority of Payments**"):

(i) *first*, to pay, *pro rata*, any remuneration then due and/or payable to the Trustee, any Receiver or Appointee of the Trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such receiver together with interest thereon and to pay all amounts due and/or payable to the Trustee in respect of the Trustee's remuneration, fees (including legal fees), costs, charges, losses, damages, proceedings, claims, demands, expenses and liabilities due to the Trustee (plus value added tax, if any);

(ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Mortgage Administrator Facilitator, the Cash/Bond Administrator, the Cash/Bond Administrator Facilitator, the Agents, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Agent Bank, the Account Bank, the Swap Collateral Account Bank and the Custodian, the Collection Accounts Provider, the Corporate Services Provider, the Joint Lead Managers and the Arranger;

(iii) *third*, to retain an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;

(iv) *fourth*, to pay *pro rata* and *pari passu* amounts payable to any Swap Counterparty (other than any Swap Subordinated Amounts which are due and payable under item (xi) below or any Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);

(v) *fifth*, to pay *pro rata* and *pari passu*:

(A) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders) in accordance with Notes Condition 4 (*Interest*); and

(B) amounts payable to the A Noteholders in respect of principal on the A Notes until the A Notes are redeemed in full.

(vi) *sixth*, to pay *pro rata* and *pari passu*:

(A) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective

- interest entitlements of the B Noteholders) in accordance with Notes Condition 4 (*Interest*); and
- (B) amounts payable to the B Noteholders in respect of principal on the B Notes until the B Notes are redeemed in full;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
- (A) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders) in accordance with Notes Condition 4 (*Interest*); and
- (B) amounts payable to the C Noteholders in respect of principal on the C Notes until the C Notes are redeemed in full;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
- (A) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders) in accordance with Notes Condition 4 (*Interest*); and
- (B) amounts payable to the D Noteholders in respect of principal on the D Notes until the D Notes are redeemed in full;
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
- (A) amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders) in accordance with Notes Condition 4 (*Interest*); and
- (B) amounts payable to the X Noteholders in respect of principal on the X Notes until the X Notes are redeemed in full;
- (x) *tenth*, to pay *pro rata* and *pari passu*:
- (A) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders) in accordance with Notes Condition 4 (*Interest*); and
- (B) amounts payable to the E Noteholders in respect of principal on the E Notes until the E Notes are redeemed in full;
- (xi) *eleventh*, to pay *pro rata* and *pari passu* to any Swap Counterparty any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts);
- (xii) *twelfth*, to pay amounts owing to any third parties (if any) including any tax payable by the Issuer (other than amounts payable out of Issuer Profit);
- (xiii) *thirteenth*, to pay *pro rata* and *pari passu*:
- (A) amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders) in accordance with Notes Condition 4 (*Interest*); and
- (B) amounts payable to the Z Noteholders in respect of principal on the Z Notes until the Z Notes are redeemed in full;

- (xiv) *fourteenth*, to pay:
  - (A) all amounts of interest due or accrued (if any) but unpaid and any deferred interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
  - (B) all amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (xv) *fifteenth*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Notes Condition 9 (*Events of Default*)) **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 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 of all amounts owing in respect of the Notes or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, 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 in respect of the Notes.

(e) ***The Certificates***

Holders of the Certificates shall be entitled to receive their *pro rata* entitlement to:

- (i) the balance of amounts remaining following payments of all other items senior to the Certificates in the relevant Priority of Payments;
- (ii) on each Interest Payment Date any Mortgage Early Redemption Amounts received by the Issuer during the prior Determination Period;
- (iii) on each Interest Payment Date any Product Switch Upfront Fee Amounts received by the Issuer during the prior Determination Period;
- (iv) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger;
- (v) on the Issue Date, any Swap Counterparty Upfront Payment to be paid (if any) by the Swap Counterparty to the Issuer on the Issue Date;
- (vi) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid (if any) by the Swap Counterparty to the Issuer on each applicable Interest Payment Date; and
- (vii) on the second Interest Payment Date, any surplus amount standing to the credit of the Start-Up Costs Ledger as at the second Determination Date.

3. **Covenants of the Issuer**

Save with the prior written consent of the Trustee or as expressly provided in or expressly envisaged by these Conditions, the Bank Agreement, the Swap Collateral Account Bank Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Accession Agreement, the R Collection Account Agreement, the R Collection Account Accession Agreement, the Cash/Bond Administration Agreement, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Swap Agreements, the Corporate Services Agreement, the Deed Poll, the Risk Retention Regulatory Change Deed Poll, the Deed of Charge, each Scottish Declaration of Trust, each Scottish Trust Security, the

Master Definitions Schedule, the Mortgage Administration Agreement, the Note Purchase Agreement, the KHL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the Subordinated Loan Agreement, the Reporting Designation Letter and any other document agreed between the Issuer and the Trustee as being a Transaction Document (together, the "**Transaction Documents**"), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, standard security, assignment, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) ***Restrictions on Activities***

(i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) open nor have any interest in any account whatsoever with any bank or financial institution other than the Collection Accounts and Bank Accounts held with the Collection Accounts Provider and the Account Bank and the Swap Collateral Accounts with the Swap Collateral Account Bank, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Notes Condition 2 (*Status, Security and Administration*) and where the Trustee receives an acknowledgement from such bank or financial institution of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;

(iii) have any subsidiaries or employees or premises; or

(iv) act as a director of any company;

(c) ***Dividends or Distributions***

pay any dividend or make any other distribution to its shareholders except from the amount standing to the credit of the Issuer Profit Ledger;

(d) ***Borrowings***

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(e) ***Merger***

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) ***Disposal of Assets***

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein **provided that** the Issuer may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein where the proceeds of the same are applied, *inter alia*, in or towards redemption of the Notes in accordance with the terms and conditions of the Notes and the terms of the Transaction Documents;



(g) ***Tax Grouping***

be (or ever have been) a member of a VAT (Value Added Tax) group;

(h) ***Independent Director***

at any time have fewer than one independent director;

(i) ***Deed Poll***

following the exercise of any right under the Deed Poll to purchase the Mortgage Pool in accordance with the terms of the Deed Poll, the Issuer shall not seek to enter into an arrangement with any other third party to sell the Mortgage Pool and/or participate in any arrangement which frustrates the rights of the Mortgage Pool Option Holder to complete any such acquisition of the Mortgage Pool;

(j) ***Risk Retention Regulatory Change Deed Poll***

following the exercise of any right under the Risk Retention Regulatory Change Deed Poll to purchase the Mortgage Pool in accordance with the terms of the Risk Retention Regulatory Change Deed Poll, the Issuer shall not seek to enter into an arrangement with any other third party to sell the Mortgage Pool and/or participate in any arrangement which frustrates the rights of the Risk Retention Holder to complete any such acquisition of the Mortgage Pool;

(k) ***Hedging Arrangements***

enter into Swap Agreements and/or Further Interest Rate Swaps other than (i) in accordance with the terms of the Cash/Bond Administration Agreement; or (ii) in order to satisfy the Additional Loan Hedging Condition or Product Switch Hedging Condition (as applicable); or

(l) ***Other***

permit any of the Transaction Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Transaction Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

4. **Interest**

(a) ***Period of Accrual***

Each Note of each class bears interest from (and including) the Issue Date. Each Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Notes Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Notes Condition 13 (*Notice to Noteholders*)) that it has received all sums due in respect of each such Note (except to the extent that there is any subsequent default in payment).

(b) ***Interest Payment Dates and Interest Periods***

Subject to Notes Condition 6 (*Payments*), interest on the Notes (and amounts (if any) payable on the Certificates) is payable on the Interest Payment Date falling in June 2021,

and thereafter quarterly in arrears on the 16<sup>th</sup> day in September, December, March and June in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date an "**Interest Payment Date**"). The period from (and including) an Interest Payment Date (or the Issue Date) to (but excluding) the next (or first) Interest Payment Date is called an "**Interest Period**" in these Notes Conditions.

(c) **Rate of Interest**

Subject to Notes Condition 7 (*Prescription*), the Floating Rate of Interest (as defined below) payable from time to time and the Interest Amount (as defined below) in respect of the Floating Rate Notes will be determined on the basis of the provisions set out below:

- (i) on each Interest Determination Date, the Agent Bank will determine the Compounded Daily SONIA (as defined below) at approximately 11.00 a.m. (London time) on that date (the "**Reference Rate**").
- (ii) the Floating Rate of Interest for the Interest Period in respect of each class of Floating Rate Notes shall be the Reference Rate plus the Relevant Margin (as defined below);
- (iii) subject to paragraph (ii) above, if the Floating Rate of Interest cannot be determined by the Agent Bank in accordance with these Notes Conditions, the Floating Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Relevant Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant Interest Period in place of the Relevant Margin relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Floating Rate of Interest which would have been applicable to such Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Relevant Margin applicable to the first Interest Period); and
- (iv) **provided that**, if there has been a public announcement of the permanent or indefinite discontinuation of the Reference Rate or the relevant benchmark rate that applies to the Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Mortgage Administrator) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Benchmark Rate in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) (the "**Relevant Condition**").

For the purposes of these Notes Conditions:

"**Banking Day**" means, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

"**Compounded Daily SONIA**" means, in respect to each Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and which will be calculated by the Agent Bank as at the Interest Determination Date as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 per cent. being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_{i-5LBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**d<sub>0</sub>**" is the number of Banking Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to **d<sub>0</sub>**, each representing the relevant Banking Day in chronological order from, and including, the first Banking Day in the relevant Interest Period;

"**n<sub>i</sub>**", for any day "**i**", means the number of calendar days from and including such day "**i**" up to but excluding the following Banking Day;

"**SONIA<sub>-5LBD</sub>**" means, in respect of any Banking Day falling in the relevant Interest Period, the Reference Rate for the Banking Day falling five Banking Days prior to the relevant Banking Day "**i**".

"**Floating Rate of Interest**" means in relation to the Floating Rate Notes, the floating rate of interest as determined by the Agent Bank in accordance with this Notes Condition 4 (*Interest*), **provided that**, where the Floating Rate of Interest applicable to any Class of Notes for any Interest Period is determined to be less than zero, the Floating Rate of Interest for such Interest Period shall be zero.

"**Interest Commencement Date**" means the Issue Date.

"**Interest Determination Date**" means the fifth Banking Day before the Interest Payment Date for which the Floating Rate of Interest to be determined on such date will apply.

"**Observation Period**" means the period from and including the date falling five Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling five Banking Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling five Banking Days prior to any other date on which a payment of interest is to be made in respect of the Notes).

"**Reference Rate**" means, in respect of any Banking Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Reference Screen or, if the Reference Screen is unavailable, as otherwise published by such authorised distributors (on the Banking Day immediately following such Banking Day).

If, in respect of any Banking Day in the relevant Observation Period, the Agent Bank determines that the Reference Rate is not available on the Reference Screen or has not otherwise been published by the relevant authorised distributors, such Reference Rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant Banking Day; plus (ii) the mean of the spread of the Reference Rate to the Bank Rate over the previous five days on which a Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

"**Reference Screen**" means the Reuters Screen SONIA Page (or such replacement page on that service which displays the relevant information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer (with the approval of the Trustee, in its sole discretion).

"**Relevant Margin**" shall be:

On any Interest Determination Date occurring prior to the Step-Up Date:

- (a) 0.590 per cent. per annum for the A Notes;

- (b) 1.100 per cent. per annum for the B Notes;
- (c) 1.300 per cent. per annum for the C Notes;
- (d) 2.000 per cent. per annum for the D Notes;
- (e) 3.000 per cent. per annum for the E Notes;
- (f) 5.000 per cent. per annum for the X Notes; and
- (g) 5.000 per cent. per annum for the Z Notes.

On any Interest Determination Date occurring after the Step-Up Date:

- (a) 0.885 per cent. per annum for the A Notes;
- (b) 1.650 per cent. per annum for the B Notes;
- (c) 1.950 per cent. per annum for the C Notes;
- (d) 3.000 per cent. per annum for the D Notes;
- (e) 3.000 per cent. per annum for the E Notes;
- (f) 5.000 per cent. per annum for the X Notes; and
- (g) 7.500 per cent. per annum for the Z Notes.

(d) ***Determination of Floating Rates of Interest and Calculation of Interest Amount***

- (i) The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Trustee, Euronext Dublin/Listing Agent and the Paying Agents of (a) the Floating Rate of Interest applicable to the relevant Interest Period in respect of each Floating Rate Note and (b) the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period.
- (ii) The Interest Amount for all Notes will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Note on the first day of such Interest Period (after taking into account any redemptions occurring in respect of such Notes on such Interest Payment Date), multiplying the product by the actual number of days in such Interest Period divided by 365 (or, if any portion of such Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion divided by 366 and (B) the actual number of days in the remainder of such Interest Period divided by 365) and rounding the resulting figure down to the nearest penny.

(e) ***Publication of Floating Rate of Interest, Interest Amount and other Notices***

The Agent Bank will cause the Floating Rate of Interest and the Interest Amount in respect of each Note for each Interest Period and the immediately succeeding Interest Payment Date to be notified to the Issuer, the Trustee, the Cash/Bond Administrator, each of the Paying Agents, any stock exchange on which the Notes are then listed and, so long as the Notes are in Global Form, each of Euroclear and Clearstream, Luxembourg and will cause notice thereof to be given to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*). The Floating Rate of Interest, Interest Amount and Interest Payment Date in respect of each Note so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period. If the Notes become due and payable under Notes Condition 9 (*Events of Default*), the accrued interest per Interest Amount and the Floating Rate of Interest payable in respect of each Note shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Notes Condition 4 (*Interest*) but no publication of the Rates of Interest or the amounts

of interest payable per Interest Amount so calculated need be made unless the Trustee otherwise requires.

(f) ***Notifications to be Final and Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Notes Condition 4 (*Interest*), whether the Agent Bank or the Cash/Bond Administrator or the Trustee shall (in the absence of manifest error) be final and binding on the Issuer, the Cash/Bond Administrator, the Agent Bank, the Trustee and all Noteholders and (in the absence of fraud, wilful default or gross negligence) no liability to the Trustee or the Noteholders shall attach to the Issuer, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Notes Condition 4 (*Interest*).

(g) ***Agent Bank***

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be an Agent Bank. The initial Agent Bank shall be Citibank, N.A., London Branch. In the event of Citibank, N.A., London Branch being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed.

(h) ***Deferral of Interest***

Interest on the Notes shall be payable in accordance with this Notes Condition 4 (*Interest*) and Notes Condition 6 (*Payments*) subject to the following terms of this Notes Condition 4(h):

- (i) in the event that, whilst there are A Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Notes Condition 4(h), due on the B Notes on such Interest Payment Date (such aggregate available funds being referred to in this Notes Condition 4(h) as the "**B Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Notes Condition 4(h), due on the B Notes on such Interest Payment Date, the amount payable to the B Noteholders on such Interest Payment Date, by way of interest on each B Note, shall be a *pro rata* share of the B Residual Amount;
- (ii) in the event that, whilst there are A Notes and/or B Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Notes Condition 4(h), due on the C Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Notes Condition 4(h) as the "**C Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Notes Condition 4(h), due on the C Notes on such Interest Payment Date, the amount payable to the C Noteholders on such Interest Payment Date, by way of interest on each C Note, shall be a *pro rata* share of the C Residual Amount;
- (iii) in the event that, whilst there are A Notes, B Notes and/or C Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Notes Condition 4(h), due on the D Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Notes Condition 4(h) as the "**D Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Notes Condition 4(h), due on the D Notes on such

Interest Payment Date, the amount payable to the D Noteholders on such Interest Payment Date, by way of interest on each D Note, shall be a *pro rata* share of the D Residual Amount;

- (iv) in the event that, whilst there are A Notes, B Notes, C Notes and/or D Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Notes Condition 4(h), due on the E Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Notes Condition 4(h) as the "**E Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is subject to this Notes Condition 4(h), due on the E Notes on such Interest Payment Date, the amount payable to the E Noteholders on such Interest Payment Date, by way of interest on each E Note, shall be a *pro rata* share of the E Residual Amount;
- (v) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes and/or E Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Notes Condition 4(h), due on the X Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Notes Condition 4(h) as the "**X Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Notes Condition 4(h), due on the X Notes on such Interest Payment Date, the amount payable to the X Noteholders on such Interest Payment Date, by way of interest on each X Note, shall be a *pro rata* share of the X Residual Amount;
- (vi) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes, E Notes and/or X Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Notes Condition 4(h), due on the Z Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Notes Condition 4(h) as the "**Z Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Notes Condition 4(h), due on the Z Notes on such Interest Payment Date, the amount payable to the Z Noteholders on such Interest Payment Date, by way of interest on each Z Note, shall be a *pro rata* share of the Z Residual Amount.

In the event that, by virtue of the provisions of paragraphs (i) to (v) of this Notes Condition 4(h), a *pro rata* share of the B Residual Amount, the C Residual Amount, the D Residual Amount, the E Residual Amount, the X Residual Amount or the Z Residual Amount is paid in accordance with this Notes Condition 4(h), the Issuer shall create provisions in its accounts for the shortfall equal to the amount by which the amount of interest paid on the B Notes, the C Notes, the D Notes, the E Notes, the X Notes or the Z Notes, as the case may be, on any Interest Payment Date in accordance with this Notes Condition 4(h) falls short of the aggregate amount of interest payable on the relevant class of Notes but for this Notes Condition 4(h). Such shortfall (the "**Interest Shortfall**") shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the relevant Rate of Interest for the relevant class of Notes for such Interest Period. A *pro rata* share of such shortfall thereon shall be aggregated with the amount of, and treated for the purpose of this Notes Condition 4(h) as if it were interest due, subject to this Notes Condition 4(h), on each B Note, C Note, D Note, E Note, X Note or Z Note, as the case may be, on the next succeeding Interest Payment Date. This provision shall cease to apply on the Interest Payment Date referred to in Notes Condition 5(a) (*Final Redemption of the Notes*) at which time all accrued interest shall become due and payable.

The non-payment of any deferred interest on any Class of Notes will not be an Event of Default unless and until such Notes are the Most Senior Class (other than the E Notes, the X Notes and the Z Notes) at the time of such non-payment.

(i) ***Determinations and Reconciliation***

- (i) In the event that the relevant Performance Report is not prepared with respect to a Determination Period (any such Determination Period being a "**relevant Determination Period**" for the purposes of this Notes Condition 4(i)) immediately prior to an Interest Payment Date, then the Cash/Bond Administrator shall use the Monthly Reports in respect of the three most recent Determination Periods (or, where there are not at least three previous Monthly Reports, all previous Monthly Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Notes Condition 4(i). If the Performance Report relating to the Determination Period is subsequently received, the Cash/Bond Administrator will make the reconciliation calculations and reconciliation payments as set out in paragraph (iii) below. Any: (A) calculations properly done on the basis of such previous Monthly Reports; (B) payments made under any of the Notes and Transaction Documents in accordance with such calculations; (C) reconciliation calculations; and (D) reconciliation payments made as a result of such reconciliation calculations, each in accordance with paragraph (ii), (iii) and/or (iv) below shall be deemed to be done in accordance with the provisions of the Transaction Documents and will not in themselves lead to an Event of Default and no liability will attach to the Cash/Bond Administrator (in the absence of gross negligence, wilful default or fraud) in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (ii) In respect of any relevant Determination Period, the Cash/Bond Administrator shall:
- (A) determine the Interest Determination Ratio by reference to the three most recently received Monthly Reports (or, where there are not at least three previous Monthly Reports, all previous Monthly Reports received in the preceding Determination Periods);
- (B) calculate the Revenue Receipts for such relevant Determination Period as the product of:
- (I) the Interest Determination Ratio; and
- (II) all payments received by the Issuer during such relevant Determination Period; and
- (C) calculate the Principal Receipts for such relevant Determination Period as the product of:
- (I) 1 minus the Interest Determination Ratio; and
- (II) all payments received by the Issuer during such relevant Determination Period.
- (iii) Following any relevant Determination Period, upon delivery of the Monthly Reports in respect of such relevant Determination Period, the Cash/Bond Administrator shall reconcile the calculations made in accordance with paragraph (ii) above to the actual collections set out in the Monthly Reports as follows:
- (A) if the Reconciliation Amount is a positive number, the Cash/Bond Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Revenue Ledger as Available Principal Funds; and
- (B) if the Reconciliation Amount is a negative number, the Cash/Bond Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Principal Ledger as Available Revenue Funds.

- (iv) If amounts standing to credit of the Revenue Ledger or Principal Ledger, as the case may be, are insufficient to pay or provide for the applicable Reconciliation Amount in full on the relevant Interest Payment Date the Cash/Bond Administrator shall reallocate amounts standing to the credit of the Revenue Ledger or Principal Ledger (as applicable) in accordance with paragraph (iii)(A) or paragraph (iii)(A) above respectively in respect of each subsequent Determination Period (such Reconciliation Amounts to be applied accordingly on the immediately following Interest Payment Date) until such Reconciliation Amount is paid or provided for in full.
- (v) If the Cash/Bond Administrator is required to provide for a Reconciliation Amount in determining Available Revenue Funds and Available Principal Funds in respect of any Interest Payment Date, the Cash/Bond Administrator shall pay or provide for such Reconciliation Amount in accordance with the terms of the Cash/Bond Administration Agreement and the Cash/Bond Administrator shall promptly notify the Issuer and the Trustee of such Reconciliation Amount.

In this Notes Condition 4(i):

**"Interest Determination Ratio"** means: (i) the aggregate Revenue Receipts calculated in the three preceding Monthly Reports (or such smaller number of preceding Monthly Reports as may be available on the date the Interest Determination Ratio is calculated); divided by (ii) the aggregate of the Revenue Receipts and the Principal Receipts calculated in such Monthly Reports;

**"Monthly Report"** means the monthly report substantially in the form scheduled as Schedule 7 (*Form of Monthly Report*) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer, the Cash/Bond Administrator and KMC;

**"Reconciliation Amount"** means in respect of a relevant Determination Period: (i) the actual Principal Receipts as determined in accordance with the available Monthly Reports; less (ii) the Principal Receipts in respect of such relevant Determination Period, determined in accordance with Notes Condition 4(i)(ii)(C);

**"Revenue Receipts"** means, in relation to a relevant Determination Period, the amount credited (or in relation to a relevant Determination Period, the actual amount that should have been credited) to the Revenue Ledger for such relevant Determination Period; and

**"Principal Receipts"** means, in relation to a relevant Determination Period, the amount credited (or in relation to a relevant Determination Period, the actual amount that should have been credited) to the Principal Ledger for such relevant Determination Period.

## 5. **Redemption**

### (a) ***Final Redemption of the Notes***

Unless previously redeemed or purchased and cancelled as provided in this Notes Condition 5, the Issuer shall, subject always to the Pre-Enforcement Priority of Payments and Notes Conditions 5(c) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*) and 10(b) (*Limited Recourse*), redeem (i) the A Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in December 2067, (ii) the B Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in December 2067, (iii) the C Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in December 2067, (iv) the D Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in December 2067, (v) the X Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in December 2067, (vi) the E Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in December 2067, (vii) the Z Notes at their Principal Amount Outstanding,



together with accrued and unpaid interest, on the Interest Payment Date falling in December 2067, and (viii) towards making payments in respect of the Certificates on the Interest Payment Date falling in December 2067, **provided that**, after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, the X Notes and the Z Notes shall be redeemed and payments shall be made in respect of the Certificates out of available residual amounts pursuant to the Post-Enforcement Priority of Payments.

The Issuer may not redeem Notes in whole or in part prior to such relevant date except as provided in paragraph (a), (d) or (e) of this Notes Condition 5 but without prejudice to Notes Condition 9 (*Events of Default*).

(b) ***Mandatory Redemption of the Notes***

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Redemption Event, on each Interest Payment Date, other than the Interest Payment Date on which the Notes are to be redeemed under paragraph (a) above or (d) or (e) below, the Issuer or the Cash/Bond Administrator on the Issuer's behalf shall apply an amount equal to the Available Principal Funds (as defined below) as at the date which falls two Business Days prior to such Interest Payment Date (each such date a "**Determination Date**") in making the following payments in the following priority (the "**Pre-Enforcement Principal Priority of Payments**"):

- (i) *first*, on or after the Interest Payment Date on which a Liquidity Reserve Fund Trigger Event occurs, to fund the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount;
- (ii) *second*, following application of the General Reserve Fund and the Liquidity Reserve Fund, transferring amounts to the Available Revenue Funds to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and/or the D Notes;
- (iii) *third*, during the Further Sale Period, in redeeming the A Notes on a *pari passu* and *pro rata* basis until the aggregate Principal Amount Outstanding on such A Notes is equal to the Class A Target Notional Amount applicable for such Interest Payment Date;
- (iv) *fourth*, during the Further Sale Period, to pay to the Seller any Additional Loan Purchase Consideration for any Additional Loans acquired by the Issuer on such Interest Payment Date;
- (v) *fifth*, during the Further Sale Period, to fund amounts to be credited to the Retained Principal Ledger by the Cash/Bond Administrator (upon the written instruction and authorisation of the Mortgage Administrator), up to the Maximum Principal Retained Amount;
- (vi) *sixth*, in redeeming the A Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the A Notes have been redeemed in full;
- (vii) *seventh*, after the A Notes have been redeemed in full, in redeeming the B Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the B Notes have been redeemed in full;
- (viii) *eighth*, after the A Notes and the B Notes have been redeemed in full, in redeeming the C Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the C Notes have been redeemed in full;

- (ix) *ninth*, after the A Notes, the B Notes and the C Notes have been redeemed in full, in redeeming the D Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the D Notes have been redeemed in full;
- (x) *tenth*, after the A Notes, the B Notes, the C Notes and the D Notes have been redeemed in full, in redeeming the X Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the X Notes have been redeemed in full;
- (xi) *eleventh*, after the A Notes, the B Notes, the C Notes, the D Notes and the X Notes have been redeemed in full, in redeeming the E Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the E Notes have been redeemed in full; and
- (xii) *twelfth*, to pay any remaining amounts to the holders of the Certificates.

The Cash/Bond Administrator is responsible, pursuant to the Cash/Bond Administration Agreement, for determining the amount of the Available Principal Funds as at any Determination Date and each determination so made shall (in the absence of negligence, fraud, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Mortgage Administrator, the Trustee and all Noteholders, and no liability to the Noteholders, shall attach to the Issuer, the Trustee or (in such absence as aforesaid) to the Cash/Bond Administrator in connection therewith.

The amount of "**Available Principal Funds**" as at any Determination Date is an amount calculated as the aggregate of:

- (i) the Principal Collections received for the preceding Determination Period but with respect to the second Determination Date and any subsequent Determination Date excluding any Principal Collections already applied as Additional Loan Purchase Consideration during such preceding Determination Period in purchasing any Additional Loans;
- (ii) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date;
- (iii) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date;
- (iv) any Liquidity Reserve Fund Excess Amount; and
- (v) any amounts standing to the credit of the Retained Principal Ledger on that Determination Date,

but excluding an amount equal to any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger (any such amount being payable by the Issuer directly to the Certificateholders).

The amount, if any, by which the total issuance of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security (including any Additional Loans acquired up to (but excluding) the first Interest Payment Date), will be made part of the Available Principal Funds on the first Interest Payment Date.

The "**Principal Collections**" as at any Determination Date is an amount determined by the Cash/Bond Administrator on such Determination Date or is the aggregate of:

- (i) all repayments or prepayments of principal received by the Issuer in relation to the Loans in respect of the Determination Period ending on or immediately prior to such Determination Date;
- (ii) all payments of any amounts whether being with respect to interest, fees, breakage costs and/or any amounts in arrears which as at the date of the assignment or (as applicable) transfer of such Loan to the Issuer was included in the calculation of the Principal Balance of the relevant Loan for the purpose of calculating the Initial Purchase Consideration to be paid by the Issuer for such Loan; and
- (iii) recoveries received by the Issuer and allocable to principal upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to principal upon a purchase or a repurchase of the Loans or Shortfall Loans by the Seller or KMC (or an affiliate thereof), in accordance with the terms of the KHL/Issuer Mortgage Sale Agreement in each case received by the Issuer in the Determination Period preceding such Determination Date.

(c) ***Note Principal Payments, Principal Amount Outstanding and Pool Factor***

With respect to each Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine) (i) the amount of any principal amount due on the Interest Payment Date next following such Determination Date (a "**Note Principal Payment**"), (ii) the principal amount outstanding of each such Note of such Class on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date) (the "**Principal Amount Outstanding**") and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Note of that Class (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of fraud, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each of the Classes of Notes, the Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Notes Condition 13 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes of any Class on any Interest Payment Date a notice to this effect will be given to the Noteholders. If the Issuer does not at any time for any reason determine (or cause the Cash/Bond Administrator to determine) with respect to each of the Classes of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph (c) such determination may be made by the Trustee (without liability accruing to the Trustee as a result) in accordance with this Notes Condition based on information supplied to it by the Issuer or the Cash/Bond Administrator and each such determination or calculation shall be deemed to have been made by the Issuer and in the absence of fraud, wilful default, or gross negligence shall be final, and no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non-exercise by the Trustee of its powers, duties, determinations and discretions under this Notes Condition 5.

(d) ***Optional Redemption in Full***

(i) **provided that:**

- (A) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property pursuant to the Deed Poll (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) as would be required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and
- (B) on or prior to the Interest Payment Date on which the relevant notice of optional redemption expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date on or after the Call Option Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) (which notice shall be irrevocable) (the "**notice of optional redemption**");

(ii) **provided that:**

- (A) the aggregate Principal Amount Outstanding of the Senior Notes is less than or equal to 20 per cent. of the aggregate Principal Amount Outstanding of the Senior Notes upon issue;
- (B) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property to the holders of the Certificates (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and
- (C) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) (which notice shall be irrevocable).

- (iii) Any Note redeemed pursuant to this Notes Condition 5(d) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

(e) ***Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option***

(i) **provided that:**

- (A) following the exercise of the Risk Retention Regulatory Change Option by the Risk Retention Regulatory Change Option Holder, the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property pursuant to the Risk Retention Regulatory Change Deed Poll together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and
- (B) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) (which notice shall be irrevocable).

- (ii) Any Note redeemed pursuant to this Notes Condition 5(e) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

(f) ***Optional Redemption for Taxation or Other Reasons***

If by reason of a change in or amendment to tax law (or regulation or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, on the next Interest Payment Date, the Issuer or any Paying Agent has or will become obliged to deduct or withhold from any payment of principal or interest on any Class of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such Class) 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 the United Kingdom or any political sub-division thereof or any authority thereof or therein, then the Issuer shall, if the same would avoid the effect of such relevant event described in this paragraph (f) 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 as principal debtor under the Notes, **provided that** the Trustee is satisfied that such substitution will not be materially prejudicial to the holders of the Most Senior Class and **provided further that** if any of the taxes referred to in this Notes Condition 5(f) arise in connection with FATCA, the requirement to avoid the effect of any event described above shall not apply.

If the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer (immediately before giving the notice referred to below) stating that one or more of the events described in this paragraph (f) 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 45 nor less than 30 days' notice to the Trustee and Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) redeem all (but not some only) of the Notes on the next following Interest Payment Date at their respective Principal

Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption **provided that** (in either case), prior to giving any such notice, the Issuer shall have provided to the Trustee (i) a certificate signed by two directors of the Issuer stating that one or more of the circumstances referred to in this paragraph (f) prevail(s) and setting out details of such circumstances and (ii) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer and any Paying Agent (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Trustee that it will have the necessary funds, not subject to the interests of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the terms and conditions thereof.

(g) ***Notice of Redemption***

Any such notice as is referred to in paragraph (d), (e) or (f) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at the Principal Amount Outstanding, plus accrued and unpaid interest, of the relevant Note.

The Issuer shall notify each relevant Swap Counterparty upon the occurrence of a Redemption Event.

(h) ***Purchase***

The Issuer shall not purchase any Notes.

(i) ***Cancellation***

All Notes redeemed will be cancelled upon redemption, and may not be resold or re-issued.

6. **Payments**

(a) ***Principal and interest***

Payments of principal and interest shall be made by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the specified office of any Paying Agent in accordance with the terms of the Paying Agency Agreement.

(b) ***Record date***

Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Global Note shall be the only person entitled to receive payments in respect of any Note represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

(c) ***Payments subject to laws***

All payments are subject in all cases to any applicable laws and regulations in the place of payment or other laws to which the Issuer or the Agents agree to be subject and the Issuer and the Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements, but without prejudice to the provisions of

Notes Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) ***Payments on business days***

If the due date for payment of any amount in respect of any Note is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place, and shall not be entitled to any further interest or other payment in respect of such delay. In this paragraph (d), "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a sterling-denominated account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.

(e) ***Paying Agents***

The initial Paying Agent and its initial specified office is listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, **provided that** it will maintain a Principal Paying Agent.

The initial specified office of the Paying Agent is at:

*Principal Paying Agent*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Trustee and the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*).

7. **Prescription**

Claims in respect of principal and interest shall become void unless made within a period of 10 years, in the case of principal, and five years, in the case of interest, from the appropriate relevant date on which such sums became due and payable. After the date on which a Note becomes void in its entirety, no claim may be made in respect thereof. In this Notes Condition 7, the "**relevant date**", in respect of a Note is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect having been duly given to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*).

8. **Taxation**

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature or in connection with FATCA. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Principal Paying Agent, any other Paying Agent, nor any other person will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction or in connection with FATCA.

9. **Events of Default**

After any of the following events (each an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate in Principal Amount Outstanding of the Most Senior Class or if so directed by an Extraordinary Resolution of the Most Senior Class, shall (subject, in each case, to it being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Issuer (an "**Enforcement Notice**") that the Notes are, and they shall immediately become, due and payable at their Principal Amount Outstanding together with accrued interest:

- (a) default being made for a period of 10 Business Days in the payment of the principal on the Most Senior Class of Notes or any interest on the Most Senior Class of Notes (other than the E Notes, the X Notes and the Z Notes) when and as the same ought to be paid in accordance with these Notes Conditions; or
- (b) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed, as applicable, and, in any such case (except where the Trustee certifies that, such failure is (I) in the opinion of the Trustee, incapable of remedy or (II) in the opinion of the Trustee, capable of remedy but remains unremedied for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (d) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
- (d) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Most Senior Class; or
- (e) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or filing documents with the court or making an application for the appointment of an administrator or liquidator or serving a notice of intent to appoint an administrator) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance, assignment, assignation or trust for the benefit of its creditors generally; or
- (f) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Transaction Documents,

**provided that**, in the case of each of the events described in paragraph (b) of this Notes Condition 9, the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class.

10. **Enforcement of Security, Limited Recourse and Non-Petition**

(a) ***Enforcement of Security***

At any time after an Enforcement Notice has been served, the Trustee may, in its absolute discretion and without further notice, take such proceedings and/or other action or steps



against or in relation to the Issuer or any other person as it may think fit to enforce the provisions of the Notes, the Trust Deed, these Notes Conditions and the other Transaction Documents to which it is a party, but it shall not be bound to do so unless:

- (i) it shall have been directed by a notice in writing by holders of Notes outstanding constituting at least 25 per cent. of the aggregate in Principal Amount Outstanding of the Most Senior Class or if so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding; and
- (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

(b) **Limited Recourse**

(i) *Enforcement of Security*

Only the Trustee may enforce the Security over the Charged Property in accordance with, and subject to the terms of, the Deed of Charge and any Scottish Trust Security.

(ii) *Insufficient Recoveries*

If at any time following:

(A) the occurrence of either:

- (1) the Interest Payment Date falling in December 2067 or any earlier date upon which all of the Notes of each Class are due and payable; or
- (2) the service of an Enforcement Notice; and

(B) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Post-Enforcement Priority of Payments,

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 Notes Condition 10:

**"Realisation"** means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

**"Charged Property"** means the property of the Issuer which is subject to the Security.

(iii) *Noteholder Acknowledgments*

Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that:

- (A) in the event of realisation or enforcement of the Charged Property, its right to obtain payment of interest and repayment of principal on the Notes in full is limited to recourse against the undertaking, property and assets of the Issuer comprised in the Charged Property;
- (B) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Charged Property in accordance with the Post-Enforcement Priority of Payments and all claims in respect of any shortfall will be extinguished and discharged; and
- (C) in the event that a shortfall in the amount available to pay principal of the Notes of a Class exists on the Final Maturity Date or on any earlier date for redemption in full of the Notes or any Class of Notes, after payment on the Final Maturity Date or such date of earlier redemption of all other claims ranking higher in priority to or *pari passu* with the Notes or the related Class of Notes, and the Charged Property has not become enforceable as at the Final Maturity Date or such date of earlier redemption, the liability of the Issuer to make any payment in respect of such shortfall will cease and all claims in respect of such shortfall will be extinguished.

(c) *Non-Petition*

No Noteholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Issuer or over any or all of its assets or undertaking.

11. **Meetings of Noteholders; Modifications; Consents; Waiver**

- (a) The Trust Deed contains provisions for convening separate or combined meetings of the Noteholders of any Class to consider matters relating to the Notes, including subject to paragraph (e) below the sanctioning by Extraordinary Resolution of a modification of any of these Notes Conditions or any provisions of the other Transaction Documents.

The Trust Deed provides that at least 21 days' and a maximum of 365 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) of a proposed meeting shall be given to Noteholders. The notice shall, amongst other things, specify the day, time and place of the meeting, with such place to be a venue in the United Kingdom.

The Trust Deed provides that a resolution in writing signed by all of the holders of a particular Class or Classes of Notes by a majority consisting of not less than 50.1 per cent. by Principal Amount Outstanding of such Class or Classes of Notes shall for all purposes be as valid and effective as an Ordinary Resolution passed at a meeting of the Noteholders of such Class duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the Noteholders of such Class or Classes.

The Trust Deed provides that a resolution in writing signed by all of the holders of at least 75 per cent. by Principal Amount Outstanding of the relevant Class or Classes of Notes shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders of such Class or Classes duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same

form, each signed by or on behalf of one or more of the Noteholders of such Class or Classes.

- (b) Any Extraordinary Resolution or an Ordinary Resolution duly passed by a meeting of the Noteholders of a particular Class or Classes shall be binding on all Noteholders of such Class or Classes (whether or not they were present at the meeting at which such resolution was passed and whether or not voting).

An Extraordinary Resolution passed at a meeting of the holders of the Most Senior Class shall be binding on the holders of all other Classes of Notes irrespective of the effect on them, except an Extraordinary Resolution of the holders of the Most Senior Class to sanction a Notes Basic Terms Modification, which shall not take effect unless it has also been sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes affected and by a Certificates Extraordinary Resolution of the Certificateholders (if affected).

No Extraordinary Resolution of any Class to approve any matter other than a Notes Basic Terms Modification shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes then outstanding ranking senior to such Class (to the extent that there are Notes ranking senior to such Class of Notes) unless, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of any Most Senior Class of Notes or it is sanctioned by an Extraordinary Resolution of the holders of such Most Senior Class of Notes. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes the exercise of which will be binding on themselves and any junior Class of Notes, irrespective of the effect on their interests.

The Trust Deed provides that:

- (i) meetings of Noteholders of separate Classes may be held at the same time;
- (ii) meetings of Noteholders of separate Classes will normally be held separately, but the Trustee may from time to time determine that meetings of Noteholders of separate Classes shall be held together;
- (iii) an Ordinary Resolution or an Extraordinary Resolution that in the opinion of the Trustee affects one Class alone shall be deemed to have been duly passed if passed at a separate meeting of the Noteholders of the Class concerned;
- (iv) an Extraordinary Resolution that in the opinion of the Trustee affects the Noteholders of more than one Class but does not give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed if passed at a single meeting of the Noteholders of the relevant Classes;
- (v) subject to paragraph (vi) below, an Extraordinary Resolution that in the opinion of the Trustee affects the Noteholders of more than one Class and gives or may give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed only if it shall be duly passed at separate meetings of the Noteholders of each of the relevant Classes **provided always that** an Extraordinary Resolution passed at a meeting of the holders of the Most Senior Class shall be binding on the holders of all other Classes of Notes irrespective of the effect on them, except an Extraordinary Resolution of the holders of the Most Senior Class to sanction a Notes Basic Terms Modification, which shall not take effect unless it has also been sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes affected and by a Certificates Extraordinary Resolution of the Certificateholders (if affected); and
- (vi) if a poll is called at a meeting of a Class of Noteholders, the number of votes which can be cast by each person present shall be proportionate to the Principal

Amount Outstanding of the Notes of such Class that such person holds or represents at that meeting.

(c) ***Negative consent***

In relation to an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) or an Ordinary Resolution of the Noteholders of any Class of Noteholders, such Extraordinary Resolution or Ordinary Resolution is duly passed and shall be binding on all of the Noteholders or the Noteholders of such Class in accordance with its terms where:

- (i) notice of such Extraordinary Resolution or Ordinary Resolution, as applicable, (including the full text of the same) has been given by the Issuer or the Trustee to the Noteholders or the Noteholders of such Class in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*);
- (ii) such notice contains a statement requiring such Noteholders to inform the Trustee via the Clearing Systems and the Principal Paying Agent in writing if they object to such Extraordinary Resolution or Ordinary Resolution, stating that unless holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class; or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class, makes such objection, the Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) or Ordinary Resolution will be deemed to be passed by the Noteholders or the Noteholders of such Class and specifying the requirements for the making of such objections (including addresses, email addresses and deadlines) further as set out in the following paragraph; and
- (iii) holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class, have not informed the Trustee via the Clearing Systems and the Principal Paying Agent in writing of their objection to such Extraordinary Resolution or Ordinary Resolution within 40 days of the date of the relevant notice.

Upon the Trustee receiving objections from Noteholders of 10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of the relevant Class or Classes, the Trustee shall give notice to the relevant Class or Classes of Noteholders in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*) that the relevant Extraordinary Resolution or the Ordinary Resolution (as the case may be) has not passed. In such circumstance, a meeting of Noteholders may be called in accordance with the provisions of this Notes Condition 11 in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance with the provisions of this Notes Condition 11.

(d) ***Quorum***

The quorum at any meeting of Noteholders of a particular Class for passing:

- (i) an Extraordinary Resolution to approve a Notes Basic Terms Modification, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) 75 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting or (y) more than 50 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting;

- (ii) an Extraordinary Resolution to approve any matter other than a Notes Basic Terms Modification, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) more than 50 per cent. of the Principal Amount Outstanding of the Notes of such Class or (y) 25 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting; and
- (iii) an Ordinary Resolution shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) 25 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting and (y) 10 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting.

Subject to the provisions of the Trust Deed, the holder of the Global Note shall be treated as a Noteholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Noteholders.

(e) ***Modification and Waiver***

The Trustee may agree, without the consent or sanction of any of, or any liability to, the Noteholders, to:

- (i) (I) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation, and (II) any other modification (excluding a Notes Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation) **provided that**, in respect of any modification of, or in connection with the Deed Poll and the Mortgage Pool Option, the written consent of the Mortgage Pool Option Holder has been provided to the Trustee; or
- (ii) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

**provided that** the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution of holders of the Most Senior Class made pursuant to Notes Condition 9 (*Events of Default*). Any such modification, authorisation, determination or waiver shall be binding on the Noteholders and, if the Trustee so requires, the Issuer will arrange for it to be notified to the Noteholders as soon as practicable.

The prior written consent of each relevant Swap Counterparty is required to modify or supplement any provision of the Transaction Documents, the Notes Conditions or the Certificates Conditions if, in the reasonable opinion of such Swap Counterparty, such modification or supplement would materially adversely affect any of the following:

- (i) the amount, timing or priority of any payments or deliveries due to be made by or to such Swap Counterparty under the Notes Conditions, the Certificates Conditions or any Transaction Document;
- (ii) the Issuer's ability to make such payments or deliveries to such Swap Counterparty;

- (iii) such Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
- (iv) any amendment to Condition 5 (*Redemption*) of the Notes Conditions or any additional redemption rights in respect of the Notes; or
- (v) Clause 20.1.2 (*Modification*) of the Trust Deed.

The Issuer shall notify in writing such Swap Counterparty and the Trustee of any proposed modification or supplement to any provisions of the Transaction Documents, the Notes Conditions or the Certificate Conditions that may affect any of the items listed in the previous paragraph at least 21 days (exclusive of the day on which the notice is given and of the day that the modification or supplement is intended to be effected) prior to such modification or supplement being effected, notwithstanding any other provision of the Transaction Documents, the Notes Conditions or the Certificate Conditions. Such Swap Counterparty may notify the Trustee and the Issuer in writing if, in such Swap Counterparty's reasonable opinion, such modification or supplement would materially adversely affect any of the items listed in the previous paragraph. If the Issuer and the Trustee receive notification (the "**Notification**") from such Swap Counterparty that such Swap Counterparty has determined that the modification and/or supplement would not affect any of the items listed in the previous paragraph or that such Swap Counterparty otherwise consents to such modification and/or supplement, such modification and/or supplement may take effect at any time from and including the date of receipt of the Notification. If the Issuer and the Trustee do not receive any such determination or a Notification by the expiry of such notice period, such Swap Counterparty shall be deemed to have consented to such modification or supplement. If such Swap Counterparty has not received notice in accordance with this paragraph, the proposed modification or supplement shall not be effective.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to the receipt of consent from any of the Secured Creditors party to a Transaction Document being modified or whose ranking in any Priority of Payments is affected, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification and a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to:

- (i) enable the Issuer to comply with any requirements which apply to it under UK EMIR and/or EU EMIR, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under UK EMIR and/or EU EMIR and have been drafted solely to that effect;
- (ii) enable the Issuer (A) to comply with any obligation which applies to it under the UK Securitisation Regulation, including as a result of the adoption of any binding technical standards and official guidance thereto as amended, varied or substituted from time to time after the Issue Date, or (B) to comply with any obligation which applies to it as at the Issue Date or to which the Issuer in its discretion elects to comply with after the Issue Date under the EU Securitisation Regulation, including as a result of the adoption of regulatory or implementing technical standards in relation to the EU Securitisation Regulation or any other legislation, regulations or official guidance thereto and, including the appointment of a third party pursuant to the Cash/Bond Administration Agreement to assist with the Issuer's reporting obligations pursuant to the UK Securitisation Regulation and/or reporting obligations of the Issuer under the Transaction Documents in connection with the EU Securitisation Regulation

which applies to the Issuer as at the Issue Date or to which the Issuer in its discretion has elected to comply with, in each case subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to comply with its obligations that apply to it under the UK Securitisation Regulation (including as a result of the adoption of any binding technical standards and official guidance thereto as amended, varied or substituted from time to time after the Issue Date) or relating to the EU Securitisation Regulation (including as a result of the adoption of regulatory or implementing technical standards in relation to the EU Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto which applies to the Issuer as at the Issue Date or to which the Issuer in its discretion has elected to comply with after the Issue Date) and have been drafted solely to that effect;

- (iii) enable the treatment of the Notes as a simple, transparent and standardised securitisation or implementing technical standards under the UK Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to comply with the obligations that apply to it under Article 19 to 22 of the UK Securitisation Regulation (including as a result of the adoption of any binding technical standards and official guidance thereto as amended, varied or substituted from time to time after the Issue Date) and have been drafted solely to that effect;
- (iv) facilitate the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administrator Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect;
- (v) facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Legal Title-Holder Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect; and
- (vi) facilitate the appointment of a replacement Cash/Bond Administrator appointed by the Issuer in accordance with the terms of the Cash/Bond Administration Agreement, subject to receipt by the Trustee of a certificate issued by the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Cash/Bond Administrator appointed by the Issuer in accordance with the terms of the Cash/Bond Administration Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to this Notes Condition 11(e), the Trustee shall, in relation only to its obligation to make an amendment related to UK EMIR and/or EU EMIR, the UK Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto, the EU Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto to the extent that the Issuer, in its discretion, elects to comply with the EU Securitisation Regulation after the Issue Date, the treatment of the Notes as a simple, transparent and standardised securitisation or implementing technical standards under the UK Securitisation Regulation

or any other legislation or regulations or official guidance in relation thereto, a replacement Mortgage Administrator, a replacement Legal Title-Holder and/or a replacement Cash/Bond Administrator, not consider the impact of such modifications on the interests of any Noteholders or Certificateholders, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Issuer or relevant Transaction Party, as the case may be and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditors 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 such person.

Any such modifications permitted by this Notes Condition 11(e) shall be binding on the Noteholders, Certificateholders and other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders and Certificateholders as soon as practicable thereafter in accordance with Notes Condition 13 (*Notice to Noteholders*) and Certificates Condition 11 (*Notice to Certificateholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with this Notes Condition 11(e) as soon as reasonably practicable thereafter.

The Trustee shall not be obliged to agree to any modification of the Trust Deed, the Notes Conditions, the Certificates Conditions or any other Transaction Document which (in the sole opinion of the Trustee) would have the effect of: (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents, the Trust Deed and/or the Conditions.

(f) ***Modification and Waiver in relation to the Reference Rate***

Notwithstanding the provisions of Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders or, subject to paragraph (C) below, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than a Notes Basic Terms Modification) to the Trust Deed, the Notes Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to:

- (i) change the Reference Rate or the benchmark rate that then applies in respect of the Notes to an alternative benchmark rate (any such rate, an "**Alternative Benchmark Rate**") and make such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Mortgage Administrator on its behalf) to facilitate such change which, for the avoidance of doubt, may include modifications to when the Floating Rate of Interest applicable to any Class of Notes is calculated and/or notified to Noteholders (a "**Benchmark Rate Modification**") **provided that** the Mortgage Administrator (on behalf of the Issuer) certifies to the Trustee in writing (such certificate, a "**Benchmark Rate Modification Certificate**") that:
  - (A) such Benchmark Rate Modification is being undertaken as a result of a Benchmark Rate Disruption;
  - (B) such Alternative Benchmark Rate satisfies the Benchmark Rate Eligibility Requirement; and
  - (C) the modifications proposed in the context of the Benchmark Rate Modification are required solely for the purpose of applying the Alternative Benchmark Rate and making consequential modifications to the Notes Conditions or any Transaction Document which are, as determined by the Issuer (or the Mortgage Administrator on behalf of the Issuer) in its commercially reasonable judgement, necessary or advisable, and the modifications have been drafted solely to such effect; or



(ii) change the benchmark rate that then applies in respect of the fixed-floating rate swap under any Swap Agreement to an Alternative Benchmark Rate solely as a consequence of a Benchmark Rate Modification and solely for the purpose of aligning the benchmark rate of the fixed-floating rate swap under such Swap Agreement to the benchmark rate of the Notes following such Benchmark Rate Modification (a "**Swap Rate Modification**") **provided that**:

- (A) the Swap Counterparty provides its prior written consent to such Swap Rate Modification; and
- (B) the Mortgage Administrator (on behalf of the Issuer) certifies to the Trustee in writing that such modification is required solely for such purpose and it has been drafted solely to such effect (such certificate being a "**Swap Rate Modification Certificate**");

**provided that**, in the case of any modification made pursuant to a Benchmark Rate Modification and/or a Swap Rate Modification above (as applicable):

- (C) at least 30 days' prior written notice of any such proposed modification has been given to the Trustee **provided that** this notice must be delivered prior to publication of any Benchmark Modification Noteholder Notice;
- (D) the details of and the rationale for any Note Rate Maintenance Adjustment proposed in accordance with Notes Condition 11(f)(J)(4) are as set out in the Benchmark Modification Noteholder Notice published in accordance with Notes Condition 11(f)(J) below; and
- (E) the applicable Benchmark Rate Modification Certificate or the Swap Rate Modification Certificate, as applicable, in relation to such modification is provided to the Trustee both at the time the Trustee is notified of the proposed modification, five Business Days prior to the publication of the Benchmark Rate Modification Noteholder Notice and on the date that such modification takes effect;
- (F) the consent of each Secured Creditor which is a party to any relevant Transaction Document being amended has been obtained;
- (G) with respect to each Rating Agency, either:
  - (1) the Issuer (or the Mortgage Administrator on its behalf) obtains from such Rating Agency written confirmation that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Rated Notes by such Rating Agency or (y) such Rating Agency placing any Rated Notes on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Trustee; or
  - (2) the Issuer certifies in writing to the Trustee that it (or the Mortgage Administrator on its behalf) has notified such Rating Agency of the proposed modification and that it has been unable to obtain such written confirmation but that such Rating Agency has not indicated that the implementation of such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Rated Notes or by such Rating Agency or (y) such Rating Agency placing the Rated Notes on rating watch negative (or equivalent);
- (H) in respect of a Benchmark Rate Modification only, by no later than the date on which the proposed Benchmark Rate Modification becomes effective, the Issuer has agreed the corresponding Swap Rate Modification, other than if the Rating Agency provides written confirmation to the Issuer that the Benchmark Rate Modification would

not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Rated Notes by such Rating Agency if there is no corresponding Swap Rate Modification;

(I) by no later than the date on which the proposed Benchmark Rate Modification becomes effective, the Legal Title-Holder (acting in a manner consistent with that of a Prudent Mortgage Lender) has implemented a change to the reference rate used to calculate the interest charged under each Floating Rate Mortgage in the Mortgage Pool, to the extent necessary to align such rate with the proposed Alternative Benchmark Rate, other than if the Rating Agency provides written confirmation to the Issuer that the Benchmark Rate Modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Rated Notes by such Rating Agency if there is no corresponding change to the reference rate used to calculate the interest charged under each Floating Rate Mortgage in the Mortgage Pool;

(J) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Notes Condition 13 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, (such notice, the "**Benchmark Modification Noteholder Notice**") notifying the following:

(1) the period during which Noteholders of the Most Senior Class on the date specified to be the Benchmark Rate Modification Record Date (which shall be five Business Days from and excluding the date of publication of the Benchmark Modification Noteholder Notice (the "**Benchmark Rate Modification Record Date**")), may object to the proposed Benchmark Rate Modification and the method by which they may object;

(2) the Benchmark Rate Disruption on the basis of which the Benchmark Rate Modification and/or Swap Rate Modification is being proposed;

(3) the Benchmark Rate Eligibility Requirement satisfied by the Alternative Benchmark Rate and, if paragraph (d) of the definition of Benchmark Rate Eligibility Requirement is being applied, the Mortgage Administrator's rationale for choosing the Alternative Benchmark Rate;

(4) details of the adjustment which the Issuer proposes to make (if any) to the Relevant Margin payable on each Class of Notes which are the subject of the Benchmark Rate Modification in order to, so far as reasonably and commercially practicable, preserve what would have (been the expected Floating Rate of Interest applicable to each such Class of Notes had no such Benchmark Rate Modification been effected which, for the avoidance of doubt, may effect an increase or a decrease to the Relevant Margin or may be set at zero (the "**Note Rate Maintenance Adjustment**")), **provided that:**

(a) in the event that the Bank of England, the FCA or the PRA or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Reference Rates has published, endorsed, approved or recognised a note rate maintenance adjustment mechanism which could be used in the

context of a transition from SONIA to the Alternative Benchmark Rate, then the Issuer shall propose that note rate maintenance adjustment mechanism as the Note Rate Maintenance Adjustment, or otherwise the Issuer shall set out in the Benchmark Modification Noteholder Notice the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Benchmark Rate Modification;

- (b) in the event that it has become generally accepted market practice in the publicly listed asset backed floating rate notes to use a particular note rate maintenance adjustment mechanism in the context of a transition from SONIA to the Alternative Benchmark Rate, then the Issuer shall propose that note rate maintenance adjustment mechanism as the Note Rate Maintenance Adjustment, or otherwise the Issuer shall set out in the Benchmark Modification Noteholder Notice the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Benchmark Rate Modification;
  - (c) in the event that neither (a) nor (b) above apply, the Issuer shall use reasonable endeavours to propose an alternative Note Rate Maintenance Adjustment as reasonably determined by the Issuer (or the Mortgage Administrator on behalf of the Issuer) and shall set out the rationale for the proposal or otherwise the Issuer shall set out in the Benchmark Modification Noteholder Notice the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Benchmark Rate Modification; and
  - (d) if any Note Rate Maintenance Adjustment is proposed, the Note Rate Maintenance Adjustment applicable to each Class of Notes other than the Most Senior Class of Notes shall be at least equal to that applicable to the Most Senior Class of Notes. In circumstances where the Issuer proposes a lower Note Rate Maintenance Adjustment on any Class of Notes other than the Most Senior Class than that which is proposed for the Most Senior Class of Notes or another Class of Notes which ranks senior to the Class of Notes to which the lower Note Rate Maintenance Adjustment is proposed to be made, the Benchmark Rate Modification will not be made unless an Ordinary Resolution is passed in favour of such modification in accordance with Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) by the Noteholders of each Class of Notes then outstanding to which the lower Note Rate Maintenance Adjustment is proposed to be made;
- (5) details of (i) other amendments which the Issuer proposes to make (if any) to these Notes Conditions or any other Transaction Document and (ii) any new, supplemental or additional documents into which the Issuer proposes to enter to facilitate the changes envisaged pursuant to Benchmark Rate Modification and/or Swap Rate Modification;

- (K) Noteholders representing at least 10 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding have not contacted the Trustee in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Notes may be held) within the relevant notification period notifying the Trustee that such Noteholders do not consent to the Benchmark Rate Modification and/or Swap Rate Modification; and
- (L) the Issuer pays all costs and expenses (including legal fees) incurred by the Issuer, the Trustee, the Legal Title-Holder, the Mortgage Administrator and the Cash/Bond Administrator in connection with such modification.

If Noteholders representing at least 10 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding have notified the Trustee in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Notes may be held) within such notification period that such Noteholders do not consent to the modification, then any subsequent proposal by the Issuer in respect of a Benchmark Rate Modification or a Swap Rate Modification (as the case may be) must be sanctioned by an Extraordinary Resolution of the Noteholders of the Most Senior Class then outstanding passed in favour of such modification in accordance with Notes Condition 11(a), (b) and (c) (*Meetings of Noteholders; Modification; Consents; Waiver*), **provided that** in circumstances where the Issuer proposes a lower Note Rate Maintenance Adjustment on any Class of Notes other than the Most Senior Class than that which is proposed for the Most Senior Class of Notes or another Class of Notes which ranks senior to the Class of Notes to which the lower Note Rate Maintenance Adjustment is proposed to be made, such Extraordinary Resolution shall be passed by the Noteholders of the Most Senior Class of Notes then outstanding and by the Noteholders of each Class of Notes then outstanding to which the lower Note Rate Maintenance Adjustment is proposed to be made.

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

Any such modifications permitted by this Notes Condition 11(f) shall be binding on the Noteholders and other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders as soon as practicable thereafter in accordance with Notes Condition 13 (*Notice to Noteholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with this Notes Condition 11(f) as soon as reasonably practicable thereafter.

Notwithstanding anything to the contrary in this Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) or any Transaction Document:

- (i) when implementing any modification, pursuant to this Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) to the Notes Conditions, and/or any other Transaction Documents to which it is a party or in relation to which it holds security to or enters into any new, supplemental or additional documents, (save to the extent the Trustee considers that the proposed modification would constitute a Notes Basic Terms Modification), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely, and without further enquiry or liability, on any certificate (including any Benchmark Rate Modification Certificate or Swap Rate Modification Certificate (as applicable)) or evidence provided to it by the Issuer (or the Mortgage Administrator on behalf of the Issuer), as the case may be, pursuant to this Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) 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

- (ii) the Trustee shall not be obliged to agree to any modification of the Trust Deed, the Notes Conditions or any other Transaction Document which (in the sole opinion of the Trustee) would have the effect of: (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents, the Trust Deed and/or the Notes Conditions.

For the avoidance of doubt, the Issuer or the Mortgage Administrator (on behalf of the Issuer) may propose an Alternative Benchmark Rate on more than one occasion **provided that** the conditions set out in this Notes Condition 11(f) are satisfied.

(g) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as are set out in the Trust Deed or as the Trustee may otherwise require, but without the consent of, or any liability to, the Noteholders or the other Secured Creditors to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed, the Notes and the other Transaction Documents. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the holders of the Most Senior Class.

(h) ***Evidence of Notes***

Where for the purposes of these Notes Conditions the Trustee or any other party to the Transaction Documents requires a Noteholder holding Notes through Euroclear or Clearstream, Luxembourg to establish its holding of the Notes to the satisfaction of such party, such holding shall be considered to be established (and the Noteholder in respect of which such holding is established shall be a "**Verified Noteholder**") if such Noteholder provides to the requesting party with regard to the relevant date:

- (i) a Euclid Statement (in the case of Euroclear) or a Creation Online Statement (in the case of Clearstream, Luxembourg) in each case providing confirmation at the time of issue of the same of such person's holding in the Notes; and
- (ii) if the relevant Notes are held through one or more custodians, a signed letter dated as of the date of the Euclid Statement or the Creation Online Statement from each such custodian confirming on whose behalf it is holding such Notes such that the Trustee or any other party to the Transaction Documents is able to verify to its satisfaction the chain of ownership to the beneficial owner.

If in connection with verifying its holding the Trustee or any other party to the Transaction Documents requires a Noteholder to temporarily block its Notes in Euroclear or Clearstream, Luxembourg, such Noteholder will be required to instruct Euroclear or Clearstream, Luxembourg (via its custodian) to do so.

(i) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in this Notes Condition 11) the Trustee:

- (i) shall have regard to the interests of the Noteholders (or, as applicable, the Noteholders of a particular Class) as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the

Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders;

- (ii) shall have regard only to the interests of the holders of the outstanding Notes of the Most Senior Class of Notes where, in the opinion of the Trustee, there is a conflict between the interests of the holders of the Most Senior Class of Notes and the interests of any other Noteholders; and
- (iii) may, in determining whether or not a proposed action will be materially prejudicial to the Noteholders (or, as applicable, the Noteholders of a particular Class), have regard to, among other things, a Rating Agency Confirmation.

12. **Indemnification and Exoneration of the Trustee**

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Legal Title-Holder and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator or (as the case may be), the Legal Title-Holder or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Legal Title-Holder or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Legal Title-Holder with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

13. **Notice to Noteholders**

(a) ***Forms of Notice***

All notices, other than notices given in accordance with any one or more of the following paragraphs of this Notes Condition 13, to Noteholders shall be deemed to have been validly given if:

- (i) for so long as the Notes are listed on a stock exchange, and the rules of such stock exchange and the Market Abuse Directive so require, or at the option of the Issuer, if delivered through the announcements section of the relevant stock exchange and a regulated information service maintained or recognised by such stock exchange; and
- (ii) for so long as the Notes are represented by Global Notes, and if, for so long as the Notes are listed on a stock exchange, the rules of such stock exchange so allow if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders; and
- (iii) for so long as the Notes are represented by Global Notes and if, for so long as the Notes are listed on a stock exchange, the rules of such stock exchange so allow if delivered to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes or such other medium for the electronic display of data as may be previously approved in writing by the Trustee; or
- (iv) if the Notes are in definitive form, if published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be *The Irish Times*) or, if that is not practicable, in such English

language newspaper or newspapers as the Trustee shall approve having a general circulation in Ireland and the rest of Europe.

Any such notice shall be deemed to have been given on:

- (i) in the case of a notice delivered to the regulated information service of a stock exchange, the day on which it is delivered to such stock exchange;
- (ii) in the case of a notice delivered to Euroclear and/or Clearstream, Luxembourg, the day on which it is delivered to Euroclear and/or Clearstream, Luxembourg;
- (iii) in the case of a notice delivered to Bloomberg L.P., the day on which it is delivered to Bloomberg L.P.; and
- (iv) in the case of a notice published in a newspaper, 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 publication is required.

If it is impossible or impractical to give notice in accordance with paragraph (i), (ii) or (iii) of Notes Condition 13(a) (*Notice to Noteholders*) then notice of the relevant matters shall be given in accordance with paragraph (iv) of Notes Condition 13(a) (*Notice to Noteholders*).

Any notices given to the Noteholders by the Issuer or the Trustee shall also be sent concurrently to the relevant Swap Counterparty.

(b) ***Other Methods***

The Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and **provided that** notice of that other method is given to the Noteholders in the manner required by the Trustee.

(c) ***Notices to Euronext Dublin and Rating Agencies***

A copy of each notice given in accordance with this Notes Condition 13 shall be provided to the Rating Agencies and, for so long as the Notes are listed on Euronext Dublin and the guidelines of Euronext Dublin so require, Euronext Dublin.

14. **Governing Law**

The Transaction Documents and the Notes 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 those Transaction Documents specific to the Scottish Mortgages, which shall be governed by and construed in accordance with Scots law).

15. **Privity of Contract**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Notes but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16. **Interpretation**

In these Notes Conditions:

"**Appointee**" means any delegate, agent, nominee, custodian, attorney or manager appointed by the Trustee pursuant to the provisions of the Trust Deed or the Deed of Charge (as the case may be);

**"BoE Loan-Level Data Tape"** means the anonymised individual loan-level data tape in respect of the Mortgage Pool in the format required by the Bank of England;

**"Business Day"** means, a day on which commercial banks and foreign exchange markets settle payments in London and Dublin;

**"Enforcement Notice"** means a notice given by the Trustee to the Issuer under Notes Condition 9 (*Events of Default*) of the Notes;

**"EU SR Data Tape"** means the quarterly report (prepared by the Mortgage Administrator) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period and published in accordance with Article 7(1)(a) of the EU Securitisation Regulation in the form prescribed at the Issue Date under the EU Securitisation Regulation or as otherwise adopted by the Issuer from time to time;

**"EU SR Investor Report"** means the quarterly investor report (prepared by the Cash/Bond Administrator) in respect of each Determination Period and published in accordance with Article 7(1)(e) of the EU Securitisation Regulation in the form prescribed as at the Issue Date under the EU Securitisation Regulation or as otherwise adopted by the Issuer from time to time.

**"Extraordinary Resolution"** means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) an Extraordinary Resolution (other than in respect of a Notes Basic Terms Modification) will pass unless 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution within 40 days after the date on which a notice containing the text of such Extraordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such class in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*) by the Issuer or the Trustee and for so long as the Notes are listed on Euronext Dublin, by making it available to any Regulatory Information Service maintained by Euronext Dublin;

**"Most Senior Class"** means the A Notes for so long as there are any A Notes outstanding; thereafter the B Notes for so long as there are any B Notes outstanding; thereafter the C Notes for so long as there are any C Notes outstanding; thereafter the D Notes for so long as there are any D Notes outstanding; thereafter the X Notes for so long as there are any X Notes outstanding; thereafter the E Notes for so long as there are any E Notes outstanding; thereafter the Z Notes for so long as there are any Z Notes outstanding; and thereafter the Certificates for so long as there are any Certificates outstanding;

**"Notes Basic Terms Modification"** means any modification to (a) the maturity date of the Notes or the dates on which interest is payable in respect of the Notes, (b) the date of payment of principal, interest or any other amount in respect of any Class of Notes, or, where applicable, of the method of calculating the date of payment of principal, interest or any other amount in respect of any Class of Notes, or of the method of calculating the date of payment in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*), (c) the amount of principal, the rate of interest or any other amount payable in respect of any Class of Notes or the priority of payment of such amount, or where applicable, of the method of calculating the amount payable of any principal, interest or any other amount payable in respect of



any Class of Notes or of the method of calculating the amounts payable in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*); (d) the modification or addition of any other amount payable ranking ahead of or *pari passu* with any Class of Notes or Certificates, including any fees payable by the Issuer to any third party (save as permitted or contemplated under the terms of the Transaction Documents), (e) the priority of payment of interest or principal on the Notes, (f) the currency of payment of the Notes, (g) the definition of Notes Basic Terms Modification, (h) the definition of Event of Default (i) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Notes Basic Terms Modification or to pass an Extraordinary Resolution, (j) the definition of the Call Option Date, (k) any changes to the terms of the Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(d) (*Optional Redemption in Full*), (l) any changes to the terms of the Risk Retention Regulatory Change Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*), (m) the provisions concerning limited recourse and non-petition in relation to the Issuer including Notes Condition 10 (*Enforcement of Security, Limited Recourse and Non-Petition*), (n) the Notes Condition 3(i) (*Covenants of the Issuer*) or (o) any waiver of any proposal or actual breach of any of the covenants (including any Event of Default or Potential Event of Default) or provisions contained in or arising pursuant to the Notes Conditions, Certificates Conditions or any Transaction Documents by any party thereto which would have the effect of any of the foregoing, but, no modification relating to the Senior Servicing Fee Cap shall be a Notes Basic Terms Modification;

**"Ordinary Resolution"** means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) an Ordinary Resolution will pass unless 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Ordinary Resolution within 40 days after the date on which a notice containing the text of such Ordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such Class in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*) by the Issuer or the Trustee and for so long as the Notes are listed on Euronext Dublin, by making it available to any Regulatory Information Service maintained by Euronext Dublin;

**"Performance Report"** means the quarterly performance report substantially in the form scheduled as Schedule 2 (*Form of Reports*) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer, the Cash/Bond Administrator and KMC;

**"Rating Agencies"** means DBRS and Fitch and **"Rating Agency"** means any of them;

**"Rating Agency Confirmation"** means (i) written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn or (ii) certification in writing from the Issuer to the Trustee that the Issuer has been unable to obtain such written confirmation but that the Rating Agencies then rating the Notes have been informed of the implementation of such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Rated Notes;

**"UK SR Data Tape"** means the quarterly report (prepared by the Mortgage Administrator) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period and published as then required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation in the form prescribed as at such time under the UK Securitisation Regulation; and

**"UK SR Investor Report"** means the quarterly investor report (prepared by the Cash/Bond Administrator) in respect of each Determination Period and published as then required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation in the form prescribed as at such time under the UK Securitisation Regulation.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

The Certificates are constituted by a trust deed (as amended or modified from time to time, the "**Trust Deed**") dated on or about 24 February 2021 (the "**Issue Date**") between the Issuer and Apex Corporate Trustees (UK) Limited (the "**Trustee**") as trustee for the holders of the Certificates (the "**Certificateholders**"). Any reference in these terms and conditions (the "**Certificates Conditions**") shall be a reference to the Residual Certificates and the holders thereof.

These Certificates Conditions include summaries of, and are subject to, the detailed provisions of (1) the Trust Deed, which includes the form of the Certificates, (2) the paying agency agreement (the "**Paying Agency Agreement**") dated the Issue Date relating to the Certificates between the Issuer, the Trustee, Citibank, N.A., London Branch as agent bank (the "**Agent Bank**"), Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**") and the other paying agents named in it (together with the Principal Paying Agent and any other or further paying agent appointed under the Paying Agency Agreement, the "**Paying Agents**" and together with the Agent Bank, the "**Agents**"), (3) the deed of charge and assignment (the "**Deed of Charge**") dated the Issue Date between the Issuer and the Trustee, (4) the cash/bond administration agreement (the "**Cash/Bond Administration Agreement**") dated the Issue Date between, *inter alios*, the Issuer and Citibank, N.A., London Branch (the "**Cash/Bond Administrator**") and (5) the retention letter (the "**Retention Letter**") dated the Issue Date between, among others, the Issuer and Kensington Holdco Limited.

In these Certificates Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule dated on or about the Issue Date and signed for the purpose of identification by the Issuer and the Seller.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Cash/Bond Administration Agreement, the Master Definitions Schedule and the other Transaction Documents are available for inspection during usual business hours at the specified offices from time to time of the Principal Paying Agent. The Certificateholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Schedule and the other Transaction Documents.

### 1. **Form, Denomination and Title**

#### (a) ***Form and denomination***

- (i) Each Certificate will initially be represented by a global certificate in registered form (a "**Global Certificate**").
- (ii) For so long as any of the Certificates are represented by a Global Certificate, transfers and exchanges of beneficial interests in such Global Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear or Clearstream, Luxembourg, as appropriate. The Global Certificate will be deposited with, and registered in the name of, a nominee of a common depositary (the "**Common Depositary**").
- (iii) A Global Certificate will be exchanged for the relevant Certificate in definitive registered form (such exchanged Global Certificate in definitive registered form, the "**Definitive Certificates**") only if either of the following applies:
  - (A) in the case of a Global Certificate held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or
  - (B) as a result of any amendment to, or change in (A) the laws or regulations of the United Kingdom or any political sub-division therein or thereof

having power to tax or (B) the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is, or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Certificates which would not be required if the Certificates were in definitive form.

- (iv) If Definitive Certificates are issued in respect of Certificates originally represented by a Global Certificate, the beneficial interests represented by such Global Certificate shall be exchanged by the Issuer for the relevant Certificates in registered definitive form.
- (v) Definitive Certificates will be serially numbered and will be issued in registered form only.
- (vi) References to "**Certificates**" in these Certificates Conditions shall include the Global Certificate and the Definitive Certificates, and references to "**Certificateholders**" means the persons holding Certificates.

(b) ***Title***

- (i) The person registered in the Register as the holder of any Certificate will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Certificate regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Certificate.
- (ii) The Issuer shall cause to be kept at the specified office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Certificates and the particulars of the Certificates held by them and of all transfers and redemptions of the Certificates.
- (iii) No transfer of a Certificate will be valid unless and until entered on the Register.
- (iv) Transfers and exchanges of beneficial interests in the Global Certificate and any Definitive Certificates and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Certificates and the detailed regulations concerning transfers of such Certificates contained in the Paying Agency Agreement and the Trust Deed. In no event will the transfer of a beneficial interest in a Global Certificate or the transfer of a Definitive Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the UK or the Registrar to any holder of a Certificate who so requests (and who provides evidence of such holding where the Certificates are in global form) and will be available upon request at the specified office of the Registrar or the Principal Paying Agent.
- (v) A Definitive Certificate may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, a new Definitive Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- (vi) Each new Definitive Certificate, to be issued upon transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available

for delivery at the specified office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Certificate, to such address as may be specified in such request.

- (vii) Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

## 2. **Status, Security and Administration**

- (a) The Certificates constitute direct, secured and unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Certificates Condition 7 (*Enforcement of Security, Limited Recourse and Non-Petition*).

The Certificates will at all times rank without preference or priority *pari passu* amongst themselves.

- (i) As regards payments on the X Notes, the Z Notes and the Certificates:
  - (A) prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments of interest and principal in respect of the X Notes, the Z Notes and payments in respect of the Certificates shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments and, in respect of principal on the X Notes, Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments;
  - (B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments in respect of the X Notes, the Z Notes and the Certificates will be made in accordance with the Post-Enforcement Priority of Payments;
  - (C) payments in respect of the X Notes will only be payable to the extent there are (i) Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments; (ii) in respect of principal only, Available Principal Funds under and in accordance with the Pre-Enforcement Principal Priority of Payments; or (iii) available funds under and in accordance with the Post-Enforcement Priority of Payments (if applicable);
  - (D) payments in respect of the Z Notes will only be payable (i) to the extent there are Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments (or available funds under and in accordance with the Post-Enforcement Priority of Payments, if applicable) and (ii) to the extent that the A Notes to the D Notes (inclusive) and the X Notes have first been paid in full and, following the service of an Enforcement Notice, no payments will be made on the Z Notes until the A Notes to the E Notes (inclusive) have been repaid in full; and
  - (E) payments in respect of the Certificates shall only be payable (a) out of Available Revenue Funds under and in accordance with the Pre-Enforcement Revenue Priority of Payments; (b) out of Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments; (c) out of Available Revenue Funds and Available Principal Funds in accordance with the Post-Enforcement Priority of

Payments after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Notes Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event; (d) on each Interest Payment Date from any Mortgage Early Redemption Amounts received in respect of a Loan by the Issuer during the prior Determination Period, (e) on each Interest Payment Date from any Product Switch Upfront Fee Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (f) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger; (g) on the Issue Date, from any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on the Issue Date; (h) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date; and (i) as provided in paragraph (iii) below.

- (ii) For the avoidance of doubt any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will be payable to the X Notes, the Z Notes and the Certificates. As a result there may be insufficient funds or no funds available to make payments on the X Notes, the Z Notes and/or the Certificates.
- (iii) An amount equal to £1,530,000 shall on the Issue Date be credited to a separate ledger within the Transaction Account (the "**Start-Up Costs Ledger**") for the payment by the Issuer of such Issuer Costs and Expenses. Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall be paid directly to the Certificateholders on the second Interest Payment Date and will not form part of the Available Revenue Funds.

(b) **Security**

As security for the payment of all monies payable in respect of the Certificates and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Legal Title-Holder, the Legal Title-Holder Facilitator, the Mortgage Administrator and the Mortgage Administrator Facilitator under the Mortgage Administration Agreement, the Cash/Bond Administrator and the Cash/Bond Administrator Facilitator under the Cash/Bond Administration Agreement, the Agents under the Paying Agency Agreement, the Account Bank under the Bank Agreement, the Collection Accounts Provider under the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Accession Agreement, the R Collection Account Agreement and the R Collection Account Accession Agreement, each Swap Counterparty under each Swap Agreement, the Corporate Services Provider under the Corporate Services Agreement, the Joint Lead Managers under the Note Purchase Agreement and any other party which is, or accedes to the Deed of Charge as a Secured Party, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) first fixed equitable charges and security in favour of the Trustee over the Issuer's present and future right, title, benefit and interest in, to and under the Loans, the Mortgages and their related Collateral Security;
- (ii) an equitable assignment in favour of the Trustee of the Issuer's interests in the Insurance Contracts to the extent that they relate to the Loans;
- (iii) an assignment in favour of the Trustee of the Issuer's right, title, interest and benefit in, to and under the Bank Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account

Accession Agreement, the R Collection Account Agreement, the R Collection Account Accession Agreement, the Cash/Bond Administration Agreement, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Corporate Services Agreement, the Deed Poll, the Risk Retention Regulatory Change Deed Poll, the Deed of Charge, the Mortgage Administration Agreement, the KHL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the Subordinated Loan Agreement, each Swap Agreement, the Swap Collateral Account Bank Agreement, the Reporting Designation Letter and any other agreement entered into between the Issuer and a secured party to the Deed of Charge (the "**Charged Obligation Documents**" other than the Trust Deed);

- (iv) a first fixed charge in favour of the Trustee over (x) the Issuer's interest in the Bank Accounts and any Authorised Investments, (y) the Issuer's beneficial interest in the Collection Accounts and (z) any other accounts with any bank or financial institution in which the Issuer now or in the future has an interest (to the extent of its interest);
- (v) pursuant to each Scottish Trust Security to be entered into pursuant to the Deed of Charge, each assignment in security of the Issuer's beneficial interest in the Scottish Loans and their Collateral Security (comprising the Issuer's beneficial interest under the trust declared by the Legal Title-Holder over such Scottish Loans and Collateral Security for the benefit of the Issuer pursuant to each relevant Scottish Declaration of Trust); and
- (vi) a first floating charge in favour of the Trustee (ranking after the security referred to in paragraphs (i) to (iv) (inclusive) above) over the whole of the undertaking, property, assets and rights of the Issuer.

(c) ***Pre-Enforcement Revenue Priority of Payment***

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Redemption Event, on each Interest Payment Date, the Cash/Bond Administrator shall apply an amount equal to the Available Revenue Funds, which shall include for the avoidance of doubt:

- (i) interest earned pursuant to the Bank Agreement in respect of the Transaction Account and the Reserve Account for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account and the Reserve Account for the Determination Period immediately preceding the relevant Determination Date;
- (ii) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (iii) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (iv) any amounts to be received or expected to be received by the Issuer under any Swap Agreement or any replacement Swap Agreement on the relevant Interest Payment Date immediately following the relevant Determination Date (but excluding (i) any Swap Counterparty Upfront Payment expected to be received on the Interest Payment Date immediately following the then applicable Determination Date; (ii) any Swap Excluded Receivables Amounts; (iii) any amounts credited to the Swap Collateral Accounts; and (iv) any Swap Collateral Accounts surplus);
- (v) any General Reserve Fund Excess Amount;

- (vi) any amount standing to the credit of the General Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (vii) and (viii) below) in respect thereof;
- (vii) for so long as there are any A Notes or, subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, B Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (vi) above but excluding paragraph (viii) below);
- (viii) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition being satisfied in the case of shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and/or the D Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (iv) and (vii) above). Any such amount may only be used for payment of Senior Fees and interest on the A Notes, the B Notes, the C Notes, the D Notes and/or the E Notes and not of any other amounts in the Pre-Enforcement Revenue Priority of Payments;
- (ix) following the Issue Date, any funds advanced to the Issuer under the Subordinated Loan Agreement on or prior to a Further Purchase Date or a Product Switch Effective Date during a Determination Period in order to fund the payment of any Issuer Upfront Payment from the Issuer to a Swap Counterparty on the immediately following Interest Payment Date; and
- (x) any Additional Revenue Payment to be received or expected to be received by the Issuer under the Subordinated Loan Agreement on the immediately following Interest Payment Date,

but excluding (A) all Mortgage Early Redemption Amounts in respect of the Determination Period ending immediately prior to the Determination Date; (B) all Product Switch Upfront Fee Amounts in respect of the Determination Period ending immediately prior to the Determination Date; and (C) any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date, in each case as at the immediately preceding Determination Date in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full (the "**Pre-Enforcement Revenue Priority of Payments**"):

- (i) *first*, to pay *pro rata* (I) when due the remuneration payable to the Trustee (plus VAT, if any) and any fees (including legal fees), costs, charges, liabilities and expenses incurred by and/or payable to it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together or any other documents entered into by the Trustee in its capacity as trustee under the Trust Deed or the Deed of Charge or either or both of them with interest as provided in the Trust Deed or the Deed of Charge or either or both of them and (II) any amounts due and payable to any Receiver and any Appointee of the Trustee in relation to the Transaction Documents;
- (ii) *second*, to pay *pro rata* when due (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust



Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and prior to the next Interest Payment Date and to provide for the Issuer's liability or possible liability for corporation tax to the extent not payable from the Issuer Profit; and (b) an amount equal to any premia in respect of Insurance Contracts;

- (iii) *third*, to pay *pro rata* and *pari passu*:
  - (A) the servicing fee due under the Mortgage Administration Agreement, comprising:
    - (1) the Servicing Fee payable to the Mortgage Administrator up to and including the Senior Servicing Fee Cap; and
    - (2) the costs and expenses due and payable to the Legal Title-Holder in respect of its performance of the Legal Title-Holder Duties in accordance with the Mortgage Administration Agreement;
  - (B) the Cash/Bond Administration Fee (plus value added tax, if any) together with any other amounts due and payable under the Cash/Bond Administration Agreement to the Cash/Bond Administrator;
  - (C) amounts due (plus value added tax, if any) and any fees (including legal fees), costs, charges, liabilities, and expenses incurred by it to the Agents and Agent Bank under the Paying Agency Agreement, the Account Bank and Custodian under the Bank Agreement and the Collection Accounts Provider under the Main Collection Account Agreement (and to the extent relating to the collections which relate to Loans beneficially owned by the Issuer), the F Collection Account Agreement, the F Collection Account Accession Agreement, the R Collection Account Agreement and the R Collection Account Accession Agreement;
  - (D) amounts due and payable (plus value added tax, if any) to the Corporate Services Provider under and in accordance with the Corporate Services Agreement, the Mortgage Administrator Facilitator and the Legal Title-Holder Facilitator under the Mortgage Administration Agreement and the Cash/Bond Administrator Facilitator under the Cash/Bond Administration Agreement; and
  - (E) amounts due and payable to the Swap Collateral Account Bank and the Custodian under the Swap Collateral Account Bank Agreement;
- (iv) *fourth*, to retain an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;
- (v) *fifth*, in, or towards payment *pro rata* and *pari passu* of any amounts to any Swap Counterparty in respect of any Swap Agreement (other than any Swap Subordinated Amounts which are due and payable under item (xxii) below or any Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);
- (vi) *sixth*, to pay *pro rata* and *pari passu* amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
- (vii) *seventh*, amounts to be credited to the A Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the A Principal Deficiency Ledger has reached zero;

- (viii) *eighth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
- (xix) *ninth*, amounts to be credited to the B Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the B Principal Deficiency Ledger has reached zero;
- (x) *tenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);
- (xi) *eleventh*, amounts to be credited to the C Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the C Principal Deficiency Ledger has reached zero;
- (xii) *twelfth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, amounts to be credited to the D Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the D Principal Deficiency Ledger has reached zero;
- (xiv) *fourteenth*, amounts to be credited to the General Reserve Fund Ledger, up to the General Reserve Fund Required Amount;
- (xv) *fifteenth*, amounts to be credited to the E Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Notes Condition 5 (*Redemption*)) until the balance of the E Principal Deficiency Ledger has reached zero;
- (xvi) *sixteenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
- (xvii) *seventeenth* to pay amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders);
- (xviii) *eighteenth*, to pay principal *pari passu* and *pro rata* to the holders of the X Notes;
- (xix) *nineteenth*, the Servicing Fee payable to the Mortgage Administrator to the extent it exceeds the Senior Servicing Fee Cap;
- (xx) *twentieth*, to pay amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders);
- (xxi) *twenty-first*, to pay principal *pari passu* and *pro rata* to the holders of the Z Notes (**provided that** while the A Notes to the D Notes (inclusive) are outstanding no repayment of principal under the Z Notes shall be made));
- (xxii) *twenty-second*, in or towards payment *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of any Swap Agreement to the relevant Swap Counterparty of any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts);

- (xxiii) *twenty-third*, to pay:
- (A) all amounts of interest due or accrued (if any) but unpaid and any deferred interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
  - (B) all amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(xxiv) *twenty-fourth*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

(d) ***Post-Enforcement Priority of Payments***

Following (i) the service of an Enforcement Notice, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the charged accounts, excluding (A) Swap Excluded Receivable Amounts, (B) any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus to the extent, in each case, utilised to discharge Swap Excluded Payable Amounts in accordance with the applicable Swap Agreement, (C) amounts standing to the credit of the Issuer Profit Ledger, (D) any Mortgage Early Redemption Amounts, (E) any Product Switch Upfront Fee Amounts and (F) any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger, or (ii) the occurrence of a Redemption Event the Issuer (or the Cash/Bond Administrator) shall, to the extent that such funds are available, use funds standing to the credit of the Transaction Account to make payments in the following order of priority pursuant to and in accordance with the Deed of Charge (the "**Post-Enforcement Priority of Payments**"):

- (i) *first*, to pay, *pro rata*, any remuneration then due and/or payable to the Trustee, any receiver or Appointee of the Trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such receiver together with interest thereon and to pay all amounts due and/or payable to the Trustee in respect of the Trustee's remuneration, fees (including legal fees), costs, charges, losses, damages, proceedings, claims, demands, expenses and liabilities due to the Trustee (plus value added tax, if any);
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Mortgage Administrator Facilitator, the Cash/Bond Administrator, the Cash/Bond Administrator Facilitator, the Agents, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Agent Bank, the Account Bank, the Swap Collateral Account Bank and the Custodian, the Collection Accounts Provider, the Corporate Services Provider, the Joint Lead Managers and the Arranger;
- (iii) *third*, to retain an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;
- (iv) *fourth*, to pay *pro rata* and *pari passu* amounts payable to any Swap Counterparty (other than any Swap Subordinated Amounts which are due and payable under item (xii) below or any Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);
- (v) *fifth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders) in accordance with Notes Condition 4 (*Interest*); and

- (B) amounts payable to the A Noteholders in respect of principal on the A Notes until the A Notes are redeemed in full.
- (vi) *sixth*, to pay, *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders) in accordance with Notes Condition 4 (*Interest*); and
  - (B) amounts payable to the B Noteholders in respect of principal on the B Notes until the B Notes are redeemed in full;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders) in accordance with Notes Condition 4 (*Interest*); and
  - (B) amounts payable to the C Noteholders in respect of principal on the C Notes until the C Notes are redeemed in full;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders) in accordance with Notes Condition 4 (*Interest*); and
  - (B) amounts payable to the D Noteholders in respect of principal on the D Notes until the D Notes are redeemed in full;
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders) in accordance with Notes Condition 4 (*Interest*); and
  - (B) amounts payable to the X Noteholders in respect of principal on the X Notes until the X Notes are redeemed in full;
- (x) *tenth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders) in accordance with Notes Condition (*Interest*); and
  - (B) amounts payable to the E Noteholders in respect of principal on the E Notes until the E Notes are redeemed in full;
- (xi) *eleventh*, to pay *pro rata* and *pari passu* to any Swap Counterparty any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts);
- (xii) *twelfth*, to pay amounts owing to any third parties (if any) including any tax payable by the Issuer (other than amounts payable out of Issuer Profit);
- (xiii) *thirteenth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective

interest entitlements of the Z Noteholders) in accordance with Notes Condition 4 (*Interest*); and

- (B) amounts payable to the Z Noteholders in respect of principal on the Z Notes until the Z Notes are redeemed in full;
- (xiv) *fourteenth*, to pay:
  - (A) all amounts of interest due or accrued (if any) but unpaid and any deferred interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
  - (B) all amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (xv) *fifteenth*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Notes Condition 9 (*Events of Default*)) **provided that** if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or Certificates, the 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 of all amounts owing in respect of the Notes or Certificates, or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, 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 in respect of the Notes or Certificates.

(e) ***The Certificates***

Holders of the Certificates shall be entitled to receive their *pro rata* entitlement to:

- (i) the balance of amounts remaining following payments of all other items senior to the Certificates in the relevant Priority of Payments;
- (ii) on each Interest Payment Date any Mortgage Early Redemption Amounts received by the Issuer during the prior Determination Period;
- (iii) on each Interest Payment Date any Product Switch Upfront Fee Amounts received by the Issuer during the prior Determination Period;
- (iv) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger;
- (v) on the Issue Date, any Swap Counterparty Upfront Payment to be paid (if any) by the Swap Counterparty to the Issuer on the Issue Date;
- (vi) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid (if any) by the Swap Counterparty to the Issuer on each applicable Interest Payment Date; and
- (vii) on the second Interest Payment Date, any surplus amount standing to the credit of the Start-Up Costs Ledger as at the second Determination Date.

3. **Covenants of the Issuer**

Save with the prior written consent of the Trustee or as expressly provided in or expressly envisaged by these Conditions, any of the Bank Agreement, the Swap Collateral Account Bank Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F

Collection Account Accession Agreement, the R Collection Account Agreement, the R Collection Account Accession Agreement, the Cash/Bond Administration Agreement, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Swap Agreements, the Corporate Services Agreement, the Deed Poll, the Risk Retention Regulatory Change Deed Poll, the Deed of Charge, each Scottish Declaration of Trust, each Scottish Trust Security, the Master Definitions Schedule, the Mortgage Administration Agreement, the Note Purchase Agreement, the KHL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the Subordinated Loan Agreement, the Reporting Designation Letter and any other document agreed between the Issuer and the Trustee as being a Transaction Document (together, the "**Transaction Documents**"), the Issuer shall not, so long as any Certificates remain outstanding (as defined in the Trust Deed), *inter alia*:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, standard security, assignation, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) ***Restrictions on Activities***

(i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) open nor have any interest in any account whatsoever with any bank or financial institution other than the Collection Accounts and Bank Accounts held with the Collection Accounts Provider and the Account Bank and the Swap Collateral Accounts with the Swap Collateral Account Bank, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Certificates Condition 2 (*Status, Security and Administration*) and where the Trustee receives an acknowledgement from such bank or financial institution of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;

(iii) have any subsidiaries or employees or premises; or

(iv) act as a director of any company;

(c) ***Dividends or Distributions***

pay any dividend or make any other distribution to its shareholders except from amounts standing to the credit of the Issuer Profit Ledger;

(d) ***Borrowings***

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(e) ***Merger***

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) ***Disposal of Assets***

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein **provided that** the Issuer may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over

any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein where the proceeds of the same are applied, *inter alia*, in or towards redemption of the Notes in accordance with the terms and conditions of the Notes and the terms of the Transaction Documents;

(g) ***Tax Grouping***

be (and never has been) a member of a VAT (Value Added Tax) group;

(h) ***Independent Director***

at any time have fewer than one independent director;

(i) ***Deed Poll***

following the exercise of any right under the Deed Poll to purchase the Mortgage Pool in accordance with the terms of the Deed Poll, the Issuer shall not seek to enter into an arrangement with any other third party to sell the Mortgage Pool and/or participate in any arrangement which frustrates the rights of the Mortgage Pool Option Holder to complete any such acquisition of the Mortgage Pool;

(j) ***Hedging Arrangements***

enter into Swap Agreements and/or Further Interest Rate Swaps other than (i) in accordance with the terms of the Cash/Bond Administration Agreement; or (ii) in order to satisfy the Additional Loan Hedging Condition or Product Switch Hedging Condition (as applicable); or

(k) ***Other***

permit any of the Transaction Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Transaction Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

4. **Certificate Payments and Optional Redemption of the Notes**

(a) ***Right to Certificate Payments***

Each Certificate bears a right to receive on a *pro rata* basis (i) a Residual Payment, plus any amounts equal to any Mortgage Early Redemption Amounts and any Product Switch Upfront Fee Amounts, (ii) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger, (iii) any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on the Issue Date, (iv) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date; and (v) on the second Interest Payment Date, any surplus amount standing to the credit of the Start-Up Costs Ledger as at the second Determination Date.

(b) ***Payment***

Payments on the Certificates are payable in Sterling on each Interest Payment Date commencing on the first Interest Payment Date.

(c) ***Record Date***

Each payment in respect of a Certificate will be made to the person shown as the Certificateholder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Global Certificate shall be the only person entitled to receive payments in respect of any Certificate represented by such Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

(d) ***Calculation of Certificate Payment Amount***

Upon or as soon as practicable prior to any Interest Payment Date, the Issuer shall calculate (or shall cause the Cash/Bond Administrator to calculate) the amount payable on each Certificate under the relevant Priority of Payments plus any amount payable on each Certificate with respect to (i) a Residual Payment; (ii) any Mortgage Early Redemption Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (iii) any Product Switch Upfront Fee Amounts received in respect of a Loan by the Issuer during the prior Determination Period; (iv) on each Interest Payment Date, any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger; (v) on the Issue Date, any Swap Counterparty Upfront Payment to be paid (if any) by the Swap Counterparty to the Issuer on the Issue Date; (vi) after repayment in full of the outstanding balance of the Subordinated Loan, any Swap Counterparty Upfront Payment to be paid by any Swap Counterparty to the Issuer on each applicable Interest Payment Date; (vii) on the second Interest Payment Date, any surplus amount standing to the credit of the Start-Up Costs Ledger as at the second Determination Date (the "**Certificate Payment Amount**").

(e) ***Calculations Final and Binding***

Each calculation by or on behalf of the Issuer of any Certificate Payment Amount shall, in the absence of manifest error be final and binding on all persons.

(f) ***Notification of Certificate Payment Amount and Interest Payment Date***

As soon as practicable, prior to each Interest Payment Date, the Issuer or, if acting in accordance with Certificates Condition 4(e) (*Calculations Final and Binding*) above, the Cash/Bond Administrator will cause each:

- (i) Certificate Payment Amount for the related Interest Payment Date; and
- (ii) after each Interest Determination Date, the Agent Bank will cause the Interest Payment Date next following the related Interest Period, to be notified to the Issuer, the Cash/Bond Administrator (as applicable), the Trustee, the Registrar and the Principal Paying Agent.

(g) ***Payments on business days***

If the due date for payment of any amount in respect of any Certificate is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place, and shall not be entitled to any further interest or other payment in respect of such delay. In this paragraph (g), "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a sterling-denominated account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.



(h) ***Paying Agents***

The initial Paying Agent and its initial specified office is listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, **provided that** it will maintain a Principal Paying Agent.

The initial specified office of the Paying Agent is at:

*Principal Paying Agent*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Trustee and the Certificateholders in accordance with Certificates Condition 11 (*Notice to Certificateholders*).

(i) ***Optional Redemption in Full of the Senior Notes, the X Notes and the Z Notes upon Sale of the Charged Property to the Certificateholders***

(i) **Provided that:**

- (A) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property pursuant to the Deed Poll (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) as would be required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes; (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and
- (B) on or prior to the Interest Payment Date on which the relevant notice of optional redemption expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date on or after the Call Option Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) (which notice shall be irrevocable) (the "**notice of optional redemption**").

(ii) **Provided that:**

- (A) the aggregate Principal Amount Outstanding of the Senior Notes is less than or equal to 20 per cent. of the aggregate Principal Amount Outstanding of the Senior Notes upon issue;
- (B) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property to the holders of the Certificates (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes; (II) pay amounts required under the

Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; (III) pay any other costs associated with the exercise of the optional call; and

- (C) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) (which notice shall be irrevocable).

(j) ***Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option***

(i) **provided that:**

- (A) following the exercise of the Risk Retention Regulatory Change Option by the Risk Retention Regulatory Change Option Holder, the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property pursuant to the Risk Retention Regulatory Change Deed Poll together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and

- (B) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*) (which notice shall be irrevocable).

5. **Taxation**

All payments in respect of the Certificates will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Certificates subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature or in connection with FATCA. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Principal Paying Agent, any other Paying Agent, nor any other person will be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction or in connection with FATCA.

6. **Events of Default**

Subject to the other provisions of this Certificates Condition 6, each of the following events shall be treated as an "Event of Default" in relation to the Certificates.

- (i) The Issuer fails to pay a Certificate Payment Amount within 10 Business Days following the due date for payment; or

- (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Certificates or the Trust Deed, as applicable, and, in any such case (except where the Trustee certifies that, such failure is (I) in the opinion of the Trustee, incapable of remedy or (II) in the opinion of the Trustee, capable of remedy but remains unremedied for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (v) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
- (iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by a Certificates Extraordinary Resolution of the Certificateholders; or
- (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or filing documents with the court or making an application for the appointment of an administrator or liquidator or serving a notice of intent to appoint an administrator) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance, assignment, assignation or trust for the benefit of its creditors generally; or
- (vi) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Certificates or the Transaction Documents.

**provided that**, in the case of each of the events described in paragraph (ii), (iii) or (v) of this Condition 6, the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class.

## 7. **Enforcement of Security, Limited Recourse and Non-Petition**

### (a) ***Enforcement of Security***

At any time after an Enforcement Notice has been served, the Trustee may, in its absolute discretion and without further notice, (i) take such proceedings and/or other action or steps against or in relation to the Issuer or any other person as it may think fit to enforce the provisions of the Certificates, the Trust Deed, these Certificates Conditions and the other Transaction Documents to which it is a party, and (ii) take such steps as it may think fit to enforce the Security, but it shall not be bound to do so unless:

- (i) it shall have been directed by a notice in writing by holders of at least 25 per cent. in number of the Certificateholders: and
- (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Certificateholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

(b) **Limited Recourse**

(i) *Enforcement of Security*

Only the Trustee may enforce the Security over the Charged Property in accordance with, and subject to the terms of, the Deed of Charge and any Scottish Trust Security.

(ii) *Insufficient Recoveries*

If at any time following:

(A) the occurrence of either:

- (1) the Interest Payment Date falling in December 2067 or any earlier date upon which all of the Notes of each Class and the Certificates are due and payable; or
- (2) the service of an Enforcement Notice; and

(B) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Post-Enforcement Priority of Payments,

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 Certificates and all amounts then due and payable under any class of Notes and Certificates 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 Certificates Condition 7:

**"Realisation"** means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

**"Charged Property"** means the property of the Issuer which is subject to the Security.

(iii) *Certificateholder Acknowledgments*

Each Certificateholder, is deemed to accept and acknowledge that:

- (A) in the event of realisation or enforcement of the Charged Property, its right to obtain payment on the Certificates in full is limited to recourse against the undertaking, property and assets of the Issuer comprised in the Charged Property; and
- (B) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Certificateholder its proportion of the proceeds of realisation or enforcement of the Charged Property in accordance with the Post-Enforcement Priority of Payments and all claims in respect of any shortfall will be extinguished and discharged; and

(c) **Non-Petition**

No Certificateholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer

unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Issuer or over any or all of its assets or undertaking.

8. **Meetings of Certificateholders; Modifications; Consents; Waiver**

- (a) The Trust Deed contains provisions for convening separate or combined meetings of the Certificateholders to consider matters relating to the Certificates, including subject to Certificates Condition 8(e) (*Substitution*) the sanctioning by Certificates Extraordinary Resolution of a modification of any of these Certificates Conditions or any provisions of the other Transaction Documents. Amongst other details, the Trust Deed provides that at least 21 days' and a maximum of 365 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) of a proposed meeting shall be given to Certificateholders. The notice shall, amongst other things, specify the day, time and place of the meeting, with such place to be a venue in the United Kingdom.
- (b) Any Certificates Extraordinary Resolution or any Certificates Ordinary Resolution duly passed by a meeting of the Certificateholders shall be binding on all Certificateholders (whether or not they were present at the meeting at which such resolution was passed and whether or not voting).

No Certificates Extraordinary Resolution to approve any matter other than a Certificates Basic Terms Modification shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the Classes of Notes then outstanding ranking senior to the Certificates (to the extent that there are Notes ranking senior to the Certificates) unless, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of any Notes or it is sanctioned by an Extraordinary Resolution of the holders of such Notes. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes or Certificates the exercise of which will be binding on themselves and any junior Class of Notes or Certificates, irrespective of the effect on their interests.

(c) ***Quorum***

The quorum at any meeting of Certificateholders of a particular Class for passing:

- (i) a Certificates Extraordinary Resolution to approve a Certificates Basic Terms Modification, shall be two or more persons holding or representing, in aggregate, (x) not less than 75 per cent. of the outstanding Certificates for the initial meeting or (y) in relation to any adjourned meeting, not less than 25 per cent. of the outstanding Certificates;
- (ii) a Certificates Extraordinary Resolution to approve any matter other than a Certificates Basic Terms Modification, shall be two or more persons holding or representing, in aggregate, (x) more than 50 per cent. of the outstanding Certificates or (y) in relation to any adjourned meeting, any proportion of the Certificates which the persons constituting the quorum is holding or representing; and
- (iii) a Certificates Ordinary Resolution shall be two or more persons holding or representing, in aggregate, not less than (x) 25 per cent. of the outstanding Certificates for the initial meeting and (y) in relation to any adjourned meeting, any proportion of the Certificates which the person constituting the quorum is holding or representing.

Subject to the provisions of the Trust Deed, the holder of the Global Certificate shall be treated as a Certificateholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Certificateholders.

(d) ***Modification and Waiver***

The Trustee may agree, without the consent or sanction of any of, or any liability to, the Certificateholders, to:

- (i) (I) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation, and (II) any other modification (excluding a Certificates Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Certificates, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation) **provided that**, in respect of any modification of, or in connection with the Deed Poll and the Mortgage Pool Option, the written consent of the Mortgage Pool Option Holder has been provided to the Trustee; or
- (ii) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

**provided that** the Trustee will not do so in contravention of an express direction given by a Certificates Extraordinary Resolution of holders of the Most Senior Class or a request made pursuant to Certificates Condition 7(a) (*Enforcement of Security*). Any such modification, authorisation or waiver shall be binding on the Certificateholders and, if the Trustee so requires, the Issuer will arrange for it to be notified to the Certificateholders as soon as practicable.

The prior written consent of each relevant Swap Counterparty is required to modify or supplement any provision of the Transaction Documents, the Notes Conditions or the Certificates Conditions if, in the reasonable opinion of such Swap Counterparty, such modification or supplement would materially adversely affect any of the following:

- (i) the amount, timing or priority of any payments or deliveries due to be made by or to such Swap Counterparty under the Notes Conditions, the Certificates Conditions or any Transaction Document;
- (ii) the Issuer's ability to make such payments or deliveries to such Swap Counterparty;
- (iii) such Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
- (iv) any amendment to Condition 5 (*Redemption*) of the Notes Conditions or any additional redemption rights in respect of the Notes; or
- (v) Clause 20.1.2 (*Modification*) of the Trust Deed.

The Issuer shall notify in writing such Swap Counterparty and the Trustee of any proposed modification or supplement to any provisions of the Transaction Documents, the Notes Conditions or the Certificate Conditions that may affect any of the items listed in the previous paragraph at least 21 days (exclusive of the day on which the notice is given and of the day that the modification or supplement is intended to be effected) prior to such modification or supplement being effected, notwithstanding any other provision of the

Transaction Documents, the Notes Conditions or the Certificate Conditions. Such Swap Counterparty may notify the Trustee and the Issuer in writing if, in such Swap Counterparty's reasonable opinion, such modification or supplement would materially adversely affect any of the items listed in the previous paragraph. If the Issuer and the Trustee receive notification (the "**Notification**") from such Swap Counterparty that such Swap Counterparty has determined that the modification and/or supplement would not affect any of the items listed in the previous paragraph or that such Swap Counterparty otherwise consents to such modification and/or supplement, such modification and/or supplement may take effect at any time from and including the date of receipt of the Notification. If the Issuer and the Trustee do not receive any such determination or a Notification by the expiry of such notice period, such Swap Counterparty shall be deemed to have consented to such modification or supplement. If such Swap Counterparty has not received notice in accordance with this paragraph, the proposed modification or supplement shall not be effective.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or whose ranking in any Priority of Payments is affected, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification and a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to enable the Issuer to comply with any requirements which apply to it under UK EMIR and/or EU EMIR, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under UK EMIR and/or EU EMIR and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or whose ranking in any Priority of Payments is affected, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to enable the Issuer (A) to comply with any obligation which applies to it under the UK Securitisation Regulation including as a result of the adoption of any binding technical standards and official guidance thereto as amended, varied or substituted from time to time after the Issue Date or (B) to comply with any obligation which applies to it or to which the Issuer in its discretion elects to comply with under the EU Securitisation Regulation including as a result of the adoption of regulatory or implementing technical standards in relation to the EU Securitisation Regulation, or any other legislation or regulations or official guidance in relation thereto as at the Issue Date, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to comply with its obligations that apply to it under the UK Securitisation Regulation (including as a result of the adoption of any binding technical standards and official guidance thereto as amended, varied or substituted from time to time after the Issue Date) or relating to the EU Securitisation Regulation (including as a result of the adoption of regulatory technical standards in relation to the EU Securitisation Regulation, or any other legislation or regulations or official guidance in relation thereto which the Issuer has elected to comply with which applies to the Issuer as at the Issue Date or to which the Issuer in its discretion has elected to comply with after the Issue Date) and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in

making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administrator Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders or the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Legal Title-Holder Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders or the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Notes Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Cash/Bond Administrator appointed by the Issuer in accordance with the terms of the Cash/Bond Administration Agreement, subject to receipt by the Trustee of a certificate issued by the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Cash/Bond Administrator appointed by the Issuer in accordance with the terms of the Cash/Bond Administration Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to this Certificates Condition 8(d) (*Modification and Waiver*), the Trustee shall, in relation only to its obligation to make an amendment related to UK EMIR and/or EU EMIR, the UK Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto, or relating to the EU Securitisation Regulation or any other legislation or regulations or official guidance in relation thereto to the extent that the Issuer, in its discretion, elects to comply with the EU Securitisation Regulation after the Issue Date, a replacement Mortgage Administrator, a replacement Legal Title-Holder and/or a replacement Cash/Bond Administrator, not consider the impact of such modifications on the interests of any Noteholders, Certificateholders, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Issuer or relevant Transaction Party, as the case may be and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditors 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 such person.

Any such modifications permitted by this Certificates Condition 8(d) shall be binding on the Noteholders, Certificateholders and other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders



and Certificateholders as soon as practicable thereafter in accordance with Notes Condition 13 (*Notice to Noteholders*) and Certificates Condition 11 (*Notice to Certificateholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with this Certificates Condition 8(d) as soon as reasonably practicable thereafter.

The Trustee shall not be obliged to agree to any modification of the Trust Deed, the Notes Conditions, the Certificates Conditions or any other Transaction Document which (in the sole opinion of the Trustee) would have the effect of: (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents, the Trust Deed and/or the Conditions.

(e) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as are set out in the Trust Deed or as the Trustee may otherwise require, but without the consent of, or any liability to, the Certificateholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Certificates. In the case of such a substitution the Trustee may agree, without the consent of the Certificateholders to a change of the law governing Certificates and/or the Trust Deed **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the holders of the Most Senior Class.

(f) ***Evidence of Certificates***

Where for the purposes of these Certificates Conditions the Trustee or any other party to the Transaction Documents requires a Certificateholder holding Certificates through Euroclear or Clearstream, Luxembourg to establish its holding of the Certificates to the satisfaction of such party, such holding shall be considered to be established (and the Certificateholder in respect of which such holding is established shall be a "**Verified Certificateholder**") if such Certificateholder provides to the requesting party with regard to the relevant date:

- (i) a Euclid Statement (in the case of Euroclear) or a Creation Online Statement (in the case of Clearstream, Luxembourg) in each case providing confirmation at the time of issue of the same of such person's holding in the Certificates; and
- (ii) if the relevant Certificates are held through one or more custodians, a signed letter dated as of the date of the Euclid Statement or the Creation Online Statement from each such custodian confirming on whose behalf it is holding such Certificates such that the Trustee or any other party to the Transaction Documents is able to verify to its satisfaction the chain of ownership to the beneficial owner.

If in connection with verifying its holding the Trustee or any other party to the Transaction Documents requires a Certificateholder to temporarily block its Certificates in Euroclear or Clearstream, Luxembourg, such Certificateholder will be required to instruct Euroclear or Clearstream, Luxembourg (via its custodian) to do so.

(g) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in this Certificates Condition 8) the Trustee:

- (i) shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Trustee shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders; and

- (ii) may, in determining whether or not a proposed action will be materially prejudicial to the Certificateholders, have regard to, among other things, a Rating Agency Confirmation.

9. **Indemnification and Exoneration of the Trustee**

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Cash/Bond Administrator Facilitator, the Legal Title-Holder and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator or (as the case may be) the Legal Title-Holder or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Legal Title-Holder or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Legal Title-Holder with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

10. **Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, as listed in Certificates Condition 4(h) (*Paying Agents*) above, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (**provided that** the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. **Notice to Certificateholders**

For so long as the relevant Certificates are in global form, any notice to Certificateholders shall be validly given to the relevant Certificateholders if sent to the Clearing Systems for communication by them to the holders of the relevant Certificates and shall be deemed to be given on the date on which it was sent. If Definitive Certificates are issued, any notice to the holders thereof shall be validly given if sent by first class mail to them at their respective addresses in the Register (or the first named of joint holders) and notice shall be deemed to have been given on the second Business Day after the date of the mailing.

The Trustee shall be at liberty to sanction some other method of giving notice to the Certificateholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and **provided that** notice of such other method is given to the Certificateholder in such manner as the Trustee shall require.

Any notices given to the Certificateholders by the Issuer or the Trustee shall also be sent concurrently to the relevant Swap Counterparty.

12. **Governing Law**

The Transaction Documents and the Certificates 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 Transaction Documents specific to the Scottish Mortgages, which shall be governed by and construed in accordance with Scots law).

13. **Privity of Contract**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Certificates but this does not affect any right or remedy of any person which exists or is available apart from that Act.

14. **Interpretation**

In these Certificates Conditions:

"**Appointee**" means any delegate, agent, nominee, custodian, attorney or manager appointed by the Trustee pursuant to the provisions of the Trust Deed or the Deed of Charge (as the case may be);

"**Business Day**" means, a day on which commercial banks and foreign exchange markets settle payments in London and Dublin;

"**Certificates Basic Terms Modification**" means any modification to (a) the maturity date of the Certificates and Notes or the dates on which interest is payable on the Notes, (b) the date of payment of principal, interest or any other amount in respect of any Class of Notes, or, where applicable, of the method of calculating the date of payment of principal, interest or any other amount in respect of any Class of Notes, or of the method of calculating the date of payment in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*), (c) the amount of principal, the rate of interest or any other amount payable in respect of any Class of Notes or Certificates or the priority of payment of such amount, or where applicable, of the method of calculating the amount payable of any principal, interest or any other amount payable in respect of any Class of Notes or of the method of calculating the amounts payable in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*) (d) the modification or addition of any other amount payable ranking ahead of or *pari passu* with any Class of Notes or Certificates, including any fees payable by the Issuer to any third party (save as permitted or contemplated under the terms of the Transaction Documents), (e) the priority of residual payments on the Certificates, (f) the currency of payment of the Certificates, (g) the definition of Notes Basic Terms Modification, (h) the definition of Certificates Basic Terms Modification, (i) the definition of Event of Default (j) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Certificates Basic Terms Modification or to pass a Certificates Extraordinary Resolution, (k) the definition of the Call Option Date, (l) any changes to the terms of the Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(d) (*Optional Redemption in Full*), (m) any changes to the terms of the Risk Retention Regulatory Change Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*), (n) the provisions concerning limited recourse and non-petition in relation to the Issuer including Certificates Condition 7 (*Enforcement of Security, Limited Recourse and Non-Petition*), (o) the Notes Condition 3(i) (*Deed Poll*) or (p) any waiver of any proposal or actual breach of any of the covenants (including any Event of Default or Potential Event of Default) or provisions contained in or arising pursuant to the Notes Conditions, Certificates Conditions or any Transaction Documents by any party thereto which would have the effect of any of the foregoing, but, no modification relating to the Senior Servicing Fee Cap shall be a Certificates Basic Terms Modification;

"**Certificates Extraordinary Resolution**" means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders;

**"Certificates Ordinary Resolution"** means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders;

**"Enforcement Notice"** means a notice given by the Trustee to the Issuer under Certificates Condition 6 (*Events of Default*) of the Certificates; and

**"Most Senior Class"** means the A Notes for so long as there are any A Notes outstanding; thereafter the B Notes for so long as there are any B Notes outstanding; thereafter the C Notes for so long as there are any C Notes outstanding; thereafter the D Notes for so long as there are any D Notes outstanding; thereafter the X Notes for so long as there are any X Notes outstanding; thereafter the E Notes for so long as there are any E Notes outstanding; thereafter the Z Notes for so long as there any Z Notes outstanding; and thereafter the Certificates for so long as there are any Certificates outstanding.

## 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 the Notes (other than in relation to the comments below concerning stamp taxes). 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 and the stamp tax position 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.*

### **United Kingdom Withholding Tax**

The Notes issued by the Issuer which carry a right to interest 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 either they are included in the United Kingdom official list (within the meaning of Part 6 of the FSMA) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

Euronext Dublin is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Regulated Market of Euronext Dublin are regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### **Stamp Duty and Stamp Duty Reserve Tax**

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on the transfer of a Rated Note in accordance with the terms of the Transaction Documents.

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue of the Certificates.

United Kingdom stamp duty may be chargeable on any instruments transferring a Certificate (including where such Certificates are in definitive form) and Certificateholders are advised to consult with their professional advisors in respect of matters relating to the acquisition and holding of the Certificates.

### **Other Rules Relating to United Kingdom Withholding Tax**

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.

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.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Notes Condition 11(g) (*Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

### **United Kingdom Taxation Position of the Issuer**

The Taxation of Securitisation Companies Regulations (the "**Tax Regulations**") were made under section 84 of the Finance Act 2005 (now section 624 of the Corporation Tax Act 2010) on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer with effect for their periods of account beginning on or after 1 January 2007. If the Tax Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on an opinion received from Paul Hastings (Europe) LLP, the Issuer considers that it will be taxed under the special taxation regime for which provision is made by the Tax Regulations. Investors should note, however, that the Tax Regulations are in short form and it is expected that advisors will rely significantly upon guidance from the United Kingdom tax authorities when advising on the scope and operation of the Tax Regulations including whether any particular company falls within the regime provided for in the Tax Regulations.

### **Diverted Profits Tax**

The Diverted Profits Tax (the "**DPT**") was introduced by the Finance Act 2015 and has had effect from 1 April 2015. In very broad terms, the DPT applies where (a) a non-UK company carrying on an activity in the UK structures its affairs so as to avoid a UK taxable presence; or (b) a company which is taxable in the UK creates a tax advantage by means of transactions which have insufficient economic substance. The corresponding "diverted profits" are subject to UK tax at 25 per cent. Whilst the precise effect of the tax is unclear and subject to a number of uncertainties, the legislation contains provisions which seek to exclude financing arrangements from the DPT. As a result, the Issuer has been advised that the DPT is unlikely to apply to it or to affect the Revenue Receipts or Principal Receipts owing to it under the Loans. Prospective holders of Notes or the Certificates are advised to seek their own professional advice in relation to the DPT.

### **U.S. Foreign Account Tax Compliance ("FATCA") withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986 (as amended), 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. A number of jurisdictions (including the UK) 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 and Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes and Certificates, 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 and Certificates, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" in the U.S. Federal Register. Potential investors should consult their own tax advisors regarding how these rules apply to their investment in the Notes or Certificates. 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 to a holder of Notes as a result of withholding.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of the Notes by a U.S. Holder (as defined below).

For purposes of this summary, a "U.S. Holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- an entity treated as a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- any estate the income of which is subject to U.S. federal income tax regardless of the source of its income; or
- any trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons (as defined in the Code), have the authority to control all of its substantial decisions.

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed U.S. Treasury regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. No rulings from the Internal Revenue Service ("**IRS**") will be sought with respect to any of the matters discussed in this section and there can be no assurance that the IRS or courts will agree with the conclusions expressed herein. Accordingly, prospective investors are encouraged to consult their own tax advisors as to the U.S. federal income tax consequences to the prospective investor of the purchase, ownership or disposition of the Notes to them, including the possible application of state, local, non-U.S. or other tax laws, and other U.S. tax issues affecting the transaction.

This discussion only addresses a U.S. Holder that acquires a Note at initial issuance at its issue price (defined below) and that will beneficially own such Note as a capital asset. It does not purport to be a comprehensive description of all the tax considerations that may apply to certain types of taxpayers, including, without limitation:

- financial institutions;
- insurance companies;
- securities dealers, brokers, or traders in stocks, securities, notional principal contracts or currencies;
- tax-exempt entities;
- regulated investment companies;
- real estate investment trusts;
- persons that will hold the Notes as part of a "hedge," "synthetic security" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes;
- certain former citizens or residents of the United States;
- persons owning directly, indirectly or constructively 10% or more of any Class of Notes or 10% or more of the interests in the Issuer that are treated as equity for U.S. federal income tax purposes; and
- investors that have a "functional currency" other than the U.S. dollar.

This summary does not discuss all of the tax consequences that may be relevant to particular investors (such as any alternative minimum tax or net investment income tax consequences) or the indirect effects on the

holders of equity interests in holders of Notes, nor does it describe state, local, non-U.S. or other U.S. tax laws (e.g. estate and gift tax).

If a holder of a Note is an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Entities or arrangements treated as partnerships owning a Note and partners in such partnerships should consult their own tax advisors as to the particular U.S. federal income tax consequences of owning and disposing of a Note.

U.S. Holders that use an accrual method of accounting for tax purposes ("**accrual method holders**") generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the "**book/tax conformity rule**"). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. However, recently enacted U.S. Treasury regulations provide that the book/tax conformity rule does not apply to the general timing rules for original issue discount (discussed below) and certain other items with respect to debt instruments. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES INCLUDING THE APPLICABILITY OF STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

#### *U.S. Federal Tax Treatment of the Notes*

In determining whether a security represents indebtedness for U.S. federal income tax purposes, United States courts and the IRS have applied a number of factors. Included among these factors are: a fixed maturity date, the right to receive fixed payments, the right of a holder to enforce payment on default, the degree of subordination, the intent of the parties and the level of capitalisation. Based on these factors among others, the Issuer intends to treat the A Notes, B Notes, C Notes and D Notes (the "**Debt Notes**") as indebtedness and the E Notes, X Notes, Z Notes and the Certificates (the "**Equity Notes**") as equity for U.S. federal income tax purposes. However, no opinion will be received with respect to such tax characterization of any of the Notes. Each beneficial owner of a Debt Note, by acceptance of such Debt Note, will be deemed to agree to treat such Debt Note as indebtedness for U.S. federal income tax purposes. Prospective U.S. Holders of the D Notes, and to a lesser extent, a more senior Class of Notes, should consult their own tax advisors as to the effect of a recharacterisation of the Debt Notes as equity interests in the Issuer, including the tax consequences of the Issuer being treated as a passive foreign investment company for U.S. federal income tax purposes. Except as otherwise stated below, the remainder of this discussion assumes the Debt Notes will be treated as indebtedness for U.S. federal income tax purposes.

The Issuer has agreed, and by its acceptance of any Equity Notes, each beneficial owner of Equity Notes will be deemed to have agreed, to treat such Equity Notes as equity in the Issuer for U.S. federal income tax purposes. Prospective U.S. Holders of Equity Notes should consult their own tax advisors as to the proper characterisation of the Equity Notes in light of their particular circumstances. The balance of this discussion assumes that the Equity Notes will properly be characterised as equity in the Issuer.

#### **Taxation of U.S. Holders of the Debt Notes**

The following discussion only applies to Notes that are treated as debt for U.S. federal income tax and does not apply to the Equity Notes.

#### *Qualified Stated Interest and Original Issue Discount*

U.S. Holders of Debt Notes generally will be required to include in gross income the U.S. dollar value of payments of "qualified stated interest" accrued or received on their Debt Notes, in accordance with their usual method of tax accounting, as ordinary interest income. The amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment



denominated in a currency other than the U.S. dollar ("**Foreign Currency**") in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS. Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale, exchange or retirement of a Note) denominated in a Foreign Currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as U.S.-source ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

"Qualified stated interest" generally is stated interest that is unconditionally payable at least annually at a single fixed rate or certain floating rates. Interest is considered "unconditionally payable" if reasonable legal remedies exist to compel timely payment or terms and conditions of the debt instrument make the likelihood of late payment (other than late payment that occurs within a reasonable grace period) or non-payment (ignoring the possibility of non-payment due to default, insolvency or similar circumstances) a remote contingency. Interest payments on the Debt Notes other than the A Notes (the "**Deferrable Notes**") that are not made on a relevant Interest Payment Date will generally be deferred ("**Deferred Interest**") until the first Interest Payment Date thereafter on which funds are available to the Issuer to fund the payment of such Deferred Interest to the extent of such available funds (See "*Terms and Conditions of the Notes – Interest – Deferral of Interest*"). Consequently, such interest is not unconditionally payable at least annually and should not be treated as qualified stated interest. Therefore, all of the stated interest payments on each of the Deferrable Notes should be included in the stated redemption price at maturity of such Deferrable Notes, and as a result the Deferrable Notes should be treated as issued with OID. The remainder of this discussion assumes that the stated interest on the A Notes is properly treated as qualified stated interest and the stated interest on the Deferrable Notes is not "qualified stated interest".

#### *Original Issue Discount*

If a Debt Note is treated as issued with original issue discount ("**OID**"), a U.S. Holder must include a portion of the OID in gross income as foreign source interest in each taxable year or portion thereof in which the U.S. Holder holds the Debt Note, generally in advance of the cash payment in respect of the OID (regardless of the U.S. Holder's method of accounting). The amount of a Debt Note's OID is the excess of the Debt Note's stated redemption price at maturity over its issue price. Notwithstanding the foregoing, a Debt Note will not be treated as issued with OID if such excess is less than 0.25 per cent. of the Debt Note's stated redemption price at maturity, or the weighted average maturity (as determined under applicable U.S. Treasury regulations) in the case of an instalment obligation, multiplied by the number of complete years to its maturity. Generally, the issue price of a Debt Note is the first price at which a substantial amount of the Debt Notes included in the issue of which such Debt Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. In general, the stated redemption price at maturity of a Debt Note is the total of all payments (including interest payments) provided by the Debt Notes that are not payments of qualified stated interest. If the discount on a Debt Note is less than the above threshold, such discount will be treated as *de minimis* OID and generally will be included in income on a *pro rata* basis as principal payments are made on the Debt Note. Prospective investors should consult their own tax advisers regarding the calculation of OID on the Debt Notes.

If a Debt Note is treated as having been issued with OID (a "**Discount Note**"), a U.S. Holder holding such Discount Note will be required to determine the accrual of OID under a method prescribed by Code Section 1272(a)(6) (the "**1272(a)(6) Method**"). Under the 1272(a)(6) Method, accruals of OID on a Discount Note will be calculated using an assumption as to the expected payments on the Discount Note. Adjustments are then made to the amount of discount accruing in each taxable year in which the actual prepayment rate differs from the prepayment assumption. The prepayment assumption is to be determined in a manner prescribed in U.S. Treasury regulations; however, these regulations have not been issued. The legislative

history states that it is intended that the prepayment assumption used to price a debt instrument will also be used to calculate the OID on such instrument. Prospective investors should consult their own tax advisors regarding the application of these rules and the impact of any prepayments under the Loans.

As an alternative to the above treatments, U.S. Holders may elect to include in gross income all interest with respect to the Debt Notes, including stated interest, OID, *de minimis* OID and unstated interest using the method described above for OID. This election generally applies only to the Debt Note with respect to which it is made and may not be revoked without the consent of the IRS. OID for each accrual period will be determined in the applicable Foreign Currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale, exchange or retirement of a Debt Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Solely for purposes of the OID rules, the Issuer will assume that the Notes will be retired no later than the Step-up Date. Notwithstanding the preceding sentence, if the Notes are not retired on or before the Step-up Date then the Issuer will treat such Notes as having been reissued on the date of the Step-up Date, solely for purposes of applying the OID rules. If any Debt Notes are deemed retired and reissued, then such deemed reissued Notes may be treated as issued with OID (taking into account the effects of not exercising the call option, such as an increased coupon).

The OID rules are complex and U.S. Holders should consult their own tax advisors regarding the application of the OID rules in their particular circumstances.

#### ***Sale, Exchange or Retirement of the Debt Notes***

Upon a sale, exchange or retirement of a Debt Note (other than if they are deemed retired and reissued solely for purposes of the OID rules as described above under "*Qualified Stated Interest and Original Issue Discount -- Original Issue Discount*"), a U.S. Holder generally will recognise gain or loss equal to the difference between the amount realised and the U.S. Holder's adjusted tax basis in the Debt Note. In general, a U.S. Holder of a Debt Note will have an adjusted tax basis in such Debt Note equal to the cost of the Debt Note to such U.S. Holder, increased by any amounts includible in income by the U.S. Holder as OID, and reduced by any payments thereon other than payments of qualified stated interest. The U.S. dollar cost of a Debt Note purchased with a Foreign Currency generally will be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Debt Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realised does not include amounts attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Such gain or loss generally will be long-term capital gain or loss if the U.S. Holder has held the Debt Note for more than one year at the time of disposition. Long-term capital gains recognised by an individual U.S. Holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations. The amount realised on a sale, exchange or retirement for an amount in a Foreign Currency will be the U.S. dollar value of this amount on the date of sale, exchange or retirement, or the settlement date for the sale, in the case of Debt Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale, exchange or retirement of a Debt Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Debt Note (i) on the date of sale, exchange or retirement and (ii) the date on which the U.S. Holder acquired the Debt Note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement.

#### ***Benchmark Rate Modification***

The treatment of a Benchmark Rate Modification for U.S. federal income tax purposes is not entirely clear. It is possible that a Benchmark Rate Modification could be treated as a deemed exchange that is taxable to

U.S. Holders of Debt Notes. Prospective investors in the Debt Notes are urged to consult with their tax advisers regarding the potential applicability of these rules to their particular situations.

#### ***Alternative Characterisation of the Debt Notes as Equity***

The IRS could seek to recharacterize the Debt Notes as equity in the Issuer for U.S. federal income tax purposes. If a class of Debt Notes were treated as equity, the U.S. federal income tax consequences to those U.S. Holders of such class of Debt Notes would be as described under "*Taxation of U.S. Holders of the Equity Notes*", below.

In addition, if any of the Debt Notes are recharacterized as equity in the Issuer, gain on the sale of such Notes would be subject to the rules applicable to passive foreign investment companies described below. U.S. Holders of the D Notes, and to a lesser extent a more senior Class of Notes, should consult their tax advisors regarding the implications to them if their Debt Notes are treated as equity in the Issuer for U.S. federal income tax purposes.

#### **Taxation of U.S. Holders of the Equity Notes**

The following discussion only applies to the Equity Notes and does not apply to any Debt Notes treated as debt for U.S. federal income tax purposes.

#### ***Investment in a Passive Foreign Investment Company***

In general, a non-U.S. corporation will be classified as a "passive foreign investment company" ("**PFIC**") for U.S. federal income tax purposes in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either, (i) 75 per cent. or more of its gross income in a taxable year is passive income, or (ii) at least 50 per cent. of the average value of its assets (determined on a quarterly basis) is attributable to assets that are held for the production of, or produce, passive income. Passive income generally includes interest and certain capital gains.

Based on the assets that the Issuer expects to hold and the income anticipated thereon, it is highly likely that the Issuer will be classified as a PFIC for U.S. federal income tax purposes for its current taxable year and in the foreseeable future, and the remainder of this discussion so assumes. U.S. Holders of Equity Notes should assume that they will be subject to the U.S. federal income tax consequences described below that result from owning stock in a PFIC.

A U.S. Holder who holds Equity Notes during any taxable year in which the Issuer is a PFIC, generally will be subject to adverse tax treatment.

Gain recognized on a disposition of Equity Notes by a U.S. Holder will be allocated ratably over the U.S. Holder's holding period for the Equity Notes. The amount allocated to the taxable year of the disposition will be taxed as ordinary income. The amounts allocated to each other taxable year will be taxed at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge will be imposed on the resulting tax liability. Any loss recognised on the disposition of such Equity Notes will be capital loss and will be long-term capital loss if the U.S. Holder held the Equity Notes for more than one year. The deductibility of capital losses is subject to limitations. The total amount of gain or loss will equal the difference between the U.S. Holder's tax basis in the Equity Notes disposed of and the amount realised on the disposition, in each case as determined in U.S. dollars. Certain U.S. Holders may recognise foreign currency gain or loss as a result of fluctuations in the foreign exchange rate between the date of the sale of the Equity Notes and the settlement date.

To the extent that any distribution received by a U.S. Holder on its Equity Notes exceeds 125 per cent. of the average of the annual distributions received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, the distribution will be subject to taxation in the same manner as gains as described in the preceding paragraph.

Although U.S. Holders may mitigate the PFIC consequences described above by making a "qualified electing fund" ("**QEF**") election if the PFIC complies with certain reporting requirements, the Issuer does not intend to comply with such reporting requirements necessary to permit U.S. Holders to elect to treat the Issuer as a QEF. Accordingly, U.S. Holders should not expect to be able to make a QEF election with respect to an investment in the Issuer.

Alternatively, a U.S. Holder of a PFIC may make a mark-to-market election if the stock is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. If an effective mark-to-market election is made after the initial PFIC taxable year in which a U.S. Holder owns the Equity Notes, distributions as well as any mark-to-market gain during the first year for which the election is in effect will be subject to the PFIC excess distribution rules described above. Except as provided in the previous sentence, a U.S. Holder that makes an effective mark-to-market election will include as ordinary income each year the excess of the fair market value of its Equity Notes at the end of the year over its adjusted tax basis in its Equity Notes. Similarly, any gain realized on the sale, exchange or other disposition of the Equity Interests will be treated as ordinary income. A U.S. Holder that makes a mark-to-market election will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in its Equity Notes over the fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder that makes a mark-to-market election will increase its adjusted tax basis in its Equity Notes by the amount of any income inclusions and decrease its adjusted tax basis in its Equity Notes by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Equity Notes are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. Prospective investors should consult their own tax advisors regarding the requirements and potential application of the mark-to-market election to their investment in the Equity Notes.

U.S. Holders of equity interests in a PFIC are also subject to additional U.S. tax form filing requirements. Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to their investment in the Equity Notes.

#### ***Distributions on the Equity Notes***

Subject to the PFIC rules above, distributions (including deemed distributions on preferred stock described below) generally will be treated as dividends for U.S. federal income tax purposes to the extent they are made out of the Issuer's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted basis in the Equity Notes and thereafter as gain from the sale or other disposition of the Equity Notes. Because the Issuer is not expected to calculate its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Issuer. Dividends generally will not be eligible for the dividends received deduction generally available to U.S. corporations under the Code. In light of the discussion in "*Investments in a Passive Foreign Investment Company*" above, non-corporate U.S. Holders should expect that dividends will not constitute "qualified dividend income" eligible for preferential tax rates. Distributions paid in a Foreign Currency generally will be translated into U.S. dollars by reference to the exchange rate in effect on the day the distribution is received by the U.S. Holder, regardless of whether the distribution is converted to U.S. dollars at that time.

The Equity Notes may be considered "preferred stock" for U.S. federal income tax purposes. "**Preferred stock**" generally refers to stock (including debt securities treated as stock for U.S. federal income tax purposes) which, in relation to other classes of stock outstanding, enjoys certain limited rights and privileges (generally associated with specified dividend and liquidation priorities) and does not participate in corporate growth to any significant extent. Subject to the discussion of the PFIC rules above, if any of the Equity Notes are treated as preferred stock and the issue price of an Equity Note is less than its principal amount, the difference (the "**Redemption Premium**") generally is treated as a constructive distribution (or series of constructive distributions) of additional stock on preferred stock to the U.S. Holder that is taken into account under principles similar to the OID rules discussed above under "*Taxation of the U.S. Holders of Debt Notes – Qualified Stated Interest and Original Issue Discount.*" However, this general rule does not apply if the Redemption Premium does not exceed a *de minimis* amount, as determined under the OID rules discussed above under "*Taxation of the U.S. Holders of Debt Notes – Qualified Stated Interest and Original Issue Discount.*" U.S. Holders should consult their own tax advisors regarding the application of the preferred stock OID rules to their investment in the Equity Notes.

### **Information Reporting and Backup Withholding**

A U.S. Holder may be subject to information reporting on amounts received by such U.S. Holder from a distribution on, or disposition of, the Notes, unless such U.S. Holder establishes that it is exempt from these rules. If a U.S. Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides its taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. The amount of any backup withholding from a payment that a U.S. Holder receives will be allowed as a credit against its U.S. federal income tax liability and may entitle such U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

In addition, U.S. Holders should consult their tax advisors about any additional reporting obligations that may apply as a result of the purchase, beneficial ownership, and disposition of the Notes. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

## CERTAIN ERISA CONSIDERATIONS

ERISA imposes certain requirements on "employee benefit plans" within the meaning of Section 3(3) of ERISA that is subject to Title I of ERISA, such as pension plans, profit-sharing plans, collective investment funds and separate accounts whose underlying assets include the assets of such employee benefit plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. ERISA also imposes limits on transactions between ERISA Plans and their service providers or other related parties.

Each fiduciary of an ERISA Plan should consider ERISA and the regulations and guidance thereunder when considering an investment in the Notes. Fiduciaries of ERISA Plans, as well as other "plans" and arrangements within the meaning of Section 4975(e)(1) of the Code that are subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**"), should consider, among other items, the issues described below when deciding whether to acquire the Notes.

### **Fiduciary Duty of Investing ERISA Plans**

Under ERISA, any person who exercises discretionary authority or control respecting the management or disposition of the assets of an ERISA Plan is generally considered to be a fiduciary of such ERISA Plan. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, which should be taken into account with regards to each ERISA Plan's particular facts and circumstances. In considering an investment of an ERISA Plan's assets in the Notes, the ERISA Plan's fiduciary should determine, particularly in light of the risks and limited liquidity inherent in an investment in the Note, whether the investment would (i) satisfy the diversification requirements of Section 404(a)(1)(C) of ERISA, (ii) be in accordance with the documents and instruments governing the ERISA Plan pursuant to Section 404(a)(1)(D) of ERISA and (iii) be prudent with respect to the offering's structure and the nature of its proposed investments.

When evaluating the prudence of an acquisition of the Notes, the ERISA Plan fiduciary should consider the U.S. Department of Labor (the "**DOL**") regulation on investment duties, which can be found at 29 C.F.R. § 2550.404a-1.

In addition, ERISA requires the fiduciary of an ERISA Plan to maintain indicia of ownership of the ERISA Plan's assets within the jurisdiction of the U.S. Federal District Courts. Fiduciaries of ERISA Plans should also consider ERISA's rules relating to delegation of control, and whether an investment in the Notes might constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Administrators of ERISA Plans that invest in the Notes may be required to report compensation, including indirect compensation, paid in connection with the ERISA Plan's investment in the Notes on Schedule C of Form 5500 (Annual Return/Report of Employee Benefit Plan). The descriptions in this Prospectus of fees and compensation, including the fees paid to the Joint Lead Manager Related Persons, are intended to satisfy the disclosure requirement for "eligible indirect compensation", for which an alternative reporting procedure on Schedule C of Form 5500 may be available.

### **Prohibited Transactions**

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of Plans and certain persons and their affiliates (referred to as "parties in interest" or "disqualified persons" within the meaning of Section 3(14) of ERISA and Section 4975 of the Code respectively and collectively, "**Parties in Interest**") having certain relationships to such Plans, including the Plan's fiduciaries and other service providers.

Whether or not the underlying assets of the Issuer are deemed to include the assets of a Plan, an investment in the Notes by a Plan with respect to which any of the Issuer, the Joint Lead Manager Related Persons, the Transaction Parties or their respective affiliates (collectively, "**ERISA Transaction Parties**") is considered a Party in Interest may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless a statutory or administrative exemption is applicable to the transaction.

The applicability of any exemption to the prohibited transaction rules will depend in part on the type of fiduciary making the decision to invest in the Notes and the circumstances under which such decision is

made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to purchase and sale of securities and related lending transactions, **provided that** neither the issuer of the securities nor its affiliate has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction (in other words, not a fiduciary) and **provided further that** the Plan pays no more than, and receives no less than, adequate consideration in connection with the transaction), Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Each fiduciary of a Plan that proposes to invest in the Notes should consider, among other things, whether such investment would involve (i) a direct or indirect extension of credit to a Party in Interest, (ii) a sale or exchange of any property between a Plan and a Party in Interest or (iii) a transfer to, or use by or for the benefit of, a Party in Interest of the Plan's assets. In this regard, there can be no assurance that any of these or other exemptions will be available with respect to any particular transaction involving an investment in the Notes. Most of the exemptions do not provide relief from some or all of the self-dealing prohibitions under Section 406 of ERISA or Section 4975 of the Code.

Each fiduciary of a Plan that has engaged in a prohibited transaction may be required to, among other potential actions, (i) restore to the Plan any profit realized on the transaction, (ii) reimburse the Plan for any losses suffered by the Plan as a result of the transaction or (iii) unwind the transaction. Under Section 4975 of the Code, a Party in Interest may be required to pay excise taxes based on the amount involved in the transaction (including a one hundred per cent. (100%) excise tax if the transaction is not corrected within a certain time period).

### **The Plan Asset Regulation**

Under the DOL regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), when a Plan invests in an "equity interest" in an entity (which is defined as an interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features) that is neither a publicly-offered security nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation by "Benefit Plan Investors" is not "significant".

Under the Plan Asset Regulation, an "operating company" is defined as an entity that is primarily engaged, directly or through a majority-owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital. Equity participation in any entity by "Benefit Plan Investors" is "significant" under the Plan Asset Regulation if, immediately after the most recent acquisition of any equity interest in the entity, twenty-five per cent. (25%) or more of the value of any class of equity interests in the entity is held by "Benefit Plan Investors". For purposes of this calculation, the value of any Note held by (i) persons, other than "Benefit Plan Investors", that have discretionary authority or control over the assets of the entity, or that provide investment advice with respect to such assets for a fee, directly or indirectly, or (ii) any "affiliates" within the meaning of paragraph (f)(3) of the Plan Asset Regulation of the foregoing (i) persons are excluded (with respect to the Issuer's assets, a "**Controlling Person**"). A "**Benefit Plan Investor**" means (i) a Plan or (ii) a person or entity whose underlying assets include, or are deemed to include under the Plan Asset Regulation or otherwise for purposes of Title I of ERISA or Section 4975 of the Code, "plan assets" by reason of a Plan's investment in the person or entity. For these purposes, an "**affiliate**" of a person includes any person, directly or indirectly, through one or more intermediaries, "**controlling**", "**controlled**" by, or under common "**control**" with the person, and "control", with respect to a person other than an individual, means the power to exercise a controlling influence over the management or policies of such person. It must be true immediately after each acquisition, transfer or disposition of the Notes that less than twenty-five per cent. (25%) of the value of any class of equity interests in the entity is held by Benefit Plan Investors in order for the assets of the Issuer to not be treated as "plan assets", the percentage as determined under the Plan Asset Regulation.

While there is little pertinent authority in this area and no assurance can be given, the Issuer does not intend to treat the A Notes, the B Notes, the C Notes or the D Notes ("**ERISA-Eligible Securities**") as equity interests for the purposes of the Plan Asset Regulation as to which the look-through rule of the Plan Asset Regulation applies.

## Similar Plans

"**Governmental plans**" within the meaning of Section 3(32) of ERISA, "church plans" within the meaning of Section 3(33) of ERISA that have made no election under Section 410(d) of the Code, non-U.S. plans described in Section 4(b)(4) of ERISA and other employee benefit plans that are not Benefit Plan Investors, while not subject to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code, may nevertheless be subject to any U.S. federal, state, local, non-U.S. or other law or regulation that contains one or more provisions that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for and the availability of any exemptive relief under any Similar Law.

## Representations and Warranties

Any Notes or Certificates that are not ERISA-Eligible Securities may not be purchased or held by any Benefit Plan Investor, and each purchaser or subsequent transferee of such Notes or Certificates will be deemed by such purchase or acquisition to have represented, warranted and agreed that, for so long as it holds such Notes or Certificates or any interest therein, (a) it is not and will not be, and is not and will not be acting on behalf, of a Benefit Plan Investor and (b) its acquisition, holding and transfer or other disposition of any such Notes or Certificates will not result in a violation of any applicable Similar Law.

Each purchaser or subsequent transferee of ERISA-Eligible Securities will be deemed by such purchase or acquisition to have represented, warranted and agreed that, for so long as it holds such Note or any interest therein, either (a) it is not and will not be, and is not and will not be acting on behalf of, a Benefit Plan Investor or (b) its acquisition, holding and transfer or other disposition of such Notes or any interest therein will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any applicable Similar Law. In addition, each purchaser and transferee of any ERISA-Eligible Security or any interest therein that is a Benefit Plan Investor will be deemed to represent, warrant and agree that (x) none of the ERISA Transaction Parties has provided any investment recommendation or investment advice to the Benefit Plan Investor, or any fiduciary or other person investing on behalf of the Benefit Plan Investor or who otherwise has discretion or control over the investment and management of "plan assets" (a "**Plan Fiduciary**"), on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to invest in the ERISA-Eligible Security or any interest therein, (y) none of the ERISA Transaction Parties is acting as a "fiduciary", as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's investment in the ERISA-Eligible Security or any interest therein and (z) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Whether or not the underlying assets of the Issuer are deemed to be "plan assets", an investment in the ERISA-Eligible Securities by a Benefit Plan Investor is subject to Title I of ERISA or Section 4975 of the Code. Accordingly, Plan Fiduciaries should consult their own counsel as to the consequences under ERISA and the Code of an investment in the ERISA-Eligible Securities. Fiduciaries of other plans, in consultation with their advisors, should consider the impact of their applicable Similar Laws on an investment in the Notes or Certificates and the considerations discussed above.

The sale of ERISA-Eligible Securities to a Plan is in no respect a representation or warranty by the Issuer, or any other person that this investment meets all relevant legal requirements with respect to investments by Benefit Plan Investors or such other plans generally or any particular plan, that any prohibited transaction exemption would apply to the acquisition, holding, or disposition of this investment by such plans in general or any particular plan, or that this investment is appropriate for such plans generally or any particular plan.



## PURCHASE AND SALE

This Prospectus has been approved by the Central Bank of Ireland as the Irish competent authority under the EU Prospectus Regulation. The Central Bank of Ireland has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Application has been made to Euronext Dublin for the Notes to be admitted to the official list and trading on its regulated market.

The Joint Lead Managers, the Issuer and the Seller, *inter alia*, have entered into a note purchase agreement (the "**Note Purchase Agreement**") pursuant to which the Joint Lead Managers have agreed to purchase or procure purchasers for the Notes (other than the E Notes, the X Notes and the Z Notes) (the "**Subscribed Notes**").

On the Issue Date, the Issuer will issue:

- (a) the A Notes at an issue price of 100 per cent. of the principal amount of the A Notes;
- (b) the B Notes at an issue price of 100 per cent. of the principal amount of the B Notes;
- (c) the C Notes at an issue price of 100 per cent. of the principal amount of the C Notes;
- (d) the D Notes at an issue price of 100 per cent. of the principal amount of the D Notes;
- (e) the E Notes at an issue price of 100 per cent. of the principal amount of the E Notes;
- (f) the X Notes at an issue price of 100 per cent. of the principal amount of the X Notes; and
- (g) the Z Notes at an issue price of 100 per cent. of the principal amount of the Z Notes.

On the Issue Date, the Issuer will also issue the Certificates. The E Notes, the X Notes and the Z Notes and the Certificates will initially be issued to and fully retained by KHL.

Each of Lloyds, National Australia Bank and BNP Paribas (as the case may be through any of its affiliates) will subscribe for the Subscribed Notes that are Rule 144A Notes on a several but not joint basis. Each of Lloyds, BNP Paribas and National Australia Bank (as the case may be through any of its affiliates) will subscribe for the Subscribed Notes that are Regulation S Notes on a joint and several basis.

The Issuer and (in respect of certain expenses only) the Seller have agreed in the Note Purchase Agreement to reimburse and indemnify the Joint Lead Managers for certain of their expenses and liabilities in connection with the issue of Notes.

The Note Purchase Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers in certain circumstances prior to payment for the Subscribed Notes to the Issuer.

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 or Certificates in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes and for the listing of the Notes of each Class on the Official List of Euronext Dublin. The Issuer, the Arranger and the Joint Lead Managers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the principal amount of Notes which may be offered.

### Offers and Sales

The Notes and the Certificates (including interests therein represented by a Global Notes, a Book-Entry Interest or a Definitive Certificate) have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below. Neither the Issuer nor any other person is required to register or qualify the Notes or the Certificates or to provide registration rights to any investor therein. The Notes are initially being offered and sold to QIBs (each for itself or for the account or benefit of other QIBs) pursuant to Rule 144A and outside the United States to persons other than U.S. Persons pursuant to Regulation S.

The Notes and the Certificates may not be reoffered, resold, pledged or otherwise transferred except, subject to the restrictions on transfer described herein, (A)(i) in the case of the Rule 144A Notes, to a person whom the transferor reasonably believes is a QIB in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, or (ii) in the case of the Regulation S Notes and/or the Certificates, to a non-U.S. Person in accordance with Rule 903 or 904 of Regulation S, and (B) in accordance with all applicable securities laws of any state of the United States or other applicable jurisdiction. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Ownership of interests in Regulation S Global Notes will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg, and any sale or transfer of such interests to U.S. Persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A to a transferee acquiring an interest in a Rule 144A Note as described in "*Description of the Notes in Global Form - Transfers and Transfer Restrictions*". Any offers, sales or deliveries of Notes or Certificates to U.S. Persons by an investor holding such Notes or Certificates in the form of Regulation S Global Note or Definitive Certificate may, except as described in "*Description of the Notes in Global Form - Transfers and Transfer Restrictions*", constitute a violation of U.S. law.

Subject to the restrictions applicable to all sales of Notes or Certificates, there is no restriction on the Issuer, the Seller or any of their respective affiliates from purchasing any Notes or Certificates.

### **United Kingdom**

Each of the Joint Lead Managers has represented to and agreed with the Issuer that:

- (a) 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; and
- (b) 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 investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### **United States**

Each of the Arranger and the Joint Lead Managers have acknowledged, in the Note Purchase Agreement, that the Notes and the Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and therefore may not be offered or sold, directly or indirectly, to, or for the account or benefit of, U.S. Persons except, with respect to the Rule 144A Global Notes only, to persons that are QIBs (each for its own account or the account or benefit of other QIBs) in reliance on Rule 144A in accordance with any applicable laws of any state within the United States or any other jurisdiction, or federal securities laws. In addition, the Notes cannot be resold in the United States, or outside of the United States to U.S. Persons, except in accordance with the applicable transfer restrictions described herein.

Notes of each Class in the form of Regulation S Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof (or their equivalent in another currency).

Notes of each Class in the form of Rule 144A Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof (or their equivalent in another currency).

The Regulation S Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Note Purchase Agreement provides that the Arranger and Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Each of the Joint Lead Managers has agreed that, except as permitted by the Note Purchase Agreement, it will not offer, sell or deliver the Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Issue Date (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Rule 903 of Regulation S or another exemption from the

registration requirements of the Securities Act and, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells the Regulation S 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. Terms used in this paragraph have the meaning given to them by Regulation S.

The Issuer, the Arranger and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. Person, other than any QIB to whom an offer has been made directly by the Arranger, a Joint Lead Manager or, in each case, its U.S. broker-dealer affiliate. Distribution of this Prospectus to any U.S. Person, other than a QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised and prohibited, and any disclosure without the prior written consent of the Issuer of any of its contents to any U.S. Person, other than a QIB and those persons, if any, retained to advise such QIB, is prohibited.

Each of the Arranger and the Joint Lead Managers have acknowledged that Regulation S Global Note may not be purchased or held by any Benefit Plan Investor and each purchaser of any such Note will be deemed to have represented, warranted and agreed, for so long as it holds such Note that it is not and will not be, such a Benefit Plan Investor.

## **Ireland**

Each Joint Lead Manager has represented and agreed with the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes and Certificates, otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 of Ireland, as amended, (the "**EU MiFID Regulations**") including without limitation, Regulation 5 (Requirement for authorisation (and certain provisions concerning MTFs and OTFs)) thereof and in connection with the EU MiFID Regulations, any applicable codes of conduct or rules and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland, Regulation (EU) No 600/2014, as amended, and any delegated or implementing acts adopted thereunder and the provisions of the Investor Compensation Act 1998 of Ireland, as amended;
- (b) it will not underwrite the issue of, or place, the Notes and Certificates otherwise than in conformity with the provisions of the Companies Act 2014 of Ireland, as amended, the Central Bank Acts 1942 to 2019 of Ireland, as amended, and any code of conduct or practice or rules made under Section 117(1) of the Central Bank Act 1989 of Ireland, as amended, or any regulations issued pursuant to Part 8 of the Central Bank (Supervision and Enforcement) Act 2013 of Ireland, as amended;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes and Certificates otherwise than in conformity with the provisions of the EU Prospectus Regulation, as amended, and any delegated acts adopted thereunder, the Finance (Tax Appeals and Prospectus Regulation) Act 2019 of Ireland, the European Union (Prospectus) Regulations 2019 of Ireland, as amended, and any other Irish prospectus law as defined in the Companies Act 2014 of Ireland, as amended, the Central Bank (Investment Market Conduct) Rules 2019 of Ireland, and any other rules made or guidelines issued under Section 1363 of the Companies Act 2014 of Ireland, as amended, by the Central Bank of Ireland; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes and Certificates, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU/596/2014), as amended, the Market Abuse Directive on criminal sanctions for market abuse (Directive 2014/57/EU), the European Union (Market Abuse) Regulations 2016 of Ireland (S.I. No 349 of 2016), as amended, and any Irish market abuse law as defined in those Regulations and the Companies Act 2014 of Ireland, as amended, and any rules made or guidance issued by the Central Bank of Ireland in connection with the foregoing, including any rules made or guidelines issued by the Central Bank of Ireland under Section 1370 of the Companies Act 2014 of Ireland, as amended.

### **Prohibition of Sales to EEA Retail Investors**

Each Joint Lead Manager has represented and agreed with the Issuer that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes and Certificates 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 EU MiFID II; or
  - (ii) a customer within the meaning of the EU Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4 (1) of EU MiFID II; 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 and Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and Certificates.

### **Prohibition of Sales to UK Retail Investors**

Each Joint Lead Manager has represented and agreed with the Issuer that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes and Certificates to any retail investor in the United Kingdom, For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; or
  - (ii) a customer within the meaning of FSMA and any rules or regulations made under the FMSA to implement the EU Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; 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 and Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and Certificates.

### **General**

Under the Note Purchase Agreement, each of the Joint Lead Managers has acknowledged that, save for making such applications and for having procured the delivery of a copy of the Prospectus for registration to the Central Bank, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Notes and Certificates, or possession or distribution of the Prospectus (in preliminary or final form) or any amendment or supplement thereto or any other offering material relating to the Notes or Certificates in any country or jurisdiction where action for that purpose is required. Under the Note Purchase Agreement, each of the Joint Lead Managers has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Notes and Certificates or have in its possession or distribute the Prospectus (in preliminary or in final form) or any amendment or supplement thereto or any other offering material (including not to do so, as stated in the section entitled "*Important Notice*" above, to retail investors as defined in such section).

Attention is drawn to the information set out on the inside front cover of this Prospectus.

## TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

### Rule 144A Notes

Each prospective purchaser of Rule 144A Notes, by accepting delivery of this Prospectus, will be deemed to have represented and agreed that such person acknowledges that this Prospectus is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Prospectus, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise it with respect thereto is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Each purchaser of (i) Notes represented by a Rule 144A Global Note will be deemed to have represented and agreed and (ii) Rule 144A Notes represented by Rule 144A Definitive Notes will be required to represent and agree, as follows:

- (1) The purchaser (a) is a QIB, (b) is aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A, (c) is acquiring such Notes for its own account or for the account of a QIB as to which the purchaser exercises sole investment discretion, and in a principal amount of not less than £100,000, for the purchaser and for each such account and (d) will provide notice of the transfer restrictions described herein to any subsequent transferees.
- (2) The purchaser understands that such Rule 144A Notes have not been and will not be registered under the Securities Act, and may be reoffered, resold or pledged or otherwise transferred only (a)(i) to a person whom the purchaser reasonably believes is a QIB purchasing for its own account or for the account of a QIB as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A or (ii) to a non-U.S. Person, in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S acquiring an interest in a Regulation S Note and (b) in accordance with all applicable securities laws including the securities laws of any state of the United States. The purchaser understands that the Issuer has not been registered under the Investment Company Act. The purchaser understands that before any interest in a Rule 144A Note or may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Notes, the Registrar is required to receive a written certification from the purchaser (in the form provided in the Trust Deed) as to compliance with the transfer restrictions described herein. The purchaser understands and agrees that any purported transfer of the Rule 144A Notes to a purchaser that does not comply with the requirements of this paragraph (2) shall be null and void *ab initio*.
- (3) The purchaser is not purchasing such Rule 144A Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Rule 144A Notes involves certain risks, including the risk of loss of its entire investment in the Rule 144A Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuer and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Rule 144A Notes, including an opportunity to ask questions of, and request information from, the Issuer.
- (4) In connection with the purchase of the Rule 144A Notes: (a) none of the Issuer, the Trustee, the Arranger or any Joint Lead Manager is acting as a fiduciary or financial or portfolio manager for the purchaser; (b) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Trustee, the Arranger and the Joint Lead Managers other than in this Prospectus for such Notes and any representations expressly set forth in a written agreement with such party; (c) none of the Issuer, the Trustee, the Arranger and any Joint Lead Manager has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment

in the Rule 144A Notes; (d) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Trust Deed) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Trustee, the Arranger or any Joint Lead Manager; (e) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Rule 144A Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (f) the purchaser is a sophisticated investor.

(5)

- (a) With respect to the purchase, holding and disposition of any ERISA-Eligible Security or any interest in such Note, each purchaser and subsequent transferee will be deemed by such purchase or acquisition to have represented, warranted and agreed that, for so long as it holds such a Note or any interest therein that either (A) it is not and will not be, and is not and will not be acting on behalf of, a Benefit Plan Investor or a plan subject to Similar Law or (B) its acquisition, holding and transfer or other disposition of any such Note or any interest therein will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any applicable Similar Law.

Each purchaser and subsequent transferee of any Notes or Certificates (or any interest therein) that are not an ERISA-Eligible Security will be deemed by such purchase or acquisition of any such Note or Certificate (or any interest therein), as applicable, to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Note or Certificate (or any interest therein), as applicable, through and including the date on which the purchaser or transferee disposes of such Note or Certificate (or any interest therein), as applicable, that (X) it is not and will not be a Benefit Plan Investor and that in purchasing and holding such Note or Certificate (or any interest therein), as applicable, it is not and will not be acting on behalf of a Benefit Plan Investor and (Y) its acquisition, holding and transfer or other disposition of such Notes or Certificates (or any interest therein), as applicable will not result in a violation of any applicable Similar Law.

- (b) Each purchaser and subsequent transferee of any ERISA-Eligible Security or any interest therein that is a Benefit Plan Investor will be deemed to represent, warrant and agree that (A) none of the ERISA Transaction Parties has provided any investment recommendation or investment advice to the Benefit Plan Investor, or Plan Fiduciary, on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to invest in the ERISA-Eligible Security or any interest therein, (B) none of the ERISA Transaction Parties is acting as a "fiduciary", as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary, in connection with the Benefit Plan Investor's investment in the ERISA-Eligible Security or any interest therein and (C) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

- (6) The purchaser understands that pursuant to the terms of the Trust Deed, the Issuer has agreed that the Rule 144A Global Notes or Rule 144A Definitive Notes, as applicable, offered in reliance on Rule 144A will bear the legend set forth below, and will be represented by one or more Rule 144A Global Notes or Rule 144A Definitive Notes, as applicable. The Rule 144A Global Notes may not at any time be held by or on behalf of persons that are not QIBs. Before any interest in a Rule 144A Global Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Common Safekeeper with a written certification (in the form provided in the Trust Deed) as to compliance with the transfer 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 WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER

JURISDICTION OF THE UNITED STATES AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) TO A NON-U.S. PERSON, IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATIONS OF THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN £100,000 FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE TRUST DEED TO ITS TRANSFEREE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE REGISTRAR.

TRANSFERS OF THIS NOTE OR OF PORTIONS OF THIS NOTE SHOULD BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE TRUST DEED REFERRED TO HEREIN.

*[LEGEND TO BE INCLUDED IN RELATION TO THE ERISA-ELIGIBLE NOTES ONLY]* [EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST THEREIN, EITHER (A) IT IS NOT AND WILL NOT BE, AND IS NOT AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "**EMPLOYEE BENEFIT PLAN**" WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE, UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, "PLAN ASSETS" BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**") OR (IV) A "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, A "CHURCH PLAN" WITHIN THE MEANING OF SECTION 3(33) OF ERISA THAT HAS MADE NO ELECTION UNDER SECTION 410(d) OF THE CODE, A NON-U.S. PLAN DESCRIBED IN SECTION 4(b)(4) OF ERISA OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR BUT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY APPLICABLE SIMILAR LAW.

EACH BENEFIT PLAN INVESTOR THAT PURCHASES THIS NOTE, INCLUDING ANY FIDUCIARY PURCHASING THIS NOTE ON BEHALF OF A BENEFIT PLAN INVESTOR OR WHO REPRESENTS THE BENEFIT PLAN INVESTOR WITH RESPECT TO SUCH PURCHASE, WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE OF THE NOTES OR ANY INTEREST THEREIN THAT: (1) NONE OF THE ISSUER, THE JOINT LEAD MANAGER RELATED PERSONS, THE TRANSACTION PARTIES OR THEIR RESPECTIVE AFFILIATES (EACH, AN "**ERISA TRANSACTION PARTY**") HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR, OR ANY FIDUCIARY OR OTHER PERSON INVESTING ON BEHALF OF THE BENEFIT PLAN INVESTOR OR WHO OTHERWISE HAS DISCRETION OR CONTROL OVER THE INVESTMENT AND MANAGEMENT OF "PLAN ASSETS" (A "**PLAN FIDUCIARY**"), ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO INVEST IN THE NOTES OR ANY INTEREST THEREIN, (2) NONE OF THE ERISA TRANSACTION PARTIES IS ACTING AS A "FIDUCIARY", AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S INVESTMENT IN THE NOTES OR ANY INTEREST THEREIN AND (3) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION.]

[*LEGEND TO BE INCLUDED IN RELATION TO THE NON ERISA-ELIGIBLE NOTES IN THE FORM OF RULE 144A GLOBAL NOTES ONLY*] [BY ITS ACQUISITION AND HOLDING OF THIS NOTE EACH HOLDER OF THIS NOTE OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT, FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST THEREIN, (A) IT IS NOT AND WILL NOT BE, AND IS NOT AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "**EMPLOYEE BENEFIT PLAN**" WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, "PLAN ASSETS" BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**") AND (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT VIOLATE ANY APPLICABLE U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"). ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

THE ISSUER HAS THE RIGHT, UNDER THE TRUST DEED, TO COMPEL ANY BENEFICIAL OWNER OF A NOTE WHO HAS ENGAGED IN OR HAS BEEN DEEMED TO ENGAGE IN A PROHIBITED TRANSACTION, BENEFIT PLAN INVESTOR, CONTROLLING PERSON, OR SIMILAR PLAN LAW REPRESENTATION THAT IS SUBSEQUENTLY SHOWN TO BE FALSE OR MISLEADING TO SELL ITS INTEREST IN THE NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.]

[*LEGEND TO BE INCLUDED FOR NOTES ISSUED WITH ORIGINAL ISSUE DISCOUNT:*] THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") FOR U.S. FEDERAL INCOME TAX PURPOSES. INFORMATION RELATING TO THE ISSUE PRICE OF THE NOTE, THE AMOUNT OF OID ON THE NOTE, ITS ISSUE DATE AND THE YIELD TO MATURITY OF THE NOTE MAY BE OBTAINED FROM THE ISSUER.]



[[TO BE INCLUDED ON THE A NOTES, B NOTES, C NOTES AND D NOTES:] EACH HOLDER OF THIS NOTE (OR ANY INTEREST THEREIN), BY PURCHASING SUCH NOTE (OR ANY SUCH INTEREST), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED TO TREAT SUCH NOTE (OR ANY SUCH INTEREST) AS INDEBTEDNESS FOR U.S. FEDERAL INCOME TAX PURPOSES.]

[[TO BE INCLUDED ON THE E NOTES, X NOTES, Z NOTES AND THE CERTIFICATES:] EACH HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN), BY PURCHASING SUCH NOTE (OR ANY SUCH INTEREST), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED TO TREAT SUCH NOTE (OR ANY SUCH INTEREST) AS EQUITY FOR U.S. FEDERAL INCOME TAX PURPOSES.]

- (7) The purchaser will not, at any time, offer to buy or offer to sell the Notes by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertising.
- (8) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.
- (9) The purchaser will treat the Issuer and the Notes as described in the "*Tax Considerations — Certain U.S. Federal Income Tax Considerations*" section of the Prospectus for all U.S. federal, state and local income tax purposes and will take no action inconsistent with such treatment unless required by law.
- (10) The purchaser will timely furnish the Issuer or its agents any tax form or certification (including, without limitation, IRS Form W-9, an applicable IRS Form W-8, or any successors to such IRS forms) that the Issuer or its agents may reasonably request (A) to permit the Issuer or its agents to make payments to the purchaser without, or at a reduced rate of, deduction or withholding, (B) to enable the Issuer or its agents to qualify for a reduced rate of withholding or deduction in any jurisdiction from or through which the Issuer or its agents receive payments, and (C) to enable the Issuer or its agents to satisfy reporting and other obligations under the Code and U.S. Treasury regulations, or under any other applicable law, and will update or replace any tax forms or certifications as appropriate or in accordance with their terms or subsequent amendments thereto. The purchaser acknowledges that the failure to provide, update or replace any such tax forms or certifications may result in the imposition of withholding or back up withholding upon payments to the purchaser, or to the Issuer. Amounts withheld from payments to the purchaser by the Issuer or its agents that are, in their sole judgment, required to be withheld pursuant to applicable tax laws will be treated as having been paid to the purchaser by the Issuer.
- (11) The purchaser will provide the Issuer or its agents with any correct, complete and accurate information and will take any other actions that may be required for the Issuer to comply with FATCA and to prevent the imposition of withholding tax under FATCA on payments to or for the benefit of the Issuer. In the event the purchaser fails to provide such information or take such actions, or to the extent that its ownership of Notes would otherwise cause the Issuer to be subject to any tax under FATCA, (A) the Issuer (and any agent acting on its behalf) is authorized to withhold amounts otherwise distributable to the purchaser as compensation for any amounts withheld from payments to or for the benefit of the Issuer as a result of such failure or such ownership, and (B) to the extent necessary to avoid an adverse effect on the Issuer as a result of such failure or such ownership, the Issuer will have the right to compel the purchaser to sell its Notes and, if the purchaser does not sell its Notes within 10 Business Days after notice from the Issuer or its agents, the Issuer will have the right to sell such Notes at a public or private sale called and conducted in any manner permitted by law, and to remit the net proceeds of such sale (taking into account any taxes incurred by the Issuer in connection with such sale) to such person as payment in full for such Notes. The Issuer may assign each such Note, or procure that each such Note is assigned, a separate ISIN in the Issuer's sole discretion. The purchaser agrees that the Issuer, the Trustee or their agents or representatives may (1) provide any information and documentation concerning its investment in its Notes to the IRS and any other relevant tax authority and (2) take such other steps as they deem necessary or helpful to ensure that the Issuer complies with FATCA.

- (12) The purchaser understands and acknowledges that the Issuer has the right under the Trust Deed to compel any Non-Permitted Holder or Non-Permitted ERISA Holder to sell its interest in the Notes, or may sell such interest in its Notes on behalf of such Non-Permitted Holder or Non-Permitted ERISA Holder.

A transferor who transfers an interest in a Rule 144A Note to a transferee who will hold the interest in the same form is not required to make any additional representation or certification.

### **Regulation S Notes**

Each purchaser of Regulation S Notes will be deemed to have made the representations set forth in clauses (3), (4), (5), (6), (7), (10) through (12) (inclusive) above (except that references to Rule 144A Notes shall be deemed to be references to Regulation S Notes) and to have further represented and agreed as follows:

- (1) The purchaser is located outside the United States and is not a U.S. Person.
- (2) The purchaser understands that the Notes have not been and will not be registered under the Securities Act and that the Issuer has not registered and will not register under the Investment Company Act. It agrees, for the benefit of the Issuer that, if it decides to resell, pledge or otherwise transfer such Notes (or any beneficial interest or participation therein) purchased by it, prior to the expiration of the distribution compliance period, any offer, sale or transfer of such Notes (or any beneficial interest or participation therein) will be made in compliance with the Securities Act and only (i) to a person (A) it reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a nominal amount of not less than £100,000 for it and each such account, in a transaction that meets the requirements of Rule 144A and takes delivery in the form of a Rule 144A Note; or (ii) to a non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 (as applicable) under Regulation S.
- (3) The purchaser understands that unless the Issuer determines otherwise in compliance with applicable law, such Notes will bear a legend set forth below.

THE NOTES HAVE 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 THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) TO A NON-U.S. PERSON, IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S OF THE SECURITIES ACT AND IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN £100,000 AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE TRUST DEED TO ITS TRANSFEREE.

TRANSFERS OF THIS NOTE OR OF PORTIONS OF THIS NOTE SHOULD BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE TRUST DEED REFERRED TO HEREIN.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE REGISTRAR.

*[LEGEND TO BE INCLUDED IN RELATION TO THE ERISA-ELIGIBLE NOTES ONLY]* [EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST THEREIN, EITHER (A) IT IS NOT AND WILL NOT BE, AND IS NOT AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "**EMPLOYEE BENEFIT PLAN**" WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, "PLAN ASSETS" BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**") OR (IV) A "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, A "CHURCH PLAN" WITHIN THE MEANING OF SECTION 3(33) OF ERISA THAT HAS MADE NO ELECTION UNDER SECTION 410(d) OF THE CODE, A NON-U.S. PLAN DESCRIBED IN SECTION 4(b)(4) OF ERISA OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR BUT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY APPLICABLE SIMILAR LAW.

EACH BENEFIT PLAN INVESTOR THAT PURCHASES THIS NOTE, INCLUDING ANY FIDUCIARY PURCHASING THIS NOTE ON BEHALF OF A BENEFIT PLAN INVESTOR OR WHO REPRESENTS THE BENEFIT PLAN INVESTOR WITH RESPECT TO SUCH PURCHASE, WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE OF THE NOTES OR ANY INTEREST THEREIN THAT: (1) NONE OF THE ISSUER, THE JOINT LEAD MANAGER RELATED PERSONS, THE TRANSACTION PARTIES OR THEIR RESPECTIVE AFFILIATES (EACH, AN "**ERISA TRANSACTION PARTY**") HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR, OR ANY FIDUCIARY OR OTHER PERSON INVESTING ON BEHALF OF THE BENEFIT PLAN INVESTOR OR WHO OTHERWISE HAS DISCRETION OR CONTROL OVER THE INVESTMENT AND MANAGEMENT OF "PLAN ASSETS" (A "**PLAN FIDUCIARY**"), ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO INVEST IN THE NOTES OR ANY INTEREST THEREIN, (2) NONE OF THE ERISA TRANSACTION PARTIES IS ACTING AS A "FIDUCIARY", AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S INVESTMENT IN THE NOTES OR ANY INTEREST THEREIN AND (3) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION.]

*[LEGEND TO BE INCLUDED IN RELATION TO THE NON ERISA-ELIGIBLE NOTES IN THE FORM OF REGULATION S GLOBAL NOTES ONLY]* [BY ITS ACQUISITION AND HOLDING OF THIS [NOTE][CERTIFICATE] EACH HOLDER OF THIS [NOTE][CERTIFICATE] OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT, FOR SO LONG AS IT HOLDS THIS [NOTE][CERTIFICATE] OR ANY INTEREST

THEREIN, EITHER (A) IT IS NOT AND WILL NOT BE, AND IS NOT AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "**EMPLOYEE BENEFIT PLAN**" WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, OR (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, "PLAN ASSETS" BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**") AND (B) IT IS A PLAN SUBJECT TO SIMILAR LAW AND ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS [NOTE][CERTIFICATE] OR ANY INTEREST HEREIN DOES NOT AND WILL NOT VIOLATE ANY APPLICABLE U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"). ANY PURPORTED TRANSFER OF THIS [NOTE][CERTIFICATE] THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

THE ISSUER HAS THE RIGHT, UNDER THE TRUST DEED, TO COMPEL ANY BENEFICIAL OWNER OF A NOTE WHO HAS ENGAGED IN OR HAS BEEN DEEMED TO ENGAGE IN A PROHIBITED TRANSACTION, BENEFIT PLAN INVESTOR, SIMILAR LAW OR OTHER PLAN LAW REPRESENTATION THAT IS SUBSEQUENTLY SHOWN TO BE FALSE OR MISLEADING TO SELL ITS INTEREST IN THE NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.]

- (4) The purchaser acknowledges that the Issuer, the Trustee, the Arranger, the Arranger and the Joint Lead Managers and their Agents and Affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (5) The purchaser understands that the Regulation S Notes may not, at any time, be held by, or on behalf of, U.S. Persons.

A transferor who transfers an interest in a Regulation S Note to a transferee who will hold the interest in the same form is not required to make any additional representation or certification.

## GENERAL INFORMATION

- (1) The issue of the Notes and Certificates has been authorised by resolution of the Board of Directors of the Issuer passed on 2 February 2021.
- (2) Application has been made to Euronext Dublin for the Notes to be admitted to the official list and to trading on its regulated market. There can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The Regulated Market of Euronext Dublin is a regulated market for the purposes of the Markets in Financial Instruments Directive.
- (3) The Notes and Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	Common Code (Reg S)	ISIN (Clearstream/ Euroclear) (Reg S)	Common Code (Rule 144A)	ISIN (Clearstream/ Euroclear) (Rule 144A)
A Notes.....	227955970	XS2279559707	227955988	XS2279559889
B Notes.....	227956003	XS2279560036	227956011	XS2279560119
C Notes.....	227956020	XS2279560200	227956038	XS2279560382
D Notes.....	227956046	XS2279560465	227956062	XS2279560622
E Notes.....	227956089	XS2279560895	227956097	XS2279560978
X Notes.....	227956135	XS2279561356	227956143	XS2279561430
Z Notes.....	227956151	XS2279561513	227956160	XS2279561604
Certificates .....	227956178	XS2279561786	N/A	N/A

- (4) The auditors of the Issuer, KPMG LLP, Chartered Accountants, are members of the Institute of Chartered Accountants of England and Wales. The financial year end of the Issuer is 31 March. The first statutory financial statements of the Issuer will be prepared for the period ending 31 March 2022.
- (5) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position and profitability nor is the Issuer aware that any such proceedings are pending or threatened.
- (6) In relation to this transaction, the Issuer, on or about the date of this Prospectus, has entered into the Note Purchase Agreement referred to under "*Purchase and Sale*" above which is, or may be, material.
- (7) Since 1 December 2020 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or the financial position of the Issuer.
- (8) The Issuer is the designated entity for the purposes of the Article 7(2) of the UK Securitisation Regulation. The Issuer will procure that the Mortgage Administrator will:
  - (a) from the date of this Prospectus:
    - (i) publish a quarterly investor report (prepared by the Cash/Bond Administrator) in respect of each Determination Period, as then required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation (the "**UK SR Investor Report**"); and
    - (ii) publish on a quarterly basis a report (prepared by the Mortgage Administrator) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period as then required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation (the "**UK SR Data Tape**"),  
  
in each case, simultaneously each quarter (to the extent required under Article 7(1) of the UK Securitisation Regulation) and in the form prescribed as at such time under the UK Securitisation Regulation;
  - (b) publish without delay, any report (prepared by the Cash/Bond Administrator on the instructions of the Issuer or Mortgage Administrator) as to (i) any inside information

relating to the Issuer which the Issuer determines it is obliged to make in accordance with Article 17 of Regulation (EU) No. 596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK MAR**") in line with Article 7(1)(f) of the UK Securitisation Regulation and will be disclosed to the public by the Issuer (or the Mortgage Administrator on its behalf); or (ii) any significant event in line with Article 7(1)(g) of the UK Securitisation Regulation, in each case in the manner prescribed under the UK Securitisation Regulation; and

- (c) make available, within 5 Business Days of the issuance of the Notes, copies of the relevant Transaction Documents and this Prospectus via [www.sf.citidirect.com](http://www.sf.citidirect.com) (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time).
- (9) In addition, the Issuer confirms that KHL has made available the documents required by Article (7)(1)(b) of the UK Securitisation Regulation prior to the pricing date of the Notes.
- (10) The reports set out in paragraph 8(a) above and the documentation and information set out in paragraphs 8(b) and 8(c) above as at the date of this Prospectus have been or, as applicable, shall be published on the website at <https://editor.eurowdw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time) (the "**UK SR Website**"), being a website that conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.
- (11) The Issuer has agreed that it will act as if it is the designated entity for the purposes of the Article 7(2) of the EU Securitisation Regulation as such Regulation is in force as at the Issue Date. The Issuer will procure that the Mortgage Administrator will:
- (a) from the date of this Prospectus:
    - (i) publish a quarterly investor report (prepared by the Cash/Bond Administrator) in respect of each Determination Period in accordance with Article 7(1)(e) of the EU Securitisation Regulation (the "**EU SR Investor Report**"); and
    - (ii) publish on a quarterly basis a report (prepared by the Mortgage Administrator) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period in line with Article 7(1)(a) of the EU Securitisation Regulation (the "**EU SR Data Tape**"),  
  
in each case, in the form prescribed at the Issue Date under the EU Securitisation Regulation or as otherwise adopted by the Issuer from time to time;
  - (b) publish without delay, any report (prepared by the Cash/Bond Administrator on the instructions of the Issuer or Mortgage Administrator) as to (i) any inside information relating to the Issuer which the Issuer determines it is obliged to make in connection with Article 17 of Regulation (EU) No. 596/2014 ("**EU MAR**") in line with Article 7(1)(f) of the EU Securitisation Regulation and will be disclosed to the public by the Issuer (or the Mortgage Administrator on its behalf); or (ii) any significant event in line with Article 7(1)(g) of the EU Securitisation Regulation, in each case in the manner prescribed under the EU Securitisation Regulation; and
  - (c) make available, within 5 Business Days of the issuance of the Notes, copies of the relevant Transaction Documents and this Prospectus via [www.sf.citidirect.com](http://www.sf.citidirect.com) (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time),

until such time, in relation to paragraphs 11(a) and (b) above, KHL certifies to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of those requirements

detailed in paragraphs 8(a) and (b) above relating to the UK Securitisation Regulation will also satisfy the requirements of Article 7(2) of the EU Securitisation Regulation due to the application of an equivalency regime or similar analogous concept.

(12) In addition, the Issuer confirms that KHL has made available the documents required by Article (7)(1)(b) of the EU Securitisation Regulation prior to the pricing date of the Notes.

(13) The reports set out in paragraph 8(a) above and the documentation and information set out in paragraphs 8(b) and 8(c) above as at the date of this Prospectus have been or, as applicable, shall be published on the website at <https://editor.eurodw.eu/esma/viewdeal?edcode=RMBSUK000445500220212> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time) (the "**EU SR Website**"), being a website that conforms to the requirements set out in Article 7(2) of the EU Securitisation Regulation as at the Issue Date. Following the appointment by the Issuer of an EU SR Repository, such reports and information will be made available through such EU SR Repository. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

(14) In addition to the (i) UK SR Investor Reports and the UK SR Data Tapes and (ii) EU SR Investor Reports and EU SR Data Tapes (which will be published by the Mortgage Administrator):

(a) the Issuer will (or will procure):

1. from the Issue Date until the earlier of redemption in full of the last outstanding Note or the Final Maturity Date, provide ongoing performance data on this transaction (including quarterly Performance Reports (each of which shall contain a glossary of the terms used in such report, whether by reference to this Prospectus or otherwise) and other statistical information regarding the securities to be admitted to trading and the performance of the Mortgage Pool (including anonymised loan level data)), being available at [www.sf.citidirect.com](http://www.sf.citidirect.com) in electronic form for investors, potential investors and firms that generally provide services to investors. The contents of this website are for information purposes only and do not form part of this Prospectus and it will not be the website that conforms to the requirements set out in (i) Article 7(2) of the UK Securitisation Regulation on which the UK SR Investor Reports and the UK SR Data Tapes will be made available in compliance with Article 7(1) of the UK Securitisation Regulation from time to time and (ii) Article 7(2) of the EU Securitisation Regulation as at the Issue Date on which the EU SR Investor Reports and the EU SR Data Tapes will be made available in accordance with Article 7(1) of the EU Securitisation Regulation in the form prescribed as at the Issue Date under the EU Securitisation Regulation or as otherwise in the prescribed form adopted by the Issuer from time to time; and

2. in the first Performance Report, disclose the amount of the Notes which are either:

(I) privately-placed with investors which are not the Originator or entities affiliated with the Originator (the "**Originator's Group**");

(II) retained by a member of the Originator's Group; and

(III) publicly-placed with investors which are not in the Originator's Group; and

in relation to any amount initially retained by a member of the Originator's Group, but subsequently placed with investors which are not in the Originator's Group, it will (to the extent permissible) disclose such placement in the next investor report.

(b) the Mortgage Administrator will prepare the BoE Loan-Level Data Tape and deliver such data tape to the Trustee, the Issuer, the Cash/Bond Administrator and the Legal Title-

Holder no later than the last Business Day of the month in which the relevant Interest Date falls.

- (15) From the Issue Date until the earlier of redemption in full of the last outstanding Note or the Final Maturity Date, copies of the following documents may be inspected in electronic or physical form during usual business hours at the registered office of the Issuer or online at [www.sf.citidirect.com](http://www.sf.citidirect.com) and will be available in such manner for at least as long as the Notes are admitted to listing on Euronext Dublin and the guidelines of Euronext Dublin so require:
- (a) the Memorandum and Articles of Association of the Issuer;
  - (b) drafts (subject to modification) or, if available, final versions of the following documents:
    - (i) the Master Definitions Schedule;
    - (ii) the Bank Agreement;
    - (iii) the Swap Collateral Account Bank Agreement;
    - (iv) the Main Collection Account Agreement;
    - (v) the F Collection Account Agreement;
    - (vi) the F Collection Account Accession Agreement;
    - (vii) the R Collection Account Agreement;
    - (viii) the R Collection Account Accession Agreement;
    - (ix) the Cash/Bond Administration Agreement;
    - (x) the Corporate Services Agreement;
    - (xi) the Deed Poll;
    - (xii) the Risk Retention Regulatory Change Deed Poll;
    - (xiii) each Swap Agreement;
    - (xiv) the Main Collection Account Declaration of Trust;
    - (xv) the F Collection Account Declaration of Trust;
    - (xvi) the F Collection Account Supplemental Deed of Declaration of Trust;
    - (xvii) the R Collection Account Declaration of Trust;
    - (xviii) the R Collection Account Supplemental Deed of Declaration of Trust;
    - (xix) the Deed of Charge;
    - (xx) the Mortgage Administration Agreement;
    - (xxi) the KHL/Issuer Mortgage Sale Agreement;
    - (xxii) the Paying Agency Agreement;
    - (xxiii) the Trust Deed;
    - (xxiv) the Issuer/ICSD Agreement;
    - (xxv) the Subordinated Loan Agreement;
    - (xxvi) any Scottish Declaration of Trust;



- (xxvii) any Scottish Trust Security;
- (xxviii) the Retention Letter; and
- (xxix) the Reporting Designation Letter.

**provided that**, [www.sf.citidirect.com](http://www.sf.citidirect.com) will not be the website that conforms to the requirements set out in (i) Article 7(2) of the UK Securitisation Regulation on which the Transaction Documents and Prospectus will be made available in compliance with Article 7(1) of the UK Securitisation Regulation from time to time and (ii) Article 7(2) of the EU Securitisation Regulation on which the Transaction Documents and Prospectus will be made available in compliance with Article 7(1) of the EU Securitisation Regulation as at the Issue Date.

- (16) As at the date hereof, save for the issue of the Notes and Certificates, the Issuer, since its incorporation on 1 December 2020, has not commenced operations nor prepared any accounts.
- (17) The aggregate transaction fees and expenses for the issue and listing of the Notes are estimated to be in the region of €11,841.20 (inclusive of any applicable VAT).
- (18) The Issuer will, from the Issue Date until the earlier of redemption in full of the last Note or the Final Maturity Date, make available a cash flow model to Noteholders, either directly or indirectly through one or more entities that provide cash flow models to investors generally.
- (19) The Issuer will, on or about the Issue Date until the earlier of redemption in full of the last Note or the Final Maturity Date, make available loan level data to investors and update such information on a regular basis.
- (20) The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.
- (21) The Issuer's LEI number is 635400KLHB2FIID9TE45.

## GLOSSARY OF DEFINED TERMS

" <b>£</b> ", " <b>sterling</b> " and " <b>pounds</b> " .....	are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.
" <b>€</b> ", " <b>EUR</b> " or " <b>Euro</b> " .....	are references to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty.
" <b>1970 Act</b> " .....	means the Conveyancing and Feudal Reform (Scotland) Act 1970
" <b>1999 Regulations</b> " .....	means the Unfair Terms in Consumer Contracts Regulations 1999 as amended.
" <b>2010 Act</b> " .....	means the Home Owner and Debtor Protection (Scotland) Act 2010.
" <b>A Global Note</b> " .....	means the Rule 144A Global Note or Regulation S Global Note (as the context may require) representing the A Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Regulation S Global Note</i> ) or Schedule 2 ( <i>Form of Rule 144A Global Note</i> ) (as applicable) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
" <b>A Noteholders</b> " .....	means the persons who are for the time being holders of the A Notes.
" <b>A Notes</b> " .....	means the £422,440,000 Class A mortgage backed floating rate notes due December 2067 and, unless expressly stated to the contrary, all references to an " <b>A Note</b> " shall be a reference to such A Note whether in global or definitive form.
" <b>A Principal Deficiency</b> " .....	means a deficiency of principal amounts to make payment on the A Notes.
" <b>A Principal Deficiency Ledger</b> " .....	means the sub ledger of such name created for the purpose of recording the A Principal Deficiency and maintained by the Cash/Bond Administrator as a sub ledger of the Principal Deficiency Ledger.
" <b>Account Bank</b> " .....	means Citibank, N.A., London Branch (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents) in its capacity as provider of the Bank Accounts.
" <b>Accounting Services Fee</b> " .....	means the accounting services fee in respect of the Issuer and the Parent payable to the Mortgage Administrator under the Mortgage Administration Agreement.
" <b>Accrued Interest</b> " .....	means all amounts of interest accruing under such Loans, prior to the relevant Purchase Date.
" <b>Additional Loan Criteria</b> " .....	(a) the provision, by each of the Legal Title-Holder and the Seller of solvency certificates, dated as of the Further Purchase Date, signed by an authorised officer of the relevant company;

- (b) no Enforcement Notice having been served;
- (c) no Event of Default under (and as defined in) Notes Condition 9 (*Events of Default*) of the Notes having occurred and having been notified to the Trustee or any Mortgage Administrator Termination Event having occurred which, in any such case, is continuing on the Further Purchase Date;
- (d) following application of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments on the Interest Payment Date immediately prior to the Further Purchase Date, the amount standing to the credit of the General Reserve Fund Ledger was equal to the General Reserve Fund Required Amount;
- (e) following application of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments on the Interest Payment Date immediately prior to the Further Purchase Date, there was no debit balance reflected in the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger or the E Principal Deficiency Ledger;
- (f) the Further Purchase Date is a Business Day during the Further Sale Period;
- (g) in respect of each Additional Loan to be acquired on the relevant Further Purchase Date:
  - (i) the end of the remaining term of such Additional Loan does not fall after the date which is two years prior to the Final Maturity Date;
  - (ii) such Additional Loan is not more than zero months in arrears (as calculated by reference to the arrears amount outstanding divided by the relevant contractual monthly payment);
  - (iii) such Additional Loan has a current LTV of less than or equal to 95 per cent. as at the applicable Additional Loan Cut-Off Date;
  - (iv) the fixed rate period of the Additional Loan is less than or equal to 5 years from the Further Purchase Date;
  - (v) which is a Fixed Rate Mortgage:
    - (A) its inclusion in the Mortgage Pool on the Further Purchase Date will not cause the Forecast Adjusted Fixed Rate Mortgage Principal Amount for any subsequent Interest Payment Date (calculated as at the Further Purchase Date) to exceed the aggregate notional

amount of all Interest Rate Swaps for that or any subsequent Interest Payment Date taking into account any Further Interest Rate Swap which may be entered into by the Issuer on or prior to the Further Purchase Date which in each case will have an Effective Date falling on or prior to the Further Purchase Date and an Interest Period Issuer Amount calculated on the basis of a fixed rate of no greater than 0.25 per cent. (the "**Additional Loan Hedging Condition**");

(B) any required drawdown under the Subordinated Loan having been advanced to the Issuer no later than the applicable Further Purchase Date to enable the Issuer to fund in full any required Issuer Upfront Payment (if any) under an Interest Rate Swap and to be paid on the Interest Payment Date immediately following the Further Purchase Date pursuant to the terms of a Swap Agreement and the Cash/Bond Administration Agreement to the extent there are insufficient funds standing to the credit of the Start-up Costs Ledger for this purpose; and

(h) on the relevant Further Purchase Date, the Additional Loan Pool complying with the following criteria as at the applicable Additional Loan Cut-Off Date:

- (i) the aggregate Principal Balance of the largest ten Loans in the Additional Loan Pool is less than or equal to £12,500,000;
- (ii) the aggregate Principal Balance of the largest 20 Loans in the Additional Loan Pool is less than or equal to £20,000,000;
- (iii) the weighted average current LTV of the Loans in the Additional Loan Pool is less than or equal to 74.00 per cent.;
- (iv) the aggregate Principal Balance of the Loans in the Additional Loan Pool with a current LTV of more than 80.00 per cent. does not exceed 35.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (v) the aggregate Principal Balance of the Loans in the Additional Loan Pool with a current LTV of more than 85.00 per cent. does not exceed 20.00 per cent. of the

aggregate Principal Balance of the Loans in the Additional Loan Pool;

- (vi) the weighted average spread of the Loans in the Additional Loan Pool is at least 3.00 per cent. provided that for the purpose of calculating the weighted average spread:
  - (A) the spread of any Fixed Rate Mortgage in the Additional Loan Pool (including, for the avoidance of doubt, any unhedged Fixed Rate Mortgage) is calculated by reference to the fixed rate on such Loan after the deduction of the weighted average fixed rate payable to each Swap Counterparty under any outstanding Interest Rate Swaps pursuant to the Swap Agreements; and
  - (B) the spread of any Floating Rate Mortgage in the Additional Loan Pool is calculated by reference to the floating rate on such Loan after deduction of either (i) three-month LIBOR set quarterly; (ii) the Kensington Standard Rate set quarterly; (iii) BBR set quarterly; or (iv) an alternative reference rate set monthly or quarterly and in respect of which a Rating Agency Confirmation has been obtained, each in accordance with the terms and conditions of those Loans;
- (vii) the weighted average remaining term of the Loans in the Additional Loan Pool is no longer than 360 calendar months;
- (viii) the weighted average reversionary margin of the Loans in the Additional Loan Pool is at least 3.75 per cent.;
- (ix) the aggregate Principal Balance of the Loans in the Additional Loan Pool which are secured on Properties located in the South East of England and Greater London is less than or equal to 40 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (x) the weighted average LTIR of each Borrower under the Loans in the Additional Loan Pool at origination is less than or equal to 3.65;
- (xi) the aggregate Principal Balance of the Loans in the Additional Loan Pool advanced to Borrowers that are self-

employed being less than or equal to 45 per cent. of the aggregate Principal Balance of the Additional Loan Pool;

- (xii) the aggregate Principal Balance of the Loans in the Additional Loan Pool advanced to Borrowers (including both primary and secondary Borrower) that have had a prior CCJ issued against them being less than or equal to 17.50 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xiii) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Interest Only Loans is less than or equal to 5.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xiv) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Help to Buy Loans is less than or equal to 17.50 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xv) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Buy-to-Let Loans is less than or equal to 0.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xvi) the aggregate Principal Balance of the Loans in the Additional Loan Pool advanced for the purpose of re-mortgaging a Property is less than or equal to 40 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xvii) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are debt consolidation loans is less than or equal to 10.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xviii) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are Owner-Occupied Loans which had an LTIR calculated at origination of greater than 4.5 times the gross income of the Borrower and was specifically advanced on the basis that the Borrower was either (A)(i) employed in a qualified profession defined in the Originator's lending policy from time to time; (ii) registered with the appropriate professional body in the United Kingdom; (iii) practicing in the professional field in which they are certified; and (iv) earning a gross annual income of below £100,000; or (B) an essential skilled worker employed in the provision of a vital service to the

community as described in the Originator's lending policy from time to time, is less than or equal to 5.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool;

- (xix) the aggregate Principal Balance of the Loans in the Additional Loan Pool that are advanced to Borrowers which are Non-Standard Construction Loans is less than or equal to 2.50 per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xx) the aggregate Principal Balance of the Additional Loans where the Borrower's age at maturity will be greater than 75 years is equal to zero per cent. of the aggregate Principal Balance of the Additional Loan Pool;
- (xxi) the aggregate Principal Balance of the Additional Loans that have more than 2 Borrowers on the Loan is no more than 10.00 per cent. of the aggregate Principal Balance of the Additional Loan Pool; and
- (xxii) the inclusion of such Additional Loan in the Mortgage Pool will not affect the homogeneity (as determined in accordance with Article 20(8) of the UK Securitisation Regulation) of the Loans comprising the Mortgage Pool.

<b>"Additional Loan Cut-Off Date"</b> ..... .....	means a date prior to the Purchase Date of the Additional Loan as may be agreed between the Issuer and the Seller in accordance with the KHL/Issuer Mortgage Sale Agreement, where such date is no more than 3 months prior to the relevant Purchase Date.
<b>"Additional Loan Pool"</b> .....	means, on the relevant Further Purchase Date, the aggregate of all Loans purchased by the Issuer and then included in the Mortgage Pool together with any Additional Loan to be purchased by the Issuer on such Further Purchase Date.
<b>"Additional Loan Purchase Consideration"</b> ..... .....	means a cash payment to the Seller or to such person as the Seller may direct, in an amount equal to the Principal Balance of the relevant Loan as at the Additional Loan Cut-Off Date.
<b>"Additional Loans"</b> .....	means any further Loans sold by the Seller to the Issuer during the Further Sale Period.
<b>"Additional Loans Notice"</b>	means a notice relating to the sale of Additional Loans including a list of Additional Loans using the same headings as set out in Appendix A ( <i>Completion Mortgage Pool</i> ) to the KHL/Issuer Mortgage Sale Agreement and including the Additional Loan Cut-Off Date in respect of such Additional Loans.

<b>"Additional Revenue Payment"</b> .....	means any amounts advanced by the Subordinated Loan Provider to the Issuer pursuant to the Subordinated Loan Agreement for the purpose of the Issuer utilising such amounts as Available Revenue Funds.
<b>"Agent Bank"</b> .....	means Citibank, N.A., London Branch or any successor thereto.
<b>"Agents"</b> .....	means the Paying Agents, the Registrar and the Agent Bank or any of them.
<b>"Arranger"</b> .....	means Lloyds Bank Corporate Markets plc.
<b>"Arrears"</b> .....	means in relation to a Loan, as at any given date, the aggregate amount of any sums which are due and payable but have not been paid by the relevant Borrower in accordance with the terms of that Loan as at that date.
<b>"Asset Repurchase Trigger Event"</b> .....	means: <ul style="list-style-type: none"> <li>(a) in relation to the retention of a Product Switch Loan in the Mortgage Pool, non-compliance with any Product Switch Criteria on the applicable Product Switch Effective Date; or</li> <li>(b) in relation to the sale of an Additional Loan to the Issuer, non-compliance with any Additional Loan Criteria on the applicable Further Purchase Date.</li> </ul>
<b>"Authorised Investments"</b> .....	means investments of the funds standing to the credit of the Transaction Account and/or the Reserve Account where: <ul style="list-style-type: none"> <li>(a) the rate of return earned on such investments is likely to exceed the rate of interest paid on the Transaction Account;</li> <li>(b) the investments have a maturity date of 60 days or less and mature on or before two Business Days prior to the Interest Payment Date immediately succeeding the date on which the investments are made; and</li> <li>(c) the investments are: <ul style="list-style-type: none"> <li>(i) in the case monies invested for a period of less than or equal to 30 days: <ul style="list-style-type: none"> <li>(1) Sterling denominated securities, bank accounts or other obligations of or rights against entities (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) which have (i) (A) a long-term issuer default rating by Fitch of at least "A"; and (B) a long term unsecured, unguaranteed and unsubordinated debt obligations rating by DBRS of at least "A"; and (ii) (A) a short-term issuer default rating by Fitch of at least "F1"; and (B) a short term</li> </ul> </li> </ul> </li> </ul>



- unsecured, unguaranteed and unsubordinated debt obligations rating by DBRS of at least "R-1 (low)"); and
- (2) in money market funds which have a rating of (i) "AAAmf" by Fitch; and (ii) "AAAm" by any one of Moody's, S&P or DBRS; or
  - (3) in such other Sterling denominated securities, bank accounts or other obligations (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) and money market funds as would not adversely affect the then current ratings of the Most Senior Class of Rated Notes;
- (ii) in the case of monies invested for a period of more than 30 days
- (1) Sterling denominated securities, bank accounts or other obligations of or rights against entities (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) which have (i) (A) a long-term issuer default rating by Fitch of at least "AA-"; and (B) a long term unsecured, unguaranteed and unsubordinated debt obligations rating by DBRS of at least "AA (low)"; and (ii) (A) a short term issuer default rating by Fitch of at least "F1+"; and (B) a short term unsecured, unguaranteed and unsubordinated debt obligations rating by DBRS of at least "R-1 (middle)"; and
  - (2) in money market funds which have a rating of (i) "AAAmf" by Fitch; and (ii) "AAAm" by any one of Moody's, S&P or DBRS; or
  - (3) in such other Sterling denominated securities, bank accounts or other obligations (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) as would not adversely affect the then current ratings of the Most Senior Class of Rated Notes; and

- (d) the investments are not derivative contracts for the purpose of Article 21(2) of the UK Securitisation Regulation.

"**Authorised Verification Agent**" ..... means Prime Collateralised Securities (PCS) UK Limited.

"**Authorities**" ..... means the FCA and PRA together with HM Treasury and the Bank of England.

"**Automated Valuation Loan**" ..... means any Loan where an automated valuation of the relevant Property in accordance with a valuation system provided by a third party entity was completed prior to the advance of such Loan.

"**Available Principal Funds**" ..... means an amount calculated by the Cash/Bond Administrator on a Determination Date, being the aggregate of the following amounts:

- (a) the Principal Collections received for the preceding Determination Period but with respect to the second Determination Date and any subsequent Determination Date excluding any Principal Collections already applied as Additional Loan Purchase Consideration during such preceding Determination Period in purchasing any Additional Loans;
- (b) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date;
- (c) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date;
- (d) any Liquidity Reserve Fund Excess Amount; and
- (e) any amounts standing to the credit of the Retained Principal Ledger on that Determination Date,

but excluding an amount equal to any amounts standing to the credit of the Product Switch Capitalised Fee Amounts Ledger (any such amount being payable by the Issuer directly to the Certificateholders).

The amount, if any, by which the total issuance of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security (including any Additional Loans sold to the Issuer up to (but excluding) the first Interest Payment Date), will be made part of the Available Principal Funds on the first Interest Payment Date.

**"Available Revenue Funds"** ..... means an amount calculated by the Cash/Bond Administrator on a Determination Date, being the aggregate of the following amounts:

- (a) interest earned pursuant to the Bank Agreement for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account and the Reserve Account for the Determination Period immediately preceding the relevant Determination Date;
- (b) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (c) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (d) any amounts to be received or expected to be received by the Issuer under any Swap Agreement or any replacement Swap Agreement on the Interest Payment Date immediately following the relevant Determination Date (but excluding (i) any Swap Counterparty Upfront Payment expected to be received on the Interest Payment Date immediately following the then applicable Determination Date; (ii) any Swap Excluded Receivables Amounts; (iii) any amounts credited to the Swap Collateral Accounts; and (iv) any Swap Collateral Accounts surplus);
- (e) any General Reserve Fund Excess Amount;
- (f) any amount standing to the credit of the General Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (g) and (h) below) in respect thereof;
- (g) for so long as there are any A Notes or, subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, B Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (f) above but excluding paragraph (h) below);
- (h) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent

required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and/or the D Notes in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (f) and (g) above). Any such amount may only be used for payment of Senior Fees and interest on the A Notes, the B Notes, the C Notes and/or the D Notes and not any other amounts in the Pre-Enforcement Revenue Priority of Payments;

- (i) following the Issue Date, any funds advanced to the Issuer under the Subordinated Loan Agreement on or prior to a Further Purchase Date or a Product Switch Effective Date during a Determination Period in order to fund the payment of any Issuer Upfront Payment from the Issuer to a Swap Counterparty on the immediately following Interest Payment Date;
- (j) any Additional Revenue Payment to be received or expected to be received by the Issuer under the Subordinated Loan Agreement on the immediately following Interest Payment Date,

but excluding (i) all Mortgage Early Redemption Amounts in respect of the Determination Period ending immediately prior to the Determination Date; (ii) all Product Switch Upfront Fee Amounts in respect of the Determination Period ending immediately prior to the Determination Date; and (iii) on the second Interest Payment Date any surplus amounts standing to the credit of the Start-Up Costs Ledger as at the second Determination Date (any such amount equal to the aggregate of amounts under items (i), (ii) and (iii) being payable by the Issuer directly to the Certificateholders).

" <b>B Global Note</b> " .....	means the Rule 144A Global Note or Regulation S Global Note (as the context may require) representing the B Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Regulation S Global Note</i> ) or Schedule 2 ( <i>Form of Rule 144A Global Note</i> ) (as applicable) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
" <b>B Noteholders</b> " .....	means the persons who are for the time being holders of the B Notes.
" <b>B Notes</b> " .....	means the £21,240,000 Class B mortgage backed floating rate notes due December 2067 and, unless expressly stated to the contrary, all references to a " <b>B Note</b> " shall be a reference to such B Note whether in global or definitive form.
" <b>B Principal Deficiency</b> " .....	means a deficiency of principal amounts to make payment on the B Notes.

<b>"B Principal Deficiency Ledger"</b> .....	means the sub-ledger of such name created for the purpose of recording the Principal Deficiency on the B Notes and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
<b>"B Residual Amount"</b> .....	has the meaning given to such term in Notes Condition 4(h) ( <i>Deferral of Interest</i> ).
<b>"Bank Accounts"</b> .....	means the Transaction Account, the Reserve Account, the Swap Collateral Accounts and any additional accounts opened in accordance with the Bank Agreement or Swap Collateral Account Bank Agreement (or any replacement accounts for such account).
<b>"Bank Agreement"</b> .....	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Account Bank.
<b>"Bank Rate"</b> .....	means the Bank of England's Bank Rate.
<b>"Banking Act"</b> .....	means the UK Banking Act 2009.
<b>"Banking Day"</b> .....	means any day on which commercial banks are open for business (including dealing in foreign language exchange and currency deposits) in London.
<b>"Barclays"</b> .....	means Barclays Bank PLC.
<b>"Barclays Bank Group"</b> .....	means Barclays together with its subsidiary undertakings.
<b>"Base Fee"</b> .....	has the meaning given to such term in the definition of Servicing Fee.
<b>"Basel Committee"</b> .....	means the Basel Committee on Banking Supervision.
<b>"BBR"</b> .....	means the Bank of England bank base rate.
<b>"Benchmark Rate Disruption"</b> .....	means the occurrence of any of the following: <ul style="list-style-type: none"> <li>(a) an alternative manner of calculating a SONIA-based rate being introduced and becoming a standard means of calculating interest in the publicly listed asset backed floating rate notes market;</li> <li>(b) a material disruption to SONIA (as determined by the Mortgage Administrator acting reasonably), an adverse change in the methodology of calculating SONIA (as determined by the Mortgage Administrator acting reasonably), SONIA ceasing to exist or be published or the administrator of SONIA having used a fallback methodology for calculating SONIA for a period of at least 30 calendar days;</li> <li>(c) the insolvency or cessation of business of the administrator of SONIA (in circumstances where no successor administrator has been appointed);</li> <li>(d) a public statement by the SONIA administrator that it will cease publishing SONIA permanently or indefinitely (in circumstances where no successor SONIA administrator has been appointed that will continue publication of SONIA) in each case with</li> </ul>

effect from a date no later than 6 months after the proposed effective date of such Benchmark Rate Modification;

- (e) a public statement by the supervisor of the SONIA administrator that SONIA has been or will be permanently or indefinitely discontinued or there will be a material change to the methodology of calculating SONIA with effect from a date no later than 6 months after the proposed effective date of such Benchmark Rate Modification;
- (f) a public statement by the supervisor of the SONIA administrator that means SONIA will be prohibited from being used or that its use is subject to restrictions or adverse consequences with effect from a date no later than 6 months after the proposed effective date of such Benchmark Rate Modification;
- (g) a change in the generally accepted market practice in the publicly listed asset backed floating rate notes market to refer to a benchmark rate endorsed in a public statement by the Bank of England, the FCA or the PRA or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Reference Rates, despite the continued existence of SONIA;
- (h) it having become unlawful and/or impossible and/or impracticable for any Agent Bank, the Issuer or the Cash/Bond Administrator to calculate any payments due to be made to any Noteholder using SONIA;
- (i) following the implementation of a Benchmark Rate Modification, it becomes generally accepted market practice in the publicly listed asset backed floating rate notes market to use a benchmark rate of interest which is different from the Alternative Benchmark Rate which had already been adopted by the Issuer in respect of the Notes pursuant to a Benchmark Rate Modification; or
- (j) it being the reasonable expectation of the Mortgage Administrator that any of the events specified in sub-paragraphs (b) to (i) (inclusive) above will occur or exist within six months of the proposed effective date of such Benchmark Rate Modification.

**"Benchmark Rate Eligibility Requirement" .....**

means the Alternative Benchmark Rate being any one of the following:

- (a) a benchmark rate published, endorsed, approved or recognised by the Bank of England, the FCA or the PRA or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Reference Rates (which, for the avoidance of doubt, may be an alternative

	benchmark rate together with a specified adjustment factor which may increase or decrease the relevant alternative benchmark rate);
	(b) a reference rate utilised in 5 publicly-listed new issues of Sterling denominated asset backed floating rate notes prior to the effective date of such Benchmark Rate Modification;
	(c) a reference rate utilised in a publicly-listed new issue of Sterling denominated asset backed floating rate notes where the originator of the relevant assets is the Originator or an Affiliate of the Originator; or
	(d) such other reference rate as the Mortgage Administrator reasonably determines, <b>provided that</b> this option may only be used if the Issuer (or the Mortgage Administrator on behalf of the Issuer) certifies to the Trustee that, in its reasonable opinion, none of sub-paragraph (a) to (c) above (inclusive) are applicable and/or practicable in the context of this transaction, and sets out the rationale in the Benchmark Rate Modification Certificate for choosing the proposed Alternative Benchmark Rate.
" <b>Benchmark Rate Modification</b> " .....	has the meaning given to that term in Notes Condition 11(f) ( <i>Modification and Waiver in relation to the Reference Rate</i> ).
" <b>Benchmark Rate Modification Certificate</b> " .....	has the meaning given to that term in Notes Condition 11(f) ( <i>Modification and Waiver in relation to the Reference Rate</i> ).
" <b>Benefit Plan Investor</b> " .....	means (a) a Plan or (b) a person or entity whose underlying assets include, or are deemed to include under the Plan Asset Regulation or otherwise for purposes of Title I of ERISA or Section 4975 of the Code, "plan assets" by reason of a Plan's investment in the person or entity.
" <b>BO</b> " .....	means a bankruptcy order (or its Scottish equivalent).
" <b>Book-Entry Interests</b> " .....	means the beneficial interests in the Global Notes recorded by Euroclear and Clearstream, Luxembourg.
" <b>Borrower</b> " .....	means, in relation to each Loan, the borrower or borrowers specified in such Loan.
" <b>Business Day</b> " .....	means a day on which commercial banks and foreign exchange markets settle payments in London and Dublin.
" <b>Buy-to-Let Loan</b> " .....	means a Loan which is intended for a Borrower who wishes to use the Loan as a means to purchase a residential property for the purpose of letting to third parties.
" <b>C Global Note</b> " .....	means the Rule 144A Global Note or Regulation S Global Note (as the context may require) representing the C Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Regulation S Global Note</i> ) or Schedule 2 ( <i>Form of Rule 144A Global Note</i> ) (as applicable) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.

"C Noteholders" .....	means the persons who are for the time being holders of the C Notes.
"C Notes" .....	means the £11,800,000 Class C mortgage backed floating rate notes due December 2067 and, unless expressly stated to the contrary, all references to a "C Note" shall be a reference to such C Note whether in global or definitive form.
"C Principal Deficiency" .....	means a deficiency of principal amounts to make payment on the C Notes.
"C Principal Deficiency Ledger" .....	means the sub-ledger of such name created for the purpose of recording the C Principal Deficiency, and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
"C Residual Amount" .....	has the meaning given to such term in Notes Condition 4(h) <i>Deferral of Interest</i> ).
"Call Option Date" .....	means any Interest Payment Date falling on or after March 2025 in respect of an optional redemption of the Notes exercisable by the Issuer in whole (but not in part) with, <i>inter alia</i> , the proceeds of a sale of the Charged Property pursuant to the Deed Poll.
"Cash/Bond Administration Agreement" .....	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Cash/Bond Administrator.
"Cash/Bond Administration Fee" .....	means the fees due and payable to the Cash/Bond Administrator for performing the services pursuant to the Cash/Bond Administration Agreement.
"Cash/Bond Administrator" .....	means (a) Citibank, N.A., London Branch under the Cash/Bond Administration Agreement or (b) if Citibank, N.A., London Branch's appointment is terminated under the Cash/Bond Administration Agreement, any other cash/bond administrator selected by the Cash/Bond Administrator Facilitator and appointed by the Issuer with the approval of the Trustee.
"Cash/Bond Administrator Facilitator" .....	means CSC Capital Markets UK Limited or any successor thereto.
"Cash/Bond Administrator Termination Event" .....	means any of the events of default specified under the Cash/Bond Administration Agreement, including non-performance by the Cash/Bond Administrator of its obligations thereunder or if insolvency or similar events occur in relation to the Cash/Bond Administrator.
"CCJ" .....	means a county court judgment (or its Scottish equivalent).
"Central Bank" .....	means the Central Bank of Ireland.
"Certificate Payment Amount" .....	has the meaning given to such term in Certificate Condition 4(d) ( <i>Calculation of Certificate Payment Amount</i> ).
"Certificateholders" .....	means the persons who for the time being are the holders of the Certificates.



"Certificates" ..... means the 1,000 residual certificates issued or due to be issued pursuant to Regulation S by the Issuer on the Issue Date, or, as the case may be, a specific number thereof.

"Certificates Basic Terms Modification" ..... means any modification to:

- (a) the maturity date of the Certificate and Notes or the dates on which interest is payable on the Notes;
- (b) the date of payment of principal, interest or any other amount in respect of any Class of Notes, or, where applicable, of the method of calculating the date of payment of principal, interest or any other amount in respect of any Class of Notes, or of the method of calculating the date of payment in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*);
- (c) the amount of principal, the rate of interest or any other amount payable in respect of any Class of Notes or Certificates or the priority of payment of such amount, or where applicable, of the method of calculating the amount payable of any principal, interest or any other amount payable in respect of any Class of Notes or of the method of calculating the amounts payable in respect of the Certificates, except in accordance with Notes Condition 11(f) (*Modification and Waiver in relation to the Reference Rate*);
- (d) the modification or addition of any other amount payable ranking ahead of or *pari passu* with any Class of Notes or Certificates, including any fees payable by the Issuer to any third party (save as permitted or contemplated under the terms of the Transaction Documents);
- (e) the priority of residual payments on the Certificates;
- (f) the currency of payment of the Certificates;
- (g) the definition of Notes Basic Terms Modification;
- (h) the definition of Event of Default;
- (i) the definition of Certificates Basic Terms Modification;
- (j) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Certificates Basic Terms Modification or to pass an Extraordinary Resolution;
- (k) the definition of the Call Option Date;
- (l) any changes to the terms of the Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(d) (*Optional Redemption in Full*);

- (m) any changes to the terms of the Risk Retention Regulatory Change Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*);
- (n) the provisions concerning limited recourse and non-petition in relation to the Issuer including Certificates Condition 7 (*Enforcement of Security, Limited Recourse and Non-Petition*);
- (o) the Certificate Condition 3(i) (*Covenants of the Issuer*); or
- (p) any waiver of any proposal or actual breach of any of the covenants (including any Event of Default or Potential Event of Default) or provisions contained in or arising pursuant to the Notes Conditions, Certificates Conditions or any Transaction Documents by any party thereto which would have the effect of any of the foregoing,

but, no modification relating to the Senior Servicing Fee Cap shall be a Certificates Basic Terms Modification.

**"Certificates Conditions"** ..... means the terms and conditions applicable to the Certificates as set out in Schedule 8 (*Terms and Conditions of the Certificates*) to the Trust Deed as may from time to time be modified in accordance with the Trust Deed.

**"Certificates Extraordinary Resolution"** ..... means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders.

**"Certificates Ordinary Resolution"** ..... means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the

Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders.

- "Change"** ..... means:
- (a) a change or modification to the Services or the way they are delivered or the addition of new services to the Services; or
  - (b) an amendment to the Mortgage Administration Agreement or any document attached to it or referred to in the Mortgage Administration Agreement, the Service Specification and/or the Legal Title-Holder Policies; or
  - (c) a modification, enhancement, replacement or other alteration to the System, computer equipment and/or software operated by the Legal Title-Holder or on its behalf including for the purpose of submitting to the Mortgage Administrator, or as the case may be, receiving from the Mortgage Administrator, any data including Legal Title-Holder's Business Data; or
  - (d) a change in the manner in which the Legal Title-Holder's obligations are performed or supported, including a change to the Legal Title-Holder's Systems, tools, Intellectual Property, operational procedures, operating, legal or regulatory environment, processes, policies, reporting requirements, infrastructure, staffing or resource requirements; or
  - (e) a change in the product specifications of the Loans; or
  - (f) a change in applicable law and/or as requested by a regulatory authority.
- "Change Control Mechanism"** ..... means the process for agreeing operational charges as set out in Schedule 3 (*Change Control Mechanism*) of the Mortgage Administration Agreement.
- "Charged Obligation Documents"** ..... means the documents set out at Notes Condition 2(b)(iii) (*Security*).
- "Charged Property"** ..... means the property, assets, rights and undertakings for the time being comprised in or subject to the security contained in or granted pursuant to the Deed of Charge and references to the Charged Property shall include references to any part of it.
- "Class"** ..... shall be a reference to a class of the Notes being the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes and shall be a reference to the Certificates and "**classes**" shall be construed accordingly.

"Class A Target Notional Amount" ..... means, in respect of the Issue Date and each Interest Payment Date listed below, the amount indicated in the Target Notional Amount Column:

<u>Interest Payment Date</u>	<u>Target Notional Amount</u>
Issue Date	422,440,000
16-Jun-21	410,332,058
16-Sep-21	402,458,801
16-Dec-21	396,699,424
16-Mar-22	391,013,429
16-Jun-22	385,399,883
16-Sep-22	380,788,396
16-Dec-22	378,073,128
16-Mar-23	375,374,993
16-Jun-23	372,693,881
16-Sep-23	370,029,686
16-Dec-23	367,382,300
16-Mar-24	364,751,618
16-Jun-24	362,137,534
16-Sep-24	359,539,944
16-Dec-24	356,958,743
16-Mar-25	0

"Clearing Systems" ..... means Clearstream, Luxembourg and Euroclear.

"Clearstream, Luxembourg" ..... means Clearstream Banking, S.A.

"CMA" ..... means the Competition and Markets Authority.

"Code" ..... means the U.S. Internal Revenue Code of 1986, as amended.

"Collateral Security" ..... means the Mortgages and any other collateral security relating to the Loans including, but not limited to, any rights under the Insurance Contracts.

"Collection Accounts" ..... means the F Collection Account, the R Collection Account and the Main Collection Accounts, as applicable, and a "Collection Account" means any of them.

"Collection Accounts Provider" ..... means Barclays Bank PLC (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents) in its capacity as provider of the Collection Account.

"Collection Accounts Provider Downgrade Event" ..... means where the Collection Accounts Provider fails to maintain the Collection Accounts Rating Agency Required Ratings.

"Collection Accounts Rating Agency Required Ratings" ..... means the required ratings of the Collection Accounts Provider as set out in the section entitled "*Triggers Table*".

"Common Safekeeper" ..... means the Clearing Systems or such other entity which the Issuer may elect from time to time to perform the safekeeping roles (See "*Summary of Provisions Relating to the Notes While in Global Form*").

"Completion Cut-Off Date" ..... means after close of business on 31 January 2021.

"Completion Mortgage Pool" ..... means the Loans selected in accordance with clause 4 (*Period to Completion*) of the KHL/Issuer Mortgage Sale Agreement and to be sold and assigned or (as applicable) transferred to the Issuer pursuant to the KHL/Issuer Mortgage Sale Agreement on the Issue Date, as set out in Annexure A of the KHL/Issuer Mortgage Sale Agreement.

**"Compounded Daily SONIA"** ..... means, in respect to each Interest Period, the rate of return of a daily compound interest investment (with the daily sterling overnight reference rate as reference rate for the calculation of interest) and which will be calculated by the Agent Bank as at the Interest Determination Date as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_{i-5LBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**d<sub>0</sub>**" is the number of Banking Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to **d<sub>0</sub>**, each representing the relevant Banking Day in chronological order from, and including, the first Banking Day in the relevant Interest Period;

"**n<sub>i</sub>**", for any day "**i**", means the number of calendar days from and including such day "**i**" up to but excluding the following Banking Day;

"**SONIA<sub>i-5LBD</sub>**" means, in respect of any Banking Day falling in the relevant Interest Period, the Reference Rate for the Banking Day falling five Banking Days prior to the relevant Banking Day "**i**".

- "**CONC**" ..... means the Consumer Credit sourcebook.
- "**Conditions**" ..... means both the Notes Conditions and the Certificates Conditions.
- "**Consumer Credit Directive**" ..... means the second Directive on consumer credit adopted by the European Parliament and the Council.
- "**Contingency Policy**" ..... means a contingency insurance policy (used where the Borrower has allowed his or her insurance policy to lapse, whether or not the Legal Title-Holder is aware of that lapse).
- "**COR**" ..... means a DBRS long-term critical obligations rating.
- "**Corporate Services Agreement**" ..... means the agreement so named and dated on or around the Issue Date between, *inter alios*, the Issuer and the Corporate Services Provider.
- "**Corporate Services Provider**" ..... means CSC Capital Markets UK Limited, a company incorporated in England and Wales with registered number 10780001 and having its registered office at 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU.
- "**CPR**" ..... means the constant per annum rate of prepayment.
- "**CPUTRs**" ..... means the Consumer Protection from Unfair Trading Regulations 2008.

"CRA" .....	means the Consumer Rights Act 2015.
"Credit Support Annex" .....	means a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) entered into between a Swap Counterparty and the Issuer in connection with a Swap Agreement (or any 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) entered into between the Issuer and any replacement Swap Counterparty).
"Custodian" .....	means Citibank, N.A., London Branch.
"Cut-Off Date" .....	means 31 December 2020.
"D Global Note" .....	means the Rule 144A Global Note or Regulation S Global Note (as the context may require) representing the D Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Regulation S Global Note</i> ) or Schedule 2 ( <i>Form of Rule 144A Global Note</i> ) (as applicable) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
"D Noteholders" .....	means the persons who are for the time being holders of the D Notes.
"D Notes" .....	means the £2,360,000 Class D mortgage backed floating rate notes due December 2067 and, unless expressly stated to the contrary, all references to a "D Note" shall be a reference to such D Note whether in global or definitive form.
"D Principal Deficiency" .....	means a deficiency of principal amounts to make payment on the D Notes.
"D Principal Deficiency Ledger" .....	means the sub-ledger of such name created for the purpose of recording the D Principal Deficiency and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
"D Residual Amount" .....	has the meaning given to such term in Notes Condition 4(h) ( <i>Deferral of Interest</i> ).
"DBRS" .....	means DBRS Ratings Limited.
"DBRS Equivalent Rating" .....	means: <ul style="list-style-type: none"> <li>(a) if a Fitch public rating, a Moody's public rating and an S&amp;P public rating in respect of the senior unsecured debt of a certain entity (each, a "<b>Public Long Term Rating</b>") are all available at such date, the corresponding DBRS rating as shown in the DBRS Equivalent Chart of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (provided that if a Public Long Term Rating is under credit watch negative, or any equivalent, then, for the purpose of determining the DBRS Equivalent Rating, such Public Long Term Rating will be deemed to be one notch below its current notch). For this purpose, if more than one Public Long Term Rating has the same highest or same lowest DBRS rating as shown in the DBRS Equivalent Chart, then in each case only one of such Public Long Term Ratings shall be so</li> </ul>

disregarded in accordance with requirements of the previous sentence and the DBRS Equivalent Rating will be the remaining rating;

- (b) if the DBRS Equivalent Rating cannot be determined under (a) above, but Public Long Term Ratings of a certain entity by any two of Fitch, Moody's and S&P are available at such date, the corresponding DBRS rating as shown in the DBRS Equivalent Chart of the lower of such Public Long Term Rating (provided that if a Public Long Term Rating is under credit watch negative, or any equivalent, then, for the purpose of determining the DBRS Equivalent Rating, such Public Long Term Rating will be deemed to be one notch below its current notch); and
- (c) if the DBRS Equivalent Rating cannot be determined under (a) and (b) above, but a Public Long Term Rating by any one of Fitch, Moody's and S&P is available at such date, then the DBRS rating as shown in the DBRS Equivalent Chart will be such Public Long Term Rating (provided that if a Public Long Term Rating is under credit watch negative, or any equivalent, then, for the purpose of determining the DBRS Equivalent Rating, such Public Long Term Rating will be deemed to be one notch below its current notch),

**provided that**, if at any time the DBRS Equivalent Rating cannot be determined under subparagraphs (a) to (c) above, then the relevant entity will be deemed to have a DBRS rating of "C" at such time.

"DBRS Equivalent Chart" ..... means:

<u>DBRS</u>	<u>S&amp;P</u>	<u>Fitch</u>	<u>Moody's</u>
AAA	AAA	AAA	Aaa
AA(high) AA	AA+	AA+	Aa1
AA(low)	AA	AA	Aa2
A(high) A	AA-	AA-	Aa3
A(low)	A+	A+	A1
BBB(high) BBB	A	A	A2
BBB(low)	A-	A-	A3
BB(high) BB	BBB+	BBB+	Baa1
BB(low)	BBB	BBB	Baa2
CCC(high)	BBB-	BBB-	Baa3
CCC	BB+	BB+	Ba1
CCC(low)	BB	BB	Ba2
CC	BB-	BB-	Ba3
C	B+	B+	B1
D	B	B	B2
	B-	B-	B3
	CCC+		Caa1
	CCC-	CCC	Caa2
			Caa3
	CC		Ca
	C		
	D	D	D

"Debt Notes" ..... means the A Notes, B Notes, C Notes and D Notes.

"Deed of Charge" ..... means the deed of charge so named dated on or about the Issue Date between, *inter alios*, the Issuer and the Trustee.

"Deed of Variation" .....	means a variation to the Mortgage Conditions implemented by lenders in the residential mortgage market.
"Deed Poll" .....	means the mortgage pool option deed poll dated on or about the Issue Date, executed by the Issuer, in favour of the Mortgage Pool Option Holder from time to time.
"Definitive Certificate " .....	means any individual certificate issued to a Certificateholder in respect of its holding of the Certificates in, or substantially in, the form set out in the Trust Deed.
"Determination Date" .....	means the date which falls two Business Days prior to an Interest Payment Date or, if such day is not a Business Day, the immediately preceding Business Day.
"Determination Period" .....	means the period from (and including) the Issue Date to (and including) the last calendar day of the calendar month immediately prior to a Determination Date, and thereafter each period starting on the calendar day after the last day of the previous determination period and ending on the last calendar day of the calendar month prior to a Determination Date.
"Distribution Compliance Period" .....	has the meaning given to such term in the section entitled " <i>Purchase and Sale</i> ".
"DOL" .....	means the U.S. Department of Labor.
"DTIR" .....	means debt-to-income ratio.
"E Global Note" .....	means the Rule 144A Global Note or Regulation S Global Note (as the context may require) representing the E Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Regulation S Global Note</i> ) or Schedule 2 ( <i>Form of Rule 144A Global Note</i> ) (as applicable) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
"E Noteholders" .....	means the persons who are for the time being holders of the E Notes.
"E Notes" .....	means the £14,160,000 Class E mortgage backed floating rate notes due December 2067 and, unless expressly stated to the contrary, all references to an "E Note" shall be a reference to such E Note whether in global or definitive form.
"E Principal Deficiency" .....	means a deficiency of principal amounts to make payment on the E Notes.
"E Principal Deficiency Ledger" .....	means the sub-ledger of such name created for the purpose of recording the E Principal Deficiency and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
"E Residual Amount" .....	has the meaning given to such term in Notes Condition 4(h) ( <i>Deferral of Interest</i> ).
"ECB" .....	means the European Central Bank.
"EEA" .....	means the European Economic Area.



"Effective Date" .....	has the meaning given to such term in the relevant Interest Rate Swap.
"EHRI" .....	has the meaning given to such term in the section entitled "U.S. Credit Risk Retention".
"Enforcement Liabilities" .....	means the entirety of amounts owed by a Borrower under a Loan.
"Enforcement Notice" .....	means a notice given by the Trustee to the Issuer under Notes Condition 9 ( <i>Events of Default</i> ) of the Notes.
"Enforcement Procedures" .....	means the exercise of the rights and remedies against a Borrower, or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with such Borrower's Loan or Collateral Security, in accordance with the procedures established by the Legal Title-Holder and adopted by the Mortgage Administrator, as varied from time to time in accordance with the procedures that could reasonably be expected of a Prudent Mortgage Lender as dictated by the Legal Title-Holder and " <b>completion of the Enforcement Procedures</b> " shall be deemed to have occurred in respect of a particular Loan and its Collateral Security when the Mortgage Administrator has been notified by the Legal Title-Holder that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic.
"Enforcement Proceeds" .....	means the proceeds arising from any enforcement proceedings upon a Borrower's default, including any sale proceeds.
"English Loan" .....	means a Loan in the Mortgage Pool secured by a Mortgage over Property located in England or Wales.
"English Mortgage" .....	means the legal mortgage or charge of English Property which is security for an English Loan.
"English Property" .....	means, in relation to a Loan, the freehold or long leasehold residential property situated in England or Wales upon which the obligations of the Borrower are secured.
"Equity Notes" .....	means the E Notes, X Notes, Z Notes and the Certificates.
"ERISA" .....	means the U.S. Employee Retirement Income Security Act of 1974, as amended.
"ERISA-Eligible Securities" .....	means the A Notes, B Notes, C Notes or D Notes generally permitted to be held by a Benefit Plan Investor so long as such Notes will be treated as indebtedness which has no substantial equity features for the purposes of the Plan Asset Regulation.
"ERISA Plans" .....	means "employee benefit plans" within the meaning of Section 3(3) of ERISA that is subject to Title I of ERISA, and entities and accounts the underlying assets of which include the assets of such employee benefit plans.

"ERISA Transaction Parties" .....	means the Issuer, the Joint Lead Manager Related Persons, the Transaction Parties or their respective affiliates.
"ESG Structuring Banks" .....	means each of Lloyds Bank Corporate Markets plc, BNP Paribas and National Australia Bank Limited.
"ESMA" .....	means the European Securities and Market Authority.
"EU Benchmarks Regulation" .....	means the EU Benchmarks Regulation (Regulation (EU) 2016/1011).
"EU CRA3" .....	means the provisions of Regulation (EC) 1060/2009 on Credit Rating Agencies as amended by Regulation 462/2013 (EU).
"EU CRA Regulation" .....	means Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.
"EU Capital Requirements Directive" or "EU CRD" .....	means EU Directive 2006/48/EC (as amended).
"EU CRD IV" .....	means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.
"EU CRR" .....	means Regulation (EU) 575/2013.
"EU EMIR" .....	means Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012.
"EU LCR Regulation" .....	means the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (supplementing Regulation (EU) 575/2013 with regard to the Liquidity Coverage Requirement for Credit Institutions.
"EU MiFID Regulations" .....	has the meaning given to such term in the section entitled " <i>Purchase and Sale</i> ".
"EU Prospectus Regulation" .....	means Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC.
"EU Retained Interest" .....	means KHL's holding of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool from time to time in an amount sufficient to satisfy the EU Retention Requirement.
"EU Retention Requirement" .....	means the requirement for KHL to retain, on an ongoing basis, as an originator within the meaning of the EU Securitisation Regulation, a material net economic interest of at least 5 per cent. in the securitisation, in accordance with Article 6(3)(d) of the EU Securitisation Regulation together with any binding technical standards in force as at the Issue Date.
"EU Securitisation Regulation" .....	means Regulation (EU) 2017/2402.

<b>"EU Securitisation Regulations"</b> .....	means the EU Securitisation Regulation and the EU CRR Amending Regulation.
<b>"EU SR Data Tape"</b> .....	means the report prepared by the Mortgage Administrator (on behalf of the Issuer) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period in accordance with Article 7(1)(a) of the EU Securitisation Regulation published on a quarterly basis in the form prescribed as at the Issue Date under the EU Securitisation Regulation or as otherwise adopted by the Issuer from time to time.
<b>"EU SR Investor Report"</b> .....	means the quarterly investor report in respect of each Determination Period prepared by the Cash/Bond Administrator (on behalf of the Issuer) and published in accordance with Article 7(1)(e) of the EU Securitisation Regulation in the form prescribed as at the Issue Date under the EU Securitisation Regulation or as otherwise adopted by the Issuer from time to time.
<b>"EU SR Website"</b> .....	means the website at <a href="https://editor.eurowdw.eu/esma/viewdeal?edcode=RMBSUK000445500220212">https://editor.eurowdw.eu/esma/viewdeal?edcode=RMBSUK000445500220212</a> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time).
<b>"Euro", "euro" or "€"</b> .....	means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.
<b>"Euroclear"</b> .....	means Euroclear Bank SA/NV or its successor.
<b>"Euronext Dublin"</b> .....	means the Irish Stock Exchange plc, trading as Euronext Dublin.
<b>"Eurozone"</b> .....	means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.
<b>"Event of Default"</b> .....	has the meaning given to it in Notes Condition 9 ( <i>Events of Default</i> ) or, as applicable, Certificates Condition 6 ( <i>Events of Default</i> ).
<b>"Excess Spread"</b> .....	means any Available Revenue Funds in excess of: (i) senior costs; (ii) interest due on and remedying any Principal Deficiency on the A Notes, the B Notes, the C Notes, the D Notes and the E Notes; and (iii) certain amounts credited to the General Reserve Fund.
<b>"Exercise Notice"</b> .....	means a notice delivered by the Mortgage Pool Option Holder to the Issuer (with a copy to the Trustee, the Mortgage Administrator and the Cash/Bond Administrator) that it intends to exercise the Mortgage Pool Option at any time on or after the Call Option Date and with details of the Mortgage Pool Purchase Completion Date.
<b>"Extraordinary Resolution"</b> .....	means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) an Extraordinary Resolution (other than in respect of a Notes Basic Terms Modification) will pass unless 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution within 40 days after the date on which a notice containing the text of such Extraordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such class in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*) by the Issuer or the Trustee, and for so long as the Notes are listed on Euronext Dublin, by making it available to any Regulatory Information Service maintained by Euronext Dublin.

- "F Collection Account"..... means the collection account (into which cash or cheque payments from Borrowers in relation to the mortgage loans will be paid) in the name of Kensington Mortgage Company Limited held with the Collection Accounts Provider with sort code 20-19-90 and account number 53683419; or (x) such additional or replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in clause 5 (*Change of Bank or Mortgage Administrator*) of the F Collection Account Agreement and such account holding bank enters into an agreement on substantially the same terms as the F Collection Account Agreement, or (y) such other additional or replacement account(s) as may be established from time to time in accordance with the Transaction Documents.
- "F Collection Account Accession Agreement" ..... means the accession agreement in respect of the F Collection Account Agreement dated on or about the Issue Date between, *inter alios*, KMC, the Issuer and the Trustee.
- "F Collection Account Agreement" ..... means the agreement so named dated 17 December 2015 between, *inter alios*, the Issuer and the Collection Accounts Provider.

<b>"F Collection Account Declaration of Trust"</b> .....	means the declaration of trust dated 17 December 2015 created in favour of the Issuer (amongst others) in respect of KMC's interest in the F Collection Account to the extent that interest relates to the Loans in the Mortgage Pool.
<b>"F Collection Account Supplemental Deed of Declaration of Trust"</b> .....	means the deed dated on or about the Issue Date between KMC, the Issuer and the Trustee and which is supplemental to the F Collection Account Declaration of Trust.
<b>"FATCA"</b> .....	means <ul style="list-style-type: none"> <li>(a) sections 1471 to 1474 of the Code and any associated regulations and other official guidance;</li> <li>(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or</li> </ul> any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraph (a) or (b) above with the U.S. Internal Revenue Service, the U.S. Government or any governmental or taxation authority in any other jurisdiction.
<b>"FCA"</b> .....	means the United Kingdom Financial Conduct Authority which is, inter alia, the United Kingdom competent authority for the purposes of the Part VI of the FSMA or any successor body.
<b>"Final Discharge Date"</b> .....	means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full.
<b>"Final Further Purchase Date"</b> .....	means the earlier of: <ul style="list-style-type: none"> <li>(a) the Step-Up Date;</li> <li>(b) the date of the occurrence of an Event of Default under and as defined in Notes Condition 9 (<i>Events of Default</i>) of the Notes;</li> <li>(c) the date of the occurrence of an Insolvency Event in respect of the Legal Title-Holder, the Mortgage Administrator, the Seller or the Originator;</li> <li>(d) the date of the occurrence of a Liquidity Reserve Fund Trigger Event;</li> <li>(e) as at any Determination Date, the aggregate Principal Balance of the Loans in the Mortgage Pool which are more than three months in arrears (as calculated by reference to the arrears amount outstanding divided by the relevant contractual monthly payment) being greater than 5 per cent. of the aggregate Principal Balance of all Loans in the Mortgage Pool;</li> </ul>

- (f) the date on which the amount standing to the credit of the General Reserve Fund Ledger has been less than the General Reserve Fund Required Amount on two consecutive Interest Payment Dates, in each case following application of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments;
- (g) the date on which the debit balance reflected in the E Principal Deficiency Ledger exceeded 25 per cent. of the Principal Amount Outstanding of the E Notes on two consecutive Interest Payment Dates, in each case following the application of the Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments;
- (h) the date on which by either the Seller or the Legal Title-Holder has failed to repurchase any Loan when required to do so for 30 calendar days or more pursuant to the terms of the KHL/Issuer Mortgage Sale Agreement; and
- (i) the date on which the Originator ceases to originate new Loans that are capable of meeting the applicable Additional Loan Criteria and complying in all material respects with the Warranties for a period of 30 calendar days or more.

**"Final Maturity Date"** ..... means for all Notes and Certificates, the Interest Payment Date falling in December 2067.

**"First Additional Loan Purchase Date"** ..... means the Determination Date immediately prior to the first Interest Payment Date.

**"Fitch"** ..... means Fitch Ratings Limited.

**"Fixed Rate Mortgage"** ..... means a Loan (including a Product Switch Loan) in relation to which the Borrower is obliged to pay a fixed rate of interest for a limited period and thereafter pays a rate of interest equal to the rate which would be payable under a Floating Rate Mortgage.

**"Floating Rate Mortgage"** ..... means either (i) a LIBOR Mortgage (including a Product Switch Loan) under the terms of which interest is payable at a variable rate of interest which is set quarterly at three-month LIBOR plus a margin; (ii) a Kensington Standard Rate Mortgage (including a Product Switch Loan) under the terms of which interest is payable at a variable rate of interest which is set quarterly at the Kensington Standard Rate plus a margin; or (iii) a Loan (including a Product Switch Loan) under the terms of which interest is payable at an alternative reference rate other than three-month LIBOR or the Kensington Standard Rate, plus a margin provided that (A) the alternative rate has been selected by the Legal Title-Holder (acting reasonably); (B) a Rating Agency Confirmation in respect the alternative reference rate to be used has been obtained (subject, for the avoidance of doubt, to the provisos set out in the definition thereof); and (C) the use of the alternative rate in respect of Loans included in the

	Mortgage Pool would not cause the Notes to be non-compliance with the UK STS Requirements.
"Floating Rate of Interest" .....	means the rate of interest as determined by the Agent Bank in accordance with Notes Condition 4(c) ( <i>Rate of Interest</i> ).
"Floating Rate Notes" .....	means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes.
"Forecast Adjusted Fixed Rate Mortgage Principal Amount" .....	means: <ul style="list-style-type: none"> <li>(i) on any Further Purchase Date, the aggregate Principal Balance outstanding of the Fixed Rate Mortgages within the Mortgage Pool (including any Additional Loans which are Fixed Rate Mortgages sold to the Issuer on such Further Purchase Date) on each subsequent Interest Payment Date as forecast by the Mortgage Administrator assuming a constant prepayment rate of zero; and</li> <li>(ii) on any Product Switch Effective Date, the aggregate Principal Balance outstanding of the Fixed Rate Mortgages within the Mortgage Pool (including any Product Switch Loans which are intended to remain in the Mortgage Pool) on each subsequent Interest Payment Date as forecast by the Mortgage Administrator assuming a constant prepayment rate of zero.</li> </ul>
"foreign passthru payments" .....	has the meaning given to such term in the section entitled " <i>United Kingdom Taxation - U.S. Foreign Account Tax Compliance ("FATCA") withholding</i> ".
"FRICS" .....	means a Fellow of the Royal Institution of Chartered Surveyors.
"FSA" .....	means the Financial Services Authority or any successor authority or authorities fulfilling the regulatory role currently occupied by the FSA (which term, when used in relation to a date on or after 1 April 2013, shall be deemed to refer to the FCA and/or PRA (as applicable)).
"FSMA" .....	means the Financial Services and Markets Act 2000.
"Further Interest Rate Swap" .....	means each interest rate swap transaction (other than the Initial Interest Rate Swap) entered into between the Issuer and a Swap Counterparty on or prior to a Further Purchase Date or Product Switch Effective Date to hedge against the possible variance between the fixed rates of interest payable on any Additional Loans to be included in the Mortgage Pool or any Product Switch Loans to be retained in the Mortgage Pool in each case which are Fixed Rate Mortgages and in floating rates of interest payable on the Floating Rate Notes or any replacement agreement between the Issuer and a Swap Counterparty as a consequence of a failure by an original Swap Counterparty to take appropriate remedial action following a Swap Counterparty Required Rating Downgrade.
"Further Purchase Date" .....	means, if applicable, in relation to any sale and purchase of Additional Loans, each day on which a sale and purchased is

completed subject to, and in accordance with, the terms of the KHL/Issuer Mortgage Sale Agreement.

"Further Sale Period" .....	means the period from (but excluding) the First Additional Loan Purchase Date up to (but excluding) the Final Further Purchase Date.
"General Reserve Fund" .....	means the amount reserved from time to time in the Reserve Account by depositing the General Reserve Fund Required Amount into the Reserve Account and crediting the General Reserve Fund Ledger in accordance with the Cash/Bond Administration Agreement.
"General Reserve Fund Excess Amounts" .....	(a) means any amount standing to the credit of the General Reserve Fund Ledger in excess of the General Reserve Fund Required Amount and which will be applied as Available Revenue Funds.
"General Reserve Fund Ledger" .....	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Reserve Account.
"General Reserve Fund Required Amount" .....	(a) on the Issue Date and on any Interest Payment Date, 2.00 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes as at the Issue Date, being £9,440,000; and  (b) following redemption in full of the A Notes to D Notes (inclusive), zero.
"Global Certificates" .....	means each of the certificates which represent the Certificates or some of them substantially in the form set out in Schedule 5 ( <i>Form of Global Certificate</i> ) of the Trust Deed, which is held in a manner which could allow Eurosystem eligibility and Global Certificate means one of them.
"Global Notes" .....	means each of the A Global Note, the B Global Note, the C Global Note, the D Global Note, the E Global Note, the X Global Note and the Z Global Note and Global Note means one of them.
"Guarantor" .....	means, in relation to a Borrower which is a company, any director of that company and any person who is the beneficial owner of shares in that company which as at origination of the relevant Loan were equal to or greater than 20 per cent. of the shares in issue in respect of that company.
"HMRC" .....	means Her Majesty's Revenue and Customs.
"IAS" .....	means International Accounting Standards.
"ICSDs" .....	means Euroclear and Clearstream, Luxembourg.
"IGAs" .....	has the meaning given to such term in the section entitled " <i>Risk Factors – U.S. Foreign Account Tax Compliance ("FATCA") withholding may affect payments on the Notes and Certificates</i> ".
"Indexed LTV" .....	means the ratio of the Principal Balance of the relevant Loan divided by the latest available indexed valuation of the



relevant Property calculated on the basis of the Nationwide House Price Index.

- "Initial Available Revenue"** ..... means, on each Determination Date, the amount standing to the credit of the Revenue Ledger as at the end of the preceding Determination Period.
- "Initial Interest Rate Swap"** ..... means the interest rate swap transaction entered into between the Issuer and the Initial Swap Counterparty on or about the Issue Date and as amended, supplemented and restated from time to time on or prior to the first Interest Payment Date to hedge against the possible variance between the fixed rates of interest payable on Fixed Rate Mortgages in the Mortgage Pool and in floating rates of interest payable on the Floating Rate Notes.
- "Initial Principal Amount"** ..... means, in relation to each Note, the initial face principal amount of that Note upon issue of the relevant Global Note relating to that Note.
- "Initial Purchase Consideration"** ..... means £492,748,019.10 (being the consideration for the Loans being purchased on the Issue Date).
- "Initial Swap Agreement"** ..... means the 1992 ISDA Master Agreement (Multicurrency – Cross Border) dated on or about the Issue Date (together with the schedule, the confirmations relating to the Interest Rate Swap, the Credit Support Annex, any swap transactions supplements and any amendment agreements thereto) between the Issuer and the Initial Swap Counterparty, or any replacement agreement between the Issuer and the Initial Swap Counterparty as a consequence of a failure to take appropriate remedial action following a Swap Counterparty Required Rating Downgrade.
- "Initial Swap Counterparty"** ..... means BNP Paribas in its capacity as interest rate swap counterparty pursuant to the Initial Swap Agreement and any permitted successor thereto in such capacity.
- "Insolvency Event"** ..... means in respect of a company, the occurrence of any of the following:
- (a) an order being made or an effective resolution being passed for winding up of such company;
  - (b) such company ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of any amounts due to its creditors generally or becomes unable to pay its debts as they fall due or otherwise becomes insolvent; or
  - (c) an order is made against such company under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or a receiver, administrator or other similar official is appointed in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company or an encumbrancer or other security holder shall take possession of the whole or any substantial part of the undertaking or assets of such company, and in any of the foregoing cases it

shall not be discharged within 30 Business Days; or if such company shall initiate or consent to judicial proceedings relating to itself (other than in the case of a reorganisation) under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment or assignation for the benefit of its creditors generally or if a petition is presented to wind up such company (other than any petition which is frivolous or vexatious and is not withdrawn within five Business Days).

" <b>Insurance Contracts</b> " .....	means the insurance contracts referred to in Schedule 6 ( <i>Insurance Contracts</i> ) of the KHL/Issuer Mortgage Sale Agreement, including the right to receive the proceeds of any claims, in so far as they relate to the Loans and any other insurance contracts in replacement, addition or substitution therefor from time to time and which relate to the Loans, including any Contingency Policies.
" <b>Intellectual Property</b> " .....	means all copyrights, patents, design rights, service marks, trademarks and trading names and all other rights which may subsist in the Mortgage Administrator's products, processes, software information and business systems.
" <b>Interest Amount</b> " .....	has the meaning given to such term in Notes Condition 4(d) ( <i>Determination of Floating Rates of Interest and Calculation of Interest Amount</i> ).
" <b>Interest Determination Date</b> " .....	means the fifth Banking Day before the Interest Payment Date for which the Floating Rate of Interest to be determined on such date will apply.
" <b>Interest Only Loan</b> " .....	means a loan under the terms of which the principal amount is not repayable before maturity and may require an endowment policy to be charged by way of collateral security or may require the deposit (but not by way of security) of a pension policy or may have no collateral as security other than the relevant Property.
" <b>Interest Payment Date</b> " .....	means the 16 <sup>th</sup> day in March, June, September and December in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day and <b>provided that</b> the first Interest Payment Date will fall in June 2021.
" <b>Interest Period</b> " .....	means the period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date, <b>provided that</b> the first Interest Period shall be the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date.
" <b>Interest Period Issuer Amount</b> " .....	means the amount produced by applying the relevant Swap Fixed Rate to applicable notional amount of such Interest Rate Swap and multiplying the resulting amount by the applicable day count fraction specified in the relevant Swap Agreement.
" <b>Interest Period Swap Counterparty Amount</b> " .....	means the amount produced by applying a rate equal to Compounded Daily SONIA for the relevant Interest Period to the applicable notional amount of such Interest Rate Swap

and multiplying the resulting amount by the applicable day count fraction specified in the relevant Swap Agreement.

"Interest Rate Swap" .....	means the Initial Interest Rate Swap or a Further Interest Rate Swap.
"Interest Shortfall" .....	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of interest on the B Notes, the C Notes, the D Notes, the E Notes, the X Notes or the Z Notes.
"IRS" .....	means the U.S. Internal Revenue Service.
"Issue Date" .....	means 24 February 2021.
"Issuer" .....	means Gemgarto 2021-1 Plc whose registered number is 13054383 and whose registered office is at 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU.
"Issuer Costs and Expenses" .....	means the costs and expenses of the Issuer arising in respect of the purchase of Loans and the issuance of the Notes.
"Issuer/ICSD Agreement" .....	means the agreement so named dated on or before the date hereof between the Issuer and each of Euroclear and Clearstream, Luxembourg.
"Issuer Profit" .....	means retained profit of the Issuer in an amount of £10,500 on each Interest Payment Date up to the Interest Payment Date falling in September 2021 and £1,500 on each Interest Payment Date falling thereafter for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year and the payment of a distribution (if any) to the Parent.
"Issuer Profit Ledger" .....	means a ledger established in the Transaction Account used to record the retained revenue of the Issuer in accordance with the Cash/Bond Administration Agreement.
"Issuer Security Power of Attorney" .....	means the power of attorney granted by the Issuer in favour of the Trustee and any Receiver pursuant to clause 14 ( <i>Further Assurances and Power of Attorney</i> ) of the Deed of Charge.
"Issuer Upfront Payment" .....	means any upfront swap payments (other than an Interest Period Issuer Amount or Swap Excluded Payable Amount) due and payable by the Issuer to a Swap Counterparty pursuant to the terms of the relevant Swap Agreement
"IVA" .....	means an Individual Voluntary Arrangement (or its Scottish equivalent).
"Joint Lead Manager Related Person" .....	means the Arranger, the Joint Lead Managers and their respective related entities, associates, officers or employees.
"Joint Lead Managers" .....	means each of Lloyds Bank Corporate Markets plc, BNP Paribas and National Australia Bank Limited.
"Kensington Standard Rate" .....	means BBR (subject to a floor of zero) plus a lender funding cost adjustment of between 0.00 per cent. and 1.00 per cent.

<b>"Kensington Standard Rate Mortgage"</b> .....	means a Loan (including a Product Switch Loan) under the terms of which interest is payable at a variable rate of interest which is set quarterly at the Kensington Standard Rate plus a margin.
<b>"KHL"</b> .....	means Kensington Holdco Limited a direct wholly-owned subsidiary of Koala (Cayman) Limited, a company incorporated in England and Wales with limited liability (registered number 09329495) whose registered office is at Ascot House, Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom.
<b>"KHL/Issuer Mortgage Sale Agreement"</b> .....	means the mortgage sale agreement dated on or about the Issue Date between the Issuer, the Trustee, the Legal Title-Holder and KHL.
<b>"KMC"</b> .....	means Kensington Mortgage Company Limited, a company registered in England and Wales with company number 3049877.
<b>"Land Registry"</b> .....	means HM Land Registry.
<b>"Legacy/KHL Mortgage Sale Agreement"</b> .....	means the mortgage sale agreement dated 3 February 2021 between, among others Finsbury Square 2018-1 Plc as the seller and KHL as the purchaser.
<b>"Legal Title-Holder"</b> .....	means (a) KMC under the Mortgage Administration Agreement or (b) if KMC's appointment as legal title-holder is terminated under the Mortgage Administration Agreement, any other legal title-holder selected by the Legal Title-Holder Facilitator and appointed with the prior written consent of the Trustee and the Mortgage Administrator (and, if the proposed legal title-holder is the Seller, the prior written consent of the Issuer) and subject to (i) a Rating Agency Confirmation being provided to the Issuer and (ii) the proposed legal title-holder granting an irrevocable power of attorney in favour of the Issuer.
<b>"Legal Title-Holder Facilitator"</b> .....	means CSC Capital Markets UK Limited or any replacement or successor thereto appointed pursuant to the Mortgage Administration Agreement.
<b>"Legal Title-Holder Policies"</b> .....	means the legal title-holder policies which the Mortgage Administrator will follow in the provision of the Services as amended from time to time.
<b>"Legal Title-Holder Power of Attorney"</b> .....	means the powers of attorney in the form as schedules at Schedule 4, Part 1 ( <i>Form of Legal Title-Holder Power of Attorney</i> ) of the KHL/Issuer Mortgage Sale Agreement.
<b>"Legal Title-Holder Termination Event"</b> .....	means the occurrence of any of the following: <ul style="list-style-type: none"> <li>(a) default by the Legal Title-Holder in the performance of its covenants and obligations under the Mortgage Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class;</li> <li>(b) an Insolvency Event of the Legal Title-Holder; or</li> <li>(c) the service of an Enforcement Notice.</li> </ul>

" <b>Legal Title-Holder's Business</b> " .....	means the business carried on from time to time by the Legal Title-Holder in relation to the Loans, Mortgages, Collateral Security and the Borrowers.
" <b>Legal Title-Holder's System</b> " .....	means the System used by the Legal Title-Holder to support the Legal Title-Holder's Business.
" <b>Lending Criteria</b> " .....	means: <ul style="list-style-type: none"> <li>(a) in respect of the Loans in the Completion Mortgage Pool, the lending criteria as set out in Schedule 7 (<i>Lending Criteria</i>) of the KHL/Issuer Mortgage Sale Agreement as may from time to time be applicable generally to loans and further advances made by the Legal Title-Holder; and</li> <li>(b) in respect of any Additional Loans, the lending criteria set out in Schedule 7 (<i>Lending Criteria</i>) of the KHL/Issuer Mortgage Sale Agreement as such lending criteria may be amended from time to time in a manner consistent with amendments which a Prudent Mortgage Lender would make.</li> </ul>
" <b>LIBOR</b> " .....	means the London interbank offer rate.
" <b>LIBOR Mortgage</b> " .....	means a Loan (including a Product Switch Loan) under the terms of which interest is payable at a variable rate of interest which is set quarterly at three-month LIBOR plus a margin.
" <b>Liquidity Reserve Fund</b> " .....	means the amount reserved from time to time in the Reserve Account by depositing amounts into the Reserve Account and crediting the Liquidity Reserve Fund Ledger in accordance with the Cash/Bond Administration Agreement.
" <b>Liquidity Reserve Fund Excess Amounts</b> " .....	means any amount standing to the credit of the Liquidity Reserve Fund Ledger in excess of the Liquidity Reserve Fund Required Amount on any Interest Payment Date and which will be applied as and form part of Available Principal Funds.
" <b>Liquidity Reserve Fund Ledger</b> " .....	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Reserve Account.
" <b>Liquidity Reserve Fund Required Amount</b> " .....	means: <ul style="list-style-type: none"> <li>(a) on the Issue Date, the Liquidity Reserve Fund Required Amount will be zero; and</li> <li>(b) on any Interest Payment Date, on which the amount standing to the credit of the General Reserve Fund as at such Interest Payment Date (after application of the Available Revenue Funds) is less than 1.50 per cent. of the aggregate Principal Amount Outstanding of the A Notes to E Notes (inclusive) (but excluding the X Notes) on such Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments (the "<b>Liquidity Reserve Fund Trigger Event</b>"), the Liquidity Reserve Fund Required Amount will be 2.00 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the</li> </ul>

	Pre-Enforcement Principal Priority of Payments; and
	(c) after the occurrence of the Liquidity Reserve Fund Trigger Event, on any subsequent Interest Payment Date, the Liquidity Reserve Fund Required Amount will be 2.00 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments.
"Loan" .....	means a loan in the Mortgage Pool which is, in each case, secured by Mortgages over Properties located in England, Wales and Scotland.
"Loan Conditions" .....	means, in relation to each Loan, the terms and conditions on which it was made.
"Loan to Value Ratio" or "LTV" .....	means the ratio, expressed as a percentage, which the amount of a Loan (exclusive of any arrangement fee) bears to the valuation of the relevant Property at origination of the Loan or, in some cases as set out in the Lending Criteria, the lower of such valuation and the sale price of such Property.
"Losses" .....	means any losses arising in relation to a Loan in the Mortgage Pool or as a result of an Insolvency Event in relation to the Collection Accounts Provider which results in a shortfall in the amount of principal received on such Loan.
"LTIR" .....	means loan-to-income ratio.
"Main Collection Account Agreement" .....	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Collection Accounts Provider.
"Main Collection Account Declaration of Trust" .....	means declaration of trust dated on or about the Issue Date created in favour of the Issuer in respect of KMC's interest in the Main Collection Account.
"Main Collection Accounts" .....	means the accounts in the name of Kensington Mortgage Company Limited held with the Collection Accounts Provider with (i) sort code 20-19-90 and account number 63010074 and; (ii) sort code 20-19-90 and account number 03591670 or (x) such additional or replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in Clause 5 ( <i>Change of Bank or Mortgage Administrator</i> ) of the Main Collection Account Agreement and such account holding bank enters into an agreement on substantially the same terms as the Main Collection Account Agreement, or (y) such other additional or replacement account(s) as may be established from time to time in accordance with the Transaction Documents.
"Market Abuse Directive" .....	means EU Directive 2003/6/EC.
"Markets in Financial Instruments Directive" .....	means Directive 2014/65/EU.

"Master Definitions Schedule" .....	means the document named dated on or about the Issue Date and initialled for the purposes of identification by <i>inter alios</i> the Issuer and the Trustee.
"Maximum Principal Retained Amount" .....	means, on any Determination Date immediately preceding the relevant Interest Payment Date, an amount equal to 5 per cent. of the aggregate Principal Amount Outstanding of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.
"MCD" .....	means the European Mortgage Credit Directive (2014/17/EU).
"MCD Order" .....	means the Mortgage Credit Directive Order 2015.
"MCOB" .....	means the FCA's Mortgages and Home Finance: Conduct of Business sourcebook, as the same may be amended, revised or supplemented from time to time.
"Meeting" .....	means a meeting of Noteholders of any Class or Classes (whether originally convened or resumed following an adjournment).
"Member State" .....	means a member state of the European Union.
"MH/CP Documentation" .....	means an affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 (as amended) or, as applicable, the Civil Partnership Act 2004 in connection with a Mortgage relating to a Scottish Loan or its relevant Property
"Minimum Denomination" .....	means £100,000 and, for so long as the rules of Euroclear or Clearstream, Luxembourg so permit, integral multiples of £1,000 in excess thereof.
"Modelling Assumptions" .....	means the assumptions set out in the section entitled " <i>Weighted Average Lives of the Notes</i> ".
"Monthly Report" .....	means the monthly report substantially in the form scheduled as Schedule 7 ( <i>Form of Monthly Report</i> ) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer, the Cash/Bond Administrator and KMC.
"Moody's" .....	means Moody's Investor Services Ltd.
"Mortgage" .....	means either an English Mortgage or a Scottish Mortgage.
"Mortgage Administration Agreement" .....	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Mortgage Administrator.
"Mortgage Administration Fee" .....	means the Base Fee and the Supplemental Fee.
"Mortgage Administrator" .....	means (a) KMC under the Mortgage Administration Agreement or (b) if KMC's appointment is terminated under the Mortgage Administration Agreement, any other mortgage administrator selected by the Mortgage Administrator Facilitator and appointed by the Issuer with the approval of the Trustee.

<b>"Mortgage Administrator Facilitator"</b>	means CSC Capital Markets UK Limited or any replacement or successor thereto appointed pursuant to the Mortgage Administration Agreement.
<b>"Mortgage Administrator Software" ..</b>	means the software which is owned by and/or licensed to the Mortgage Administrator and which is used in the provision of the Services.
<b>"Mortgage Administrator System" .....</b>	means any IT system, middleware, hardware and related network and other infrastructure and any software or applications, including the Mortgage Administrator Software, operated thereon by the Mortgage Administrator from time to time to support the delivery of the Services.
<b>"Mortgage Administrator Termination Event" .....</b>	means any of the events of default specified under the Mortgage Administration Agreement, including non-performance by the Mortgage Administrator of its obligations thereunder or if insolvency or similar events occur in relation to the Mortgage Administrator.
<b>"Mortgage Conditions" .....</b>	means the mortgage conditions forming part of the Standard Documentation.
<b>"Mortgage Early Redemption Amounts" .....</b>	means the compensation amounts payable by a Borrower if a Loan is redeemed (whether pre-enforcement or post-enforcement) within the Relevant Period (excluding, for the avoidance of doubt, any principal received in respect of the Loans to which the relevant Mortgages relate and any compensation amounts otherwise refunded to a Borrower).
<b>"Mortgage Pool" .....</b>	means the Completion Mortgage Pool, any Additional Loans, and any Substitute Loans, in each case other than Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to the Seller pursuant to the KHL/Issuer Mortgage Sale Agreement or in respect of which Enforcement Procedures have been completed.
<b>"Mortgage Pool Option" .....</b>	means the option granted to the Mortgage Pool Option Holder and documented in the Deed Poll to purchase (or nominate a third party purchaser to purchase) the Mortgage Pool and its Collateral Security during the Interest Period immediately preceding the Interest Payment Date occurring on or after the Call Option Date.
<b>"Mortgage Pool Option Holder" .....</b>	means (a) where there is a sole Certificateholder, that Certificateholder, or (b) where there is not a sole Certificateholder, an entity unanimously agreed in writing between the Certificateholders as their representative and whose identity has been notified to the Issuer in writing by the Certificateholders.
<b>"Mortgage Pool Purchase" .....</b>	means a purchase of all (but not part) of the Loans and their Mortgages and Collateral Security by the Mortgage Pool Option Holder.
<b>"Mortgage Pool Purchase Completion Date" .....</b>	means the completion date of the Mortgage Pool Purchase.
<b>"Mortgage Pool Purchase Price" .....</b>	means an amount which, together with any amounts standing to the credit of the Transaction Account and/or the Reserve



Account and/or any other cash held by or on behalf of the Issuer (other than any Swap Excluded Receivable Amounts), would be required to pay any amounts required under the relevant Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date, redeem all Notes then outstanding in full together with accrued and unpaid interest on such Notes and pay costs associated with the redemption, as calculated as at the Mortgage Pool Purchase Completion Date.

- "Mortgage Pool Purchaser"** ..... means, as applicable, the person specified in an Exercise Notice as the purchaser of the beneficial title to the Loans and/or the legal title to the Loans.
- "Mortgage Rights"** ..... has the meaning given to such term in the KHL/Issuer Mortgage Sale Agreement.
- "Most Senior Class"** ..... means:
- (a) the A Notes for so long as there are any A Notes outstanding;
  - (b) thereafter the B Notes for so long as there are any B Notes outstanding;
  - (c) thereafter the C Notes for so long as there are any C Notes outstanding;
  - (d) thereafter the D Notes for so long as there are any D Notes outstanding;
  - (e) thereafter the X Notes for so long as there are any X Notes outstanding;
  - (f) thereafter the E Notes for so long as there are any E Notes outstanding;
  - (g) thereafter the Z Notes for so long as there are any Z Notes outstanding; and
  - (h) thereafter the Certificates for so long as there are any Certificates outstanding.
- "MRICS"** ..... means a Member of the Royal Institution of Chartered Surveyors.
- "N(M)"** ..... means 31 October 2004.
- "Non-Compliant Loan"** ..... means a Loan which (A) is not of a type described in or has otherwise caused the Notes to cease to comply with the requirements of (i) Article 13 of the Commission Delegated Regulation (EU) 2018/1620 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; (ii) Article 243 of the EU CRR as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; or (iii) Article 19 to 22 of the UK Securitisation Regulation; or (B) is not of a type described in or has otherwise caused the Notes to cease to comply with the requirements of (i) Article 13 of the Commission Delegated Regulation (EU) 2018/1620; or (ii) Article 243 of the EU CRR.

<b>"Non-Permitted Holders"</b> .....	means a holder of Rule 144A Notes that is not a QIB.
<b>"Non-Standard Construction Loan"</b> ...	means a Loan secured by a Mortgage over a Property which is "non-standard construction" for the purposes of the Originator's lending policy from time to time.
<b>"Noteholders"</b> .....	means holders of the Notes.
<b>"Note Principal Payment"</b> .....	has the meaning given to such term in Notes Condition 5(c) ( <i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i> ).
<b>"Note Purchase Agreement"</b> .....	means the note purchase agreement dated on or around 3 February 2021 between, <i>inter alia</i> , the Issuer and the Joint Lead Managers.
<b>"Notes"</b> .....	means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes.
<b>"Notes Basic Terms Modification"</b> .....	means any modification to: <ul style="list-style-type: none"> <li>(a) the maturity date of the Notes or the dates on which interest is payable in respect of the Notes;</li> <li>(b) the date of payment of principal, interest or any other amount in respect of any Class of Notes, or, where applicable, of the method of calculating the date of payment of principal, interest or any other amount in respect of any Class of Notes, or of the method of calculating the date of payment in respect of the Certificates, except in accordance with Notes Condition 11(f) (<i>Modification and Waiver in relation to the Reference Rate</i>);</li> <li>(c) the amount of principal, the rate of interest or any other amount payable in respect of any Class of Notes or the priority of payment of such amount, or where applicable, of the method of calculating the amount payable of any principal, interest or any other amount payable in respect of any Class of Notes or of the method of calculating the amounts payable in respect of the Certificates, except in accordance with Notes Condition 11(f) (<i>Modification and Waiver in relation to the Reference Rate</i>);</li> <li>(d) the modification or addition of any other amount payable ranking ahead of or <i>pari passu</i> with any Class of Notes or Certificates, including any fees payable by the Issuer to any third party (save as permitted or contemplated under the terms of the Transaction Documents);</li> <li>(e) the priority of payment of interest or principal on the Notes;</li> <li>(f) the currency of payment of the Notes;</li> <li>(g) the definition of Notes Basic Terms Modification;</li> <li>(h) the definition of Event of Default;</li> </ul>

- (i) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Notes Basic Terms Modification or to pass an Extraordinary Resolution;
- (j) the definition of the Call Option Date;
- (k) any changes to the terms of the Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(d) (*Optional Redemption in Full*);
- (l) any changes to the terms of the Risk Retention Regulatory Change Deed Poll or any provisions concerning the exercise of the optional call thereunder, including Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*);
- (m) the provisions concerning limited recourse and non-petition in relation to the Issuer including Notes Condition 10 (*Enforcement of Security, Limited Recourse and Non-Petition*);
- (n) the Notes Condition 3(i) (*Deed Poll*); or
- (o) any waiver of any proposal or actual breach of any of the covenants (including any Event of Default or Potential Event of Default) or provisions contained in or arising pursuant to the Notes Conditions, Certificates Conditions or any Transaction Documents by any party thereto which would have the effect of any of the foregoing,

but, no modification relating to the Senior Servicing Fee Cap shall be a Notes Basic Terms Modification.

**"Notes Conditions"** ..... means the terms and conditions applicable to the Notes as set out in Schedule 7 (*Terms and Conditions of the Notes*) to the Trust Deed as may from time to time be modified in accordance with the Trust Deed and, with respect to any Notes represented by a Global Note, as modified by the provisions of such Global Note and any reference to a particularly numbered Condition shall be construed accordingly.

**"OFT"** ..... means the Office of Fair Trading.

**"Ombudsman"** ..... means the Financial Ombudsman Service.

**"Ordinary Resolution"** ..... means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or

- (b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) an Ordinary Resolution will pass unless 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Ordinary Resolution within 40 days after the date on which a notice containing the text of such Ordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such Class in accordance with the provisions of Notes Condition 13 (*Notice to Noteholders*) by the Issuer or the Trustee and for so long as the Notes are listed on Euronext Dublin, by making it available to any Regulatory Information Service maintained by Euronext Dublin.

"Original Property" ..... means the Property which a Loan was originally secured by.

"Originator" ..... means KMC.

"Outstanding" ..... means, in relation to a Class of Notes, all the Notes of that Class which have been issued except:

- (a) those which have been redeemed in full in accordance with the Notes Conditions;
- (b) those in respect of which the date for redemption in full has occurred and the full amount of redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable under the Notes Conditions after such date) have been duly paid to the Trustee or to the Principal Paying Agent as provided in clause 2 (*Amount of the Notes and Covenant to Pay*) of the Trust Deed (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with Notes Condition 13 (*Notice to Noteholders*)) and remain available for payment against presentation and surrender of Notes; and
- (c) those which have become void or in respect of which claims have become prescribed,

**provided that** for each of the following purposes:

- (A) ascertaining the right to attend and vote at any meeting of the Noteholders;
- (B) the determination of how many Notes are outstanding for the purposes of Notes Condition 9 (*Events of Default*) and Notes Condition 10 (*Enforcement of Security*),

*Limited Recourse and Non-Petition*) and Notes Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) and Schedule 7 (*Provisions for Meetings of Noteholders*) to the Trust Deed;

(C) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Most Senior Class; and

(D) the determination by the Trustee of whether any event or potential event is or would be materially prejudicial to the interests of the Most Senior Class,

those Notes which are beneficially held by or on behalf of the Issuer shall (unless no longer so held) be deemed not to remain outstanding and, for the purposes of this proviso, in the case of the Global Notes, the Trustee shall be entitled to rely on the records of Euroclear and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of the Global Notes.

- "Owner-Occupied Loan"** ..... means a Loan secured by a Mortgage over a Property that is a Borrower's principal or primary residence.
- "Parent"** ..... means Gemgarto 2021-1 Parent Limited.
- "Parent Share Trust Deed"** ..... means the trust deed so named and dated 21 December 2020 between the Share Trustee and the Parent.
- "Parent Term Loan Agreement"** ..... means the loan agreement so named and dated 21 December 2020 between the Parent and the Share Trustee.
- "Part and Part Loans"** ..... means Loans under the terms of which the loan is effectively separated (at the option of, and at a level decided by, the Borrower) into two, principal amounts, one in respect of which the Borrower pays interest only and the other in respect of which the Borrower pays interest and principal.
- "Parties in Interest"** ..... means certain persons referred to as "parties in interest" or "disqualified persons" within the meaning of Section 3(14) of ERISA and Section 4975 of the Code respectively and collectively.
- "Paying Agency Agreement"** ..... means the agreement so named and dated on or about the Issue Date between the Issuer, the Trustee and the Agents.
- "Paying Agents"** ..... means the Principal Paying Agent and any additional paying agent appointed pursuant to the Paying Agency Agreement or any of them.
- "PDL Condition"** ..... means in order to make up any Shortfall in respect of any Class, the conditions that: (i) unless the B Notes are the Most Senior Class, in respect of interest on the B Notes, the debit balance of the B Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 10 per cent. of the Principal Amount Outstanding of the B Notes; (ii) unless the C Notes

are the Most Senior Class, in respect of interest on the C Notes, the debit balance of the C Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 0.00 per cent. of the Principal Amount Outstanding of the C Notes; (iii) unless the D Notes are the most Senior Class, in respect of interest on the D Notes, the debit balance of the D Principal Deficiency Ledger (as at the relevant Determination Date but prior to application of available funds in respect of the relevant subsequent Interest Payment Date) not exceeding 0.00 per cent. of the Principal Amount Outstanding of the D Notes and "**relevant PDL Condition**" means the condition relating to that Class.

"**Perfection Events**"..... means the occurrence of any of the following:

- (a) the Trustee determining that the Charged Property or any part thereof is in jeopardy (including due to the possible insolvency of one or more of the Seller or the Legal Title-Holder);
- (b) the Issuer, the Trustee, the Seller or the Legal Title-Holder becoming obliged to provide notice of assignment or (as applicable) assignation of the Loan by order or decree of court, by law or any relevant regulatory authority;
- (c) a Legal Title-Holder Termination Event occurs and a replacement legal title-holder has not been appointed within 60 calendar days;
- (d) an Insolvency Event in respect of the Legal Title-Holder; or
- (e) a Severe Deterioration Event in respect of the Legal Title-Holder.

provided that paragraph (e) above shall (1) not apply if the Seller has delivered a certificate to the Trustee confirming that the occurrence of such event does not impact the designation of the Notes as a 'simple, transparent and standardised' securitisation (within the meaning of the UK Securitisation Regulation); and (2) be subject to such amendment as the Seller may require so long as the Seller delivers a certificate to the Trustee that the amendment of such event does not impact the designation of the Notes as a 'simple, transparent and standardised' securitisation (within the meaning of the UK Securitisation Regulation and as more particularly described in clause 6.1 (*Further Assurance*) of the KHL/Issuer Mortgage Sale Agreement.

"**Performance Report**" ..... means the quarterly performance report substantially in the form scheduled at Schedule 5 (*Form of Performance Report*) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer, the Cash/Bond Administrator and KMC.

"**Permitted Swap Agreement**" ..... means each interest rate hedging agreement entered into by the Issuer with a Permitted Swap Counterparty in order to hedge its payment obligations under the Notes and which is

on substantially the same terms as the Initial Swap Agreement and shall use the form of the 1992 ISDA Master Agreement (Multicurrency – Cross Border) or such updated form as may be provided by ISDA from time to time.

<b>"Permitted Swap Counterparty"</b> .....	means a bank or financial institution which has entered into hedging arrangements with the Issuer and which on the date of entering into such arrangements:  (a) has a rating for its long-term or short-term debt obligations sufficient to maintain the then-current ratings of the Rated Notes (unless such arrangements are guaranteed by a guarantor of appropriate credit rating or other arrangements are entered into at the time which are sufficient to maintain the then ratings of the Rated Notes); and  (b) has entered into a deed supplemental to the Deed of Charge in form and substance satisfactory to the Trustee agreeing to be bound by the terms of the Deed of Charge on the same terms as the Initial Swap Counterparty.
<b>"Plan Asset Regulation"</b> .....	means the DOL regulation set forth at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA.
<b>"Plans"</b> .....	means ERISA Plans or fiduciaries of ERISA Plans, as well as other "plans" and arrangements within the meaning of Section 4975(e)(1) of the Code that are subject to Section 4975 of the Code.
<b>"Pool Factor"</b> .....	has the meaning given to such term in Notes Condition 5(c) ( <i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i> ).
<b>"Post-Enforcement Priority of Payments"</b> .....	means the Post-Enforcement Priority of Payments set out in Notes Condition 2(d) ( <i>Post-Enforcement Priority of Payments</i> ).
<b>"Potential Event of Default"</b> .....	means any condition, event, act or circumstance which would or could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Notes Condition 9 ( <i>Events of Default</i> ), become an Event of Default.
<b>"Pre-Enforcement Principal Priority of Payments"</b> .....	means the Pre-Enforcement Principal Priority of Payments as set out in Notes Condition 5(b) ( <i>Mandatory Redemption of the Notes</i> ).
<b>"Pre-Enforcement Priority of Payments"</b> .....	means the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Principal Priority of Payments, as the case may be.
<b>"Pre-Enforcement Revenue Priority of Payments"</b> .....	means the Pre-Enforcement Revenue Priority of Payments set out in Notes Condition 2(c) ( <i>Pre-Enforcement Revenue Priority of Payment</i> ).
<b>"Principal Amount Outstanding"</b> .....	means the principal amount outstanding of each note as determined in accordance with Notes Condition 5(c) ( <i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i> ).

<b>"Principal Balance"</b> .....	means in relation to any Loan as at any given date, the current principal amount outstanding as at that date including any other disbursement, legal expense, fee, charge, premium or interest capitalised and added to the amounts secured by the relevant Mortgage in accordance with the conditions of the Loan on or prior to such date less any repayments of such amounts.
<b>"Principal Collections"</b> .....	means an amount determined by the Cash/Bond Administrator on a Determination Date being the aggregate of: <ul style="list-style-type: none"> <li>(a) all repayments or prepayments of principal received by the Issuer in relation to the Loans in respect of the Determination Period ending on or immediately prior to such Determination Date;</li> <li>(b) all the payments of any amounts whether being with respect to interest, fees, breakage costs and/or any amounts in arrears which as at the date of the assignment or (as applicable) transfer of such Loan to the Issuer was included in the calculation of the Principal Balance of the relevant Loan for the purpose of calculating the Initial Purchase Consideration or Additional Loan Purchase Consideration to be paid by the Issuer for such Loan; and</li> <li>(c) recoveries received by the Issuer and allocable to principal upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to principal upon a purchase or a repurchase of the Loans or Shortfall Loans by the Seller or KMC (or an affiliate thereof), in accordance with the terms of the KHL/Issuer Mortgage Sale Agreement, in each case received by the Issuer in the Determination Period preceding such Determination Date.</li> </ul>
<b>"Principal Deficiency"</b> .....	means the amount debited from time to time to the Principal Deficiency Ledger for the purposes of recording Losses and/or the utilisation of Available Principal Funds to pay a Revenue Shortfall and also to pay interest amounts on the B Notes, the C Notes and the D Notes and also any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall and the amount of any Available Principal Funds used to redeem any Class X Notes.
<b>"Principal Deficiency Ledger"</b> .....	means the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger and the E Principal Deficiency Ledger.
<b>"Principal Ledger"</b> .....	means the ledger of such name created for the purpose of recording Principal Collections and maintained by the Cash/Bond Administrator in the Transaction Account.
<b>"Principal Paying Agent"</b> .....	means Citibank, N.A., London Branch or any successor thereto.



" <b>Principal Receipts</b> " .....	has the meaning given to such term in Notes Condition 4(i) ( <i>Determinations and Reconciliation</i> ).
" <b>Priority of Payments</b> " .....	means the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.
" <b>Product Switch</b> " .....	means a variation: <ul style="list-style-type: none"> <li>(a) to the period of the applicable rate of interest applied to a Loan;</li> <li>(b) to the rate of interest applied to a Loan; and/or</li> <li>(c) to the final maturity date of a Loan,</li> </ul> <p>where such variation can take effect on or after the date when an existing fixed or discounted interest rate expires or at any time when the interest rate applicable to the relevant Loan is the reversionary rate, <b>provided that</b>, for the avoidance of doubt, a Product Switch shall not mean any arrangement entered into with a Borrower as part of an arrears management, debt rehabilitation or Enforcement Procedure (for example if a Loan is in arrears and a fixed rate payment schedule is agreed with a Borrower to enable arrears to be cleared or the term of the Loan is extended to assist a Borrower in financial difficulties).</p>
" <b>Product Switch Capitalised Fee Amounts</b> " .....	means the amounts equal to any fee payable by a Borrower in relation to a Product Switch Loan which is capitalised and added to the amounts secured by the relevant Mortgage in accordance with the conditions of the Loan on the Product Switch Effective Date (whether pre-enforcement or post-enforcement).
" <b>Product Switch Capitalised Fee Amounts Ledger</b> " .....	means a ledger of such name created and maintained by the Cash/Bond Administrator in the Transaction Account.
" <b>Product Switch Criteria</b> " .....	means in relation to a Product Switch Loan on the Product Switch Effective Date: <ul style="list-style-type: none"> <li>(a) the Principal Balance of that Product Switch Loan will not increase as a result of the Product Switch other than in respect of any Borrower fees which may be added to the Principal Balance on the Product Effective Date;</li> <li>(b) the Product Switch Loan is not one or more contractual monthly payment(s) in arrear on the Product Switch Effective Date;</li> <li>(c) following the inclusion of the Product Switch Loan in the Mortgage Pool on the Product Switch Effective Date, the weighted average spread of the Loans in the Mortgage Pool will not be lower than 3.00 per cent. on such Product Switch Effective Date, <b>provided that</b> for the purpose of calculating the weighted average spread of all Loans in the Mortgage Pool: <ul style="list-style-type: none"> <li>(i) the spread of any Fixed Rate Mortgages is calculated by reference to the fixed rate on such Product Switch Loan after the</li> </ul> </li> </ul>

deduction of the weighted average fixed rate payable to each Swap Counterparty under any outstanding Interest Rate Swaps pursuant to the Swap Agreements; and

- (ii) the spread of any Floating Rate Mortgage in the Additional Loan Pool is calculated by reference to the floating rate on such Loan after deduction of either (i) three-month LIBOR set quarterly; (ii) the Kensington Standard Rate set quarterly; (iii) BBR set quarterly; or (iv) an alternative reference rate set monthly or quarterly and in respect of which a Rating Agency Confirmation has been obtained, each in accordance with the terms and conditions of those Loans;
- (d) following the inclusion of the Product Switch Loan in the Mortgage Pool on the Product Switch Effective Date, the weighted average reversionary margin of the Loans in the Mortgage Pool will not be less than the aggregate of 3.75 per cent.;
- (e) the end of the remaining term of the Product Switch Loan following the Product Switch will not fall after the date falling two years prior to the Final Maturity Date;
- (f) the inclusion of the Product Switch Loan in the Mortgage Pool will not cause the Forecast Adjusted Fixed Rate Mortgage Principal Amount for any subsequent Interest Payment Date (calculated as at the Product Switch Effective Date) to exceed the aggregate notional amount of all Interest Rate Swaps outstanding under the Swap Agreements for that or any subsequent Interest Payment Date, taking into account any Further Interest Rate Swap which may be entered into by the Issuer on or prior to the Product Switch Effective Date which in each case will have an Effective Date falling on or prior to the Product Switch Effective Date and an Interest Period Issuer Amount calculated on the basis of a fixed rate of no greater than 0.25 per cent. (the "**Product Switch Hedging Condition**");
- (g) the Subordinated Loan Provider has advanced any amount under the Subordinated Loan to the Issuer by the applicable Product Switch Effective Date to enable the Issuer to fund any required Issuer Upfront Payment in full under an Interest Rate Swap entered into in order to ensure that the Product Switch Hedging Condition is satisfied on the Product Switch Effective Date and to be paid on the Interest Payment Date immediately following the Product Switch Effective Date pursuant to the terms of a Swap Agreement and the Mortgage Administration Agreement;
- (h) the Product Switch Effective Date does not occur after the Step-up Date;

- (i) as a result of the Product Switch, the fixed rate period of the Product Switch Loan is less than or equal to 5 years from the Product Switch Effective Date;
- (j) the inclusion of the Product Switch Loan in the Mortgage Pool following the Product Switch will not cause the sum of the Principal Balance of all Product Switch Loans within the Mortgage Pool as at their respective Product Switch Effective Dates to exceed an amount equal to 20 per cent. of the Principal Amount Outstanding of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes on the Issue Date;
- (k) the inclusion of the Product Switch Loan in the Mortgage Pool following the Product Switch will not cause the sum of the Principal Balance of all Loans within the Mortgage Pool which have a fixed rate period of greater than 3 years to exceed an amount equal to 2.50 per cent. of the Principal Amount Outstanding of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes on the Issue Date; or
- (l) a Liquidity Reserve Fund Trigger Event has not occurred on or prior to the Product Switch Effective Date.

**"Product Switch Effective Date"** ..... means, in relation to any Loan, the date upon which the Product Switch becomes effective so that the new interest rate is applied to that Loan from this date and/or the new term and/or period of the applicable interest rate of the Loan applies.

**"Product Switch Loan"** ..... means a Loan where a Product Switch has been offered to the relevant Borrower and the Borrower has accepted such offer.

**"Product Switch Offer"** ..... means an offer to a Borrower of a Product Switch.

**"Product Switch Upfront Fee Amounts"** ..... means the amount equal to any fee payable by a Borrower in relation to a Product Switch Loan which is paid by a Borrower on the Product Switch Effective Date (whether pre-enforcement or post-enforcement).

**"Property"** ..... means, in relation to a Loan, the freehold, heritable or long leasehold residential property situated in England or Wales or Scotland upon which the obligations of the Borrower are secured.

**"Proposed Replacement Cash/Bond Administrator"** ..... means any replacement mortgage administrator proposed by the Cash/Bond Administrator Facilitator pursuant to the terms of the Cash/Bond Administration Agreement.

**"Proposed Replacement Legal Title-Holder"** ..... means any replacement legal title-holder proposed by the Legal Title-Holder Facilitator pursuant to the terms of the Mortgage Administration Agreement.

<b>"Proposed Replacement Mortgage Administrator"</b> .....	means any replacement mortgage administrator proposed by the Mortgage Administrator Facilitator pursuant to the terms of the Mortgage Administration Agreement.
<b>"Prospectus"</b> .....	means this prospectus of the Issuer for the purposes of the EU Prospectus Regulation.
<b>"Provisional Completion Mortgage Pool"</b> .....	means the Loans proposed to be included in the Completion Mortgage Pool as at the Cut-Off Date with the characteristics set out in the section entitled " <i>Characteristics of the Provisional Completion Mortgage Pool</i> " of the Prospectus.
<b>"Provisions for Meetings of Noteholders"</b> .....	means the provisions contained in Schedule 7 of the Trust Deed.
<b>"Prudential Regulation Authority" or "PRA"</b> .....	means the Prudential Regulation Authority which replaced the FSA on 1 April 2013.
<b>"Prudent Mortgage Lender"</b> .....	means a reasonably prudent mortgage lender acting in a manner consistent with that of an experienced lender, servicer or administrator of residential mortgage loans lending to borrowers in England, Wales and Scotland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital.
<b>"Purchase Date"</b> .....	means: <ul style="list-style-type: none"> <li>(a) in relation to the Completion Mortgage Pool, the Issue Date or such earlier date as the Seller and the Issuer may agree;</li> <li>(b) in relation to any Additional Loan, the Further Purchase Date for that Additional Loan; and</li> <li>(c) in relation to any Substitute Loan, the Repurchase Date for that Substitute Loan.</li> </ul>
<b>"Purchase Price Notice"</b> .....	means a notice signed by the Issuer and sent by the Mortgage Administrator to the Mortgage Pool Option Holder specifying the Mortgage Pool Purchase Price.
<b>"QIB"</b> .....	means a "qualified institutional buyer" within the meaning of Rule 144A.
<b>"Qualifying Transfer Trigger Rating"</b>	has the meaning given to such term in the section entitled " <i>Overview of Credit Structure and Cash Flow – Triggers Tables</i> " of the Prospectus.
<b>"R Collection Account"</b> .....	means the collection account (into which credit or debit card payments from Borrowers in relation to the mortgage loans will be paid) means the account in the name of Kensington Mortgage Company Limited held with the R Collection Accounts Provider with sort code 20-19-90 and account number 73193241; or (x) such additional or replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in clause 5 ( <i>Change of Bank or Mortgage Administrator</i> ) of the R Collection Account

	Agreement and such account holding bank enters into an agreement on substantially the same terms as the R Collection Account Agreement, or (y) such other additional or replacement account(s) as may be established from time to time in accordance with the Transaction Documents.
<b>"R Collection Account Accession Agreement"</b> .....	means the accession agreement in respect of the R Collection Account Agreement dated on or about the Issue Date between, <i>inter alios</i> , KMC, the Issuer and the Trustee.
<b>"R Collection Account Agreement"</b> ....	means the agreement so named dated 17 December 2015 between, <i>inter alios</i> , the Issuer and the Collection Accounts Provider.
<b>"R Collection Account Declaration of Trust"</b> .....	means each declaration of trust dated 17 December 2015 created in favour of the Issuer (amongst others) in respect of KMC's interest in the R Collection Account to the extent that interest relates to the Loans in the Mortgage Pool.
<b>"R Collection Account Supplemental Deed of Declaration of Trust"</b> .....	means the deed dated on or about the Issue Date between KMC, the Issuer and the Trustee and which is supplemental to the R Collection Account Declaration of Trust.
<b>"RAO"</b> .....	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended).
<b>"Rate of Interest"</b> .....	means the relevant Floating Rate of Interest.
<b>"Rated Notes"</b> .....	means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the X Notes (except that the E Notes are expected to be rated by Fitch only and are not expected to be rated by DBRS).
<b>"Rating Agencies"</b> .....	means DBRS and Fitch and <b>"Rating Agency"</b> means either of them.
<b>"Rating Agency Confirmation"</b> .....	means (i) the written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn or (ii) the certification in writing from the Issuer to the Trustee that the Issuer has been unable to obtain such written confirmation but that the Rating Agencies then rating the Notes have been informed of the implementation of such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Rated Notes.
<b>"Recast EU Insolvency Regulation"</b> ...	means Regulation (EU) 2015/848 on insolvency proceedings.
<b>"Receiver"</b> .....	means any receiver, manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with clause 10 ( <i>Receiver</i> ) of the Deed of Charge.
<b>"Reconciliation Amount"</b> .....	has the meaning given to such term in Notes Condition 4(i) ( <i>Determinations and Reconciliation</i> ).
<b>"Redemption Event"</b> .....	means the earlier to occur of (i) the Final Maturity Date, (ii) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Notes Condition 5(d)

(*Optional Redemption in Full*), Notes Condition 5(e) (*Optional Redemption in Full Following the Exercise of a Risk Retention Regulatory Change Option*) or Notes Condition 5(f) (*Optional Redemption for Taxation or Other Reasons*) and (iii) the date on which the E Notes have been redeemed in full.

"Reference Rate" .....	has the meaning given to it in Notes Condition 4(c) ( <i>Rate of Interest</i> ).
"Registers of Scotland" .....	means the Land Register of Scotland and/or (as the context requires) the General Register of Sasines.
"Registrar" .....	means Citibank, N.A., London Branch or any successor thereto.
"Regulated Market" .....	means the regulated market of Euronext Dublin.
"Regulated Mortgage Contract" .....	means any regulated mortgage contract under FSMA.
"Regulation S" .....	means Regulation S of the Securities Act.
"Regulation S Definitive Note" .....	means any individual note certificate issued to a Noteholder in respect of its holding of the Regulation S Notes in, or substantially in, the form set out in the Trust Deed.
"Regulation S Global Notes" .....	means the A Global Note, the B Global Note, the C Global Note, the D Global Note, the E Global Note, the X Global Note and the Z Global Note of the Regulation S Global Notes.
"Regulation S Note" .....	means a Note issued pursuant to Regulation S.
"Relevant Information" .....	means any other or ancillary information related to the Loans and/or relating to any transaction party and/or the transactions contemplated by the Transaction Documents and/or the Notes which may or may not be available either publicly or individually to any or all potential investors.
"Relevant Margin" .....	has the meaning given to such term in Notes Condition 4(c) ( <i>Rate of Interest</i> ).
"Relevant Notes Fitch Rating" .....	has the meaning given to such term in the section entitled " <i>Overview of Credit Structure and Cash Flow – Triggers Tables</i> ".
"Relevant Period" .....	means three years from the date of advance of the relevant Loan to the Borrower.
"Relevant Period End Date" .....	has the meaning given to such term in a Swap Agreement.
"Relevant Rules" .....	means the rules and guidance of the Financial Services Authority or any successor regulatory authority implementing UK CRD.
"Repayment Loan" .....	means a Loan under the terms of which monthly instalments covering both interest and principal are payable by the Borrower until the Loan is fully repaid by its maturity in accordance with the relevant Loan Conditions.
"Reporting Designation Letter" .....	means the letter so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and KHL.

- "**Repurchase Date**" ..... means the date on which a Loan or Shortfall Loan is repurchased by the Seller or KMC (or an affiliate thereof).
- "**Repurchase Price**" ..... means a cash payment to the Issuer or to such person as the Issuer may direct, in an amount equal to:
- (a) 100 per cent. of the Principal Balance of the relevant Loan as at the Repurchase Date;
  - (b) to the extent not already included in (a) above, interest accrued on the Loan in that month up and to including the date falling immediately before the Repurchase Date, minus an amount equal to any interest paid in advance to the Issuer, **provided that** if the amount calculated in accordance with this paragraph (b) is negative this amount will be deemed to be zero for the purposes of the cash payment made to the Issuer, and the Issuer will pay the Legal Title-Holder the absolute value of such negative amount on the relevant Repurchase Date (and such payment amount shall be debited to the Revenue Ledger);
  - (c) an amount equal to all amounts (other than such amounts as set out in paragraph (a) and (b) above) which are due and payable as at the Repurchase Date under that Loan; and
  - (d) with respect to repurchase as a result of a breach of a Warranty or the occurrence of an Asset Repurchase Trigger Event, the reasonable legal costs of the Issuer incurred in relation to such repurchase.
- "**Reserve Account**" ..... means the account in the name of the Issuer at the Account Bank, sort code 18-50-08, account number 13542254, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.
- "**Reserve Interest Rate**" ..... has the meaning given to such term in Notes Condition 4(c) (*Rate of Interest*).
- "**Residual Payment**" ..... means:
- (a) prior to the delivery of an Enforcement Notice, for an Interest Payment Date, the amount by which Available Revenue Funds exceed the amounts required to satisfy items (i) to (xxiii) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date and items (i) to (viii) of the Pre-Enforcement Principal Priority of Payments; and
  - (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (i) to (xiv) of the Post-Enforcement Priority of Payments on that date.

<b>"Retained Principal Ledger"</b> .....	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Transaction Account.
<b>"Retention"</b> .....	means at any date an amount or amounts to be advanced under a Loan but retained as at that date pending satisfaction of the Retention Conditions.
<b>"Retention Conditions"</b> .....	means, in relation to a Retention, the conditions for the release of such Retention, as described in the relevant letter of offer to the relevant Borrower from the Originator.
<b>"Retention Letter"</b> .....	means the retention letter dated the Issue Date between, among others, the Issuer, the Trustee and KHL.
<b>"Return Amounts"</b> .....	means Return Amounts as defined in a Credit Support Annex.
<b>"Revenue Collections"</b> .....	means an amount determined by the Cash/Bond Administrator on a Determination Date being the aggregate of: <ul style="list-style-type: none"> <li>(a) all payments of interest, fees, breakage costs and other sums not comprising Principal Collections, if any, received by the Issuer in relation to the Loans in the Mortgage Pool in respect of the Determination Period ending immediately prior to such Determination Date; and</li> <li>(b) recoveries received by the Issuer and allocable to interest upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to interest upon a purchase or a repurchase of any Loans or Shortfall Loans in the Mortgage Pool by the Seller, KMC or any affiliate thereof in accordance with the terms of the KHL/Issuer Mortgage Sale Agreement, in each case received by the Issuer in the Determination Period ending immediately prior to such Determination Date.</li> </ul>
<b>"Revenue Ledger"</b> .....	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Transaction Account.
<b>"Revenue Receipts"</b> .....	has the meaning given to such term in Notes Condition 4(i) ( <i>Determinations and Reconciliation</i> ).
<b>"Revenue Shortfall"</b> .....	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of Senior Fees, the interest on the A Notes and/or subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, the interest on the B Notes, in the Pre-Enforcement Revenue Priority of Payments on the immediately following Interest Payment Date.
<b>"RICS"</b> .....	means the Royal Institution of Chartered Surveyors.
<b>"RICS qualified valuer"</b> .....	means a valuer regulated by and registered with RICS;
<b>"Right to Buy Insurance Policy"</b> .....	means an insurance policy providing insurance cover in respect of amounts advanced under a Loan which will not



have priority to the statutory charge or standard security arising under the 1985 Act or the 1987 Act, as applicable.

<b>"Right to Buy Loan"</b> .....	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 (a) Section 156 of the Housing Act 1985 (the " <b>1985 Act</b> ") excluding however any such Loans in respect of which the statutory charge referred to in section 155 of the 1985 Act has expired or (b) section 61 of the Housing (Scotland) Act 1987 (as amended) (the 1987 Act) excluding however any such Loans in respect of which the period during which the Legal Title-Holder's standard security in favour of the seller of the Property referred to in section 72 of the 1987 Act is of effect has expired.
<b>"Risk Retention Holder"</b> .....	has the meaning given to such term in the section titled, " <i>Certain Regulatory Disclosures - UK Retention Requirements and EU Retention Requirements and exposure to the UK Retained Interest and EU Retained Interest</i> ".
<b>"Risk Retention Piece"</b> .....	means the UK Retained Interest and/or EU Retained Interest and/or the U.S. Risk Retained Interest, as applicable.
<b>"Risk Retention Regulatory Change Deed Poll"</b> .....	means the risk retention regulatory change deed poll dated on or about the Issue Date, executed by the Issuer, in favour of the Regulatory Change Option Holder.
<b>"Risk Retention Regulatory Change Event"</b> .....	means any change in or the adoption of any new law, rule, direction, guidance or regulation (i) which requires or will require the manner in which the UK Retained Interest and/or EU Retained Interest is held by the Risk Retention Regulatory Change Option Holder to be restructured after the Issue Date; (ii) which requires or will require the amount of the UK Retained Interest and/or EU Retained Interest required to be held on the Issue Date to be increased; or (iii) which otherwise results or would result in the manner (or amount of) in which the UK Retained Interest and/or EU Retained Interest is held by the Risk Retention Regulatory Change Option Holder to become non-compliant with respect to any risk retention requirements under the UK Securitisation Regulation and/or EU Securitisation Regulation or other applicable law, rule, direction, guidance or regulation.
<b>"Risk Retention Regulatory Change Option"</b> .....	means the option granted to the Regulatory Change Option Holder documented in the Risk Retention Regulatory Change Deed Poll.
<b>"Risk Retention Regulatory Change Option Exercise Notice"</b> .....	means a written notice to be delivered by the Risk Retention Regulatory Change Option Holder to the Issuer with a copy to the Trustee, the Mortgage Administrator, the Legal Title-Holder, the Cash/Bond Administrator and the Rating Agencies to exercise the Risk Retention Regulatory Change Option specifying (a) the proposed Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date and (b) specifying whether the Risk Retention Regulatory Change Option Holder itself or a nominee will be acquiring the beneficial title to the Loans and Collateral Security in the Mortgage Pool.

<b>"Risk Retention Regulatory Change Option Holder"</b> .....	means the Risk Retention Holder or any other entity or entities which holds the UK Retention Requirement and/or EU Retention Requirement as permitted pursuant to the UK Retention Requirements and/or EU Retention Requirements and the Retention Letter.
<b>"Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date"</b> .....	means the proposed completion date for the Risk Retention Regulatory Change Option.
<b>"Risk Retention Regulatory Change Option Purchase Price"</b> .....	means the purchase price for the Mortgage Pool under the Risk Retention Regulatory Change Deed Poll which shall be an amount that, together with any amounts standing to the credit of the Transaction Account and/or the Reserve Account and/or any other cash held by or on behalf of the Issuer (other than any Swap Excluded Receivable Amounts), would be required to pay any amounts required under the relevant Priority of Payments to be paid in priority to or <i>pari passu</i> with the Notes on such Interest Payment Date, redeem all Notes then outstanding in full together with accrued and unpaid interest on such Notes and pay costs associated with the redemption, as calculated as at the Risk Retention Regulatory Change Mortgage Pool Purchase Completion Date.
<b>"Risk Retention Regulatory Change Option Purchase Price Notice"</b> .....	means a notice signed by the Issuer and sent by the Mortgage Administrator to the Risk Retention Regulatory Change Option Holder specifying the Risk Retention Regulatory Change Option Purchase Price.
<b>"Rule 144A"</b> .....	means Rule 144A under the Securities Act.
<b>"Rule 144A Definitive Note"</b> .....	means each individual Note issued in reliance on Rule 144A.
<b>"Rule 144A Global Notes"</b> .....	means the A Global Note, the B Global Note, the C Global Note, the D Global Note, the E Global Note, the X Global Note and the Z Global Note of the Rule 144A Global Notes.
<b>"Rule 144A Notes"</b> .....	means the Notes offered for sale within the United States to QIBs in reliance on Rule 144A.
<b>"S&amp;P"</b> .....	means S&P Global Ratings Europe Limited.
<b>"Scottish Declaration of Trust"</b> .....	means each Scots law declaration of trust pursuant to which the beneficial interest in the Scottish Loans and their Collateral Security are held by the Issuer.
<b>"Scottish Loan"</b> .....	means a Loan in the Mortgage Pool secured by a Mortgage over a Property located in Scotland.
<b>"Scottish Mortgage"</b> .....	means the standard security over Scottish Property which is security for a Scottish Loan.
<b>"Scottish Property"</b> .....	means, in relation to a Loan, a heritable or long lease residential property situated in Scotland upon which the obligations of the Borrower are secured.
<b>"Scottish Trust"</b> .....	means the trust declared pursuant to a Scottish Declaration of Trust.

<b>"Scottish Trust Security"</b> .....	means each Scots law assignment in security by the Issuer in favour of the Trustee of the Issuer's beneficial interest in a Scottish Trust entered into pursuant to the Deed of Charge.
<b>"Secured Amounts"</b> .....	means any amounts owing to the Secured Creditors.
<b>"Secured Creditors"</b> .....	means each of the following: <ul style="list-style-type: none"> <li>(a) the Noteholders;</li> <li>(b) the Trustee;</li> <li>(c) the Joint Lead Managers;</li> <li>(d) the Arranger;</li> <li>(e) any Receiver (in its capacity as a creditor secured by the Deed of Charge);</li> <li>(f) the Agents;</li> <li>(g) the Cash/Bond Administrator;</li> <li>(h) the Cash/Bond Administrator Facilitator;</li> <li>(i) the Mortgage Administrator;</li> <li>(j) the Mortgage Administrator Facilitator;</li> <li>(k) each Swap Counterparty;</li> <li>(l) the Account Bank;</li> <li>(m) the Swap Collateral Account Bank;</li> <li>(n) the Collection Accounts Provider;</li> <li>(o) the Corporate Services Provider;</li> <li>(p) the Seller;</li> <li>(q) the Legal Title-Holder;</li> <li>(r) the Legal Title-Holder Facilitator;</li> <li>(s) the Custodian;</li> <li>(t) the Subordinated Loan Provider;</li> <li>(u) the Certificateholders; and</li> <li>(v) any party who accedes to the Deed of Charge and any other person who is expressed in any deed supplemental to the Deed of Charge to be a Secured Creditor.</li> </ul>
<b>"Securities Act"</b> .....	means the United States Securities Act of 1933, as amended.
<b>"Security"</b> .....	means the security created in favour of the Trustee by, and contained in or granted pursuant to the Deed of Charge.
<b>"Self-Certified Loan"</b> .....	means any Loan marketed and underwritten on the premise that the loan applicant or, as applicable, any intermediary,

was made aware that the information provided might not be verified by the Originator.

"Seller" .....	means KHL acting as the Seller of the Loans under the KHL/Issuer Mortgage Sale Agreement.
"Senior Fees" .....	means the fees and any other amount due and payable under items (i) to (v) of the Pre-Enforcement Revenue Priority of Payments.
"Senior Notes" .....	means the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.
"Senior Servicing Fee Cap" .....	means, in respect of the Mortgage Administration Fee and the Accounting Services Fee, an overall cap equal to 0.50 per cent. multiplied by the aggregate Principal Balance of the Loans as at the first day of the relevant Determination Period multiplied by the number of days in the Determination Period divided by 365.
"Service Specification" .....	means the service specification effective from the date of the Mortgage Administration Agreement which defines the scope of the Services to be carried out by the Mortgage Administrator, as from time to time amended or supplemented by the agreement of the Mortgage Administrator and Legal Title-Holder using the Change Control Mechanism and/or as required by a regulatory authority and/or applicable law.
"Services" .....	means the specific duties of the Mortgage Administrator agreed to be performed by it in the Mortgage Administration Agreement.
"Servicing Fee" .....	means an amount equal to the sum of (each exclusive of VAT, if any): <ol style="list-style-type: none"><li>(a) in respect of each Determination Period, an amount (exclusive of VAT, if any) equal to 0.15 per cent. multiplied by the aggregate Principal Balance of the Loans in the Mortgage Pool as at the first day of the applicable Determination Period multiplied by the number of days in such Determination Period divided by 365 (the "<b>Base Fee</b>");</li><li>(b) a supplemental fee of £45 (exclusive of VAT, if any) for each Loan in the Mortgage Pool which is one month or more in arrears as at the first date of any calendar month during a Determination Period (the "<b>Supplemental Fee Condition</b>") multiplied by the number of calendar months during the Determination Period on which the Supplemental Fee Condition in respect of such Loan is met (the "<b>Supplemental Fee</b>" and together with the Base Fee, the "<b>Mortgage Administration Fee</b>");</li><li>(c) a fee (exclusive of VAT, if any) of £25,000 multiplied by the number of days in the Determination Period and divided by 365 in respect of accounting services provided by the Mortgage Administrator to the Issuer and the Parent (the "<b>Accounting Services Fee</b>"),</li></ol>

**provided that:**

- (i) if the Mortgage Administrator incurs increased costs as a result of a Change, the Mortgage Administration Fee may be increased **provided that** such increased Mortgage Administration Fee may not exceed an amount equal to 0.50 per cent. multiplied by the aggregate Principal Balance of the Loans as at the first day of the relevant Determination Period multiplied by the number of days in such Determination Period divided by 365; and
- (ii) the aggregate amount (exclusive of VAT) payable on each Interest Payment Date as (A) a Mortgage Administration Fee and (B) an Accounting Services Fee is subject to an overall cap equal to 0.50 per cent. multiplied by the aggregate Principal Balance of the Loans as at the first day of the relevant Determination Period multiplied by the number of days in the Determination Period divided by 365 (the "**Senior Servicing Fee Cap**") with any remaining balance above the Senior Servicing Fee Cap to be paid at paragraph (xxi) of the Pre-Enforcement Revenue Priority of Payments.

**"Severe Deterioration Event"** ..... means all or any part of the property, business, undertakings, assets or revenues of the Legal Title-Holder having an aggregate value in excess of £25,000,000 having been attached as a result of any distress, execution or diligence being levied or any encumbrancer taking possession or similar attachment and such attachment having not been lifted within 30 days, unless such event will not materially prejudice the ability of the Legal Title-Holder to observe or perform its obligations under the Transaction Documents.

**"Share Trustee"** ..... means CSC Corporate Services (UK) Limited under the Parent Share Trust Deed.

**"Shortfall"** ..... means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments on the immediately following Interest Payment Date.

**"Shortfall Loan"** ..... means a Loan in relation to which the Property has been sold and the Mortgage released, but where:

- (a) the application of the net proceeds of sale were insufficient to repay the Loan in full; or
- (b) a balance remains outstanding with respect to that Loan.

<b>"Shortfall Loan Repurchase Amount"</b>	means an amount equal to 0.50 per cent. of the outstanding amount of the Shortfall Loans being repurchased.
<b>"Similar Law"</b> .....	means any U.S. federal, state, local, non-U.S. or other law or regulation that contains one or more provisions that are substantially similar to the relevant provisions of ERISA and the Code.
<b>"SLQ/KHL Mortgage Sale Agreement"</b> .....	means the mortgage sale agreement dated on or about the Issue Date between KMC Sloane Square Limited, the Legal Title-Holder and KHL.
<b>"SONIA"</b> .....	means Sterling Overnight Index Average.
<b>"SRR"</b> .....	means the special resolution regime.
<b>"Standard Documentation"</b> .....	means the documents used by the relevant lender in connection with its activities as residential mortgage lender in relation to the origination of the relevant Loans in substantially the forms identified in Appendix B ( <i>Standard Documents</i> ) to the KHL/Issuer Mortgage Sale Agreement and such other documents as may from time to time be substituted or added thereto.
<b>"Standard Security" or "standard security"</b> .....	means a standard security in terms of the 1970 Act.
<b>"Start-Up Costs Ledger"</b> .....	means the separate ledger within the Transaction Account into which the Issuer will pay an amount in respect of Issuer Costs and Expenses on the Issue Date from part of the proceeds of the issuance of the X Notes.
<b>"Step-Up Date"</b> .....	means the Interest Payment Date falling in March 2025.
<b>"Subordinated Loan"</b> .....	means the subordinated loan facility provided by the Subordinated Loan Provider pursuant to the Subordinated Loan Agreement under which the Subordinated Loan Provider shall on request make available to the Issuer advances in sterling to fund any Issuer Upfront Payments and/or any additional amounts to be applied as Additional Revenue Payments.
<b>"Subordinated Loan Agreement"</b> .....	means the agreement so named dated on or around the Issue Date between <i>inter alios</i> , the Issuer and the Subordinated Loan Provider.
<b>"Subordinated Loan Provider"</b> .....	means Kensington Holdco Limited.
<b>"Subscribed Notes"</b> .....	means, other than the E Notes, the X Notes and the Z Notes, the £422,440,000 A Notes due December 2067, the £21,240,000 B Notes due December 2067, the £11,800,000 C Notes due December 2067 and the £2,360,000 D Notes due December 2067.
<b>"Substitute Loans"</b> .....	means such alternative residential Loans with an aggregate value which is equal to or greater than the Repurchase Price which are substituted in the Mortgage Pool by the Seller following a breach of Warranty.
<b>"Sunset Date"</b> .....	has the meaning given to such term in the section entitled " <i>U.S. Credit Risk Retention</i> ".

" <b>Supplemental Fee</b> " .....	has the meaning given to such term in the definition of Servicing Fee.
" <b>Swap Agreement</b> " .....	means the Initial Swap Agreement and any further Permitted Swap Agreement.
" <b>Swap Cash Collateral Account</b> " .....	means each of the following cash accounts held with the Swap Collateral Account Bank in connection with the Initial Swap Agreement with sort code 18-50-08 and account number 13542262 denominated in sterling, account number 13542270 denominated in euro and account number 13542289 denominated in U.S.\$ to which any Swap Collateral in the form of cash provided by a Swap Counterparty is credited.
" <b>Swap Cash-Linked Collateral Account</b> " .....	means each of the following cash accounts held with the Swap Collateral Account Bank in connection with the Initial Swap Agreement with sort code 18-50-08 and account number 13546225 denominated in sterling, account number 13546284 denominated in euro and account number 13548031 denominated in U.S.\$ to which any Swap Collateral in the form of income or principal in cash received in relation to the securities which are held in the Swap Securities Collateral Account is credited.
" <b>Swap Collateral</b> " .....	means any collateral which may be provided by a Swap Counterparty in accordance with the terms of a Swap Agreement.
" <b>Swap Collateral Account Bank</b> " .....	means Citibank, N.A., London Branch in its capacity as interest rate swap collateral account bank.
" <b>Swap Collateral Account Bank Agreement</b> " .....	means the agreement pursuant to which a Swap Collateral Account Bank is appointed.
" <b>Swap Collateral Accounts</b> " .....	means the Swap Cash Collateral Account, the Swap Cash-Linked Collateral Account and the Swap Securities Collateral Account.
" <b>Swap Counterparty</b> " .....	means the Initial Swap Counterparty and each further Permitted Swap Counterparty.
" <b>Swap Counterparty Required Rating</b> " .....	means a Swap First Trigger Required Rating or a Swap Second Trigger Required Rating, as applicable, and " <b>Swap Counterparty Required Ratings</b> " shall be construed accordingly.
" <b>Swap Counterparty Required Rating Downgrade</b> " .....	means the failure of a Swap Counterparty to maintain a Swap First Trigger Required Rating or a Swap Second Trigger Required Rating, as applicable, in accordance with the provisions of a Swap Agreement.
" <b>Swap Counterparty Upfront Payment</b> " .....	means any upfront payments (other than an Interest Period Swap Counterparty Amount or Swap Excluded Receivables Amount) due and payable by a Swap Counterparty to the Issuer in accordance with the terms of the relevant Swap Agreement.
" <b>Swap Excluded Payable Amounts</b> " ...	means any amounts payable by the Issuer to a Swap Counterparty (i) that represent Return Amounts, Interest Amounts or Distributions due under a Credit Support Annex (for the purposes of this definition " <b>Interest Amounts</b> " and

	<b>"Distributions"</b> have the meaning given to them in a Swap Agreement); (ii) that are termination payments to the extent such payments can be satisfied from Swap Collateral provided by a Swap Counterparty; or (iii) that are termination payments to the extent such payment can be satisfied from premiums received from a replacement Swap Counterparty.
<b>"Swap Excluded Receivable Amounts"</b> .....	means (i) any amount of interest actually determined in respect of the principal amount of the portion of the Credit Support Balance (as defined in a Swap Agreement) comprised of cash (net of any deduction or withholding for or on account of any tax), (ii) all principal, interest and other payments and distributions of cash or other property received (net of any deduction or withholding for or on account of any tax) by the Issuer from time to time with respect to any Eligible Credit Support (as defined in a Swap Agreement) comprised in the Credit Support Balance consisting of securities, (iii) any other amounts received by the Issuer pursuant to a Credit Support Annex, (iv) any early termination payment received by the Issuer from a Swap Counterparty until a new fixed/floating swap has been entered into and/or (v) any premiums received by the Issuer from a replacement Swap Counterparty to the extent required to pay termination payments to an existing Swap Counterparty.
<b>"Swap First Trigger Required Rating"</b> .....	has the meaning given to it in the section entitled " <i>Triggers Table</i> ".
<b>"Swap Fixed Rate"</b> .....	means (i) in respect of the Initial Interest Rate Swap, a fixed rate of 0.12 per cent. and (ii) in respect of any Further Interest Rate Swap; a fixed rate of 0.25 per cent. or such other lower rate agreed between the Issuer and the relevant Swap Counterparty on or before the Further Purchase Date or Product Switch Effective Date (as applicable).
<b>"Swap Notional Amount Schedule"</b> ....	means a notional amount schedule calculated in accordance with the terms of a Swap Agreement.
<b>"Swap Rate Modification"</b> .....	has the meaning given to that term in Notes Condition 11(f) ( <i>Modification and Waiver in relation to the Reference Rate</i> ).
<b>"Swap Rate Modification Certificate"</b>	has the meaning given to that term in Notes Condition 11(f) ( <i>Modification and Waiver in relation to the Reference Rate</i> ).
<b>"Swap Second Trigger Required Rating"</b> .....	has the meaning given to it in the section entitled " <i>Triggers Table</i> ".
<b>"Swap Securities Collateral Account"</b> .	means the securities account held with the Swap Collateral Account Bank in connection with a Swap Agreement to which any Swap Collateral in the form of securities provided by a Swap Counterparty is credited.
<b>"Swap Subordinated Amounts"</b> .....	means any termination payment due to a Swap Counterparty which arises due to either (i) an Event of Default (as defined in the relevant Swap Agreement) where such Swap Counterparty is the Defaulting Party (as defined in the relevant Swap Agreement) or (ii) an Additional Termination Event (as defined in the relevant Swap Agreement) which



occurs as a result of a Swap Counterparty Required Rating Downgrade.

" <b>Tax Regulations</b> " .....	means the Taxation of Securitisation Companies Regulations 2006 made under section 84 of the Finance Act 2005, now section 624 of the Corporation Tax Act 2010.
" <b>Taxes</b> " .....	means any present or future taxes, levies, duties, charges, fees, deductions or withholdings of any nature whatsoever (and whatever called) imposed, assessed or levied by or on behalf of any Authority having power to tax, and shall include any interest or penalties which may attach as a consequence of failure to pay on the due date and/or non-payment, and " <b>Tax</b> ", " <b>Taxation</b> " and similar words shall be construed accordingly.
" <b>Termination Date</b> " .....	has the meaning given to such term in any Swap Agreement (as applicable).
" <b>Three Month Sterling LIBOR</b> " .....	means three-month LIBOR.
" <b>Title Insurance Policy</b> " .....	means a policy of insurance in respect of title (howsoever described) to a Property and First Title Limited, the provider of such insurance policies, the " <b>Title Insurance Provider</b> ".
" <b>Transaction Account</b> " .....	means the account in the name of the Issuer at the Account Bank, sort code 18-50-08, account number 13541487, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.
" <b>Transaction Documents</b> " .....	means the Master Definitions Schedule, the Bank Agreement, the Swap Collateral Account Bank Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Accession Agreement, the R Collection Account Agreement, the R Collection Account Accession Agreement, the Cash/Bond Administration Agreement, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, each Swap Agreement, the Corporate Services Agreement, the Deed Poll, the Risk Retention Regulatory Change Deed Poll, the Deed of Charge, each Scottish Declaration of Trust, each Scottish Trust Security, the Mortgage Administration Agreement, the Note Purchase Agreement, the KHL/Issuer Mortgage Sale Agreement, the Retention Letter, the Parent Share Trust Deed, the Parent Term Loan Agreement, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the Subordinated Loan Agreement, the Reporting Designation Letter and any other document agreed between the Issuer and the Trustee to be a Transaction Document.
" <b>Transaction Parties</b> " .....	means each of the following: <ul style="list-style-type: none"><li>(a) the Trustee;</li><li>(b) the Agents;</li><li>(c) the Cash/Bond Administrator;</li></ul>

- (d) the Cash/Bond Administrator Facilitator;
- (e) the Mortgage Administrator;
- (f) the Mortgage Administrator Facilitator;
- (g) the Legal Title-Holder;
- (h) the Legal Title-Holder Facilitator;
- (i) each Swap Counterparty;
- (j) the Account Bank;
- (k) the Collection Accounts Provider;
- (l) the Corporate Services Provider;
- (m) the Seller;
- (n) the Swap Collateral Account Bank;
- (o) the Subordinated Loan Provider; and
- (p) the Custodian.

<b>"Treaty"</b> .....	means the Treaty on the functioning of the European Union (as amended).
<b>"Trust Deed"</b> .....	means the trust deed to be entered into between the Issuer and the Trustee on or about the Issue Date.
<b>"Trustee"</b> .....	means Apex Corporate Trustees (UK) Limited in its capacity as trustee for the Noteholders or any successor thereto and for the Secured Creditors appointed in respect of the Security created pursuant to the Deed of Charge, any supplemental Deed of Charge and any Scottish Trust Security and such term shall include its successors and assigns.
<b>"UK Benchmarks Regulation"</b> .....	means Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
<b>"UK CRA3"</b> .....	means the provisions of Regulation (EC) 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) 462/2013 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
<b>"UK CRA Regulation"</b> .....	means Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
<b>"UK CRD"</b> .....	means EU CRD as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

"UK CRR" .....	means Regulation (EU) 575/2013 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
"UK CRR Amending Regulation" .....	means Regulation (EU) 2017/2401 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
"UK EMIR" .....	means Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
"UK MAR" .....	means Regulation (EU) No. 596/2014 on market abuse as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
"UK Retained Interest" .....	means KHL's holding of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool from time to time in an amount sufficient to satisfy the UK Retention Requirement.
"UK Retention Requirement" .....	means the requirement for KHL to retain, on an ongoing basis, as an originator within the meaning of the UK Securitisation Regulation, a material net economic interest of at least 5 per cent. in the securitisation, in accordance with Article 6(3)(d) of the UK Securitisation Regulation.
"UK Securitisation Regulation" .....	means Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
"UK SR Data Tape" .....	means the report prepared by the Mortgage Administrator (on behalf of the Issuer) containing certain loan-by-loan information in relation to the Mortgage Pool in respect of each Determination Period as then required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation published on a quarterly basis in the form prescribed as at such time under the UK Securitisation Regulation.
"UK SR Investor Report" .....	means the quarterly investor report in respect of each Determination Period prepared by the Cash/Bond Administrator (on behalf of the Issuer) and published as then required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation in the form prescribed as at such time under the UK Securitisation Regulation.

<b>"UK SR Website"</b> .....	means the website at <a href="https://editor.eurodw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214">https://editor.eurodw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214</a> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time).
<b>"UK STS Requirements"</b> .....	means the requirements of Articles 19 to 22 of the UK Securitisation Regulation.
<b>"UK STS Verification"</b> .....	means the assessment of the compliance of the Notes with the requirements of Articles 19 to 22 of the UK Securitisation Regulation.
<b>"UK Transparency and Reporting Requirements"</b> .....	means the transparency requirements of Article 7 of the UK Securitisation Regulation.
<b>"Unfair Commercial Practices Directive"</b> .....	means the directive on unfair business-to-consumer commercial practices adopted by the European Parliament and the Council on 11 May 2005.
<b>"U.S.\$"</b> .....	are references to the lawful currency of the United States of America.
<b>"U.S. Person"</b> .....	means a U.S. person as defined in Regulation S.
<b>"U.S. Risk Retained Interest"</b> .....	has the meaning given to such term in the section entitled " <i>U.S. Credit Risk Retention</i> ".
<b>"U.S. Risk Retention Holder"</b> .....	has the meaning given to such term in the section entitled " <i>U.S. Credit Risk Retention</i> ".
<b>"U.S. Risk Retention Rules"</b> .....	means the credit risk retention regulations implemented by the SEC pursuant to Section 15G of the Securities Exchange Act of 1934, as amended.
<b>"UTCCR"</b> .....	means the 1999 Regulations and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994.
<b>"VAT"</b> .....	shall be construed as a reference to value added tax as that term is used in the Value Added Tax Act 1994 and all subsequent amendments thereto, and shall include any similar tax which may be imposed in addition thereto or in place thereof from time to time, and the term "value added tax" shall be construed accordingly.
<b>"Verified Noteholder"</b> .....	means a Noteholder which has satisfied the Trustee or any other relevant Transaction Party that it is a Noteholder in accordance with Notes Condition 11(h) ( <i>Evidence of Notes</i> ).
<b>"Warehouse Financing"</b> .....	means the financing and/or arrangement for the provision of financing secured over, among other things, all of the Loans in the Mortgage Pool.
<b>"Warranties"</b> .....	means, in relation to the Loans, the representations, warranties and undertakings referred to in clause 7 ( <i>Warranties and Representations</i> ) of the KHL/Issuer Mortgage Sale Agreement.
<b>"Weighted Average Original LTV"</b> .....	means, in respect of the Loans in the Mortgage Pool, the weighted average of the original Principal Balance of the

Loan divided by the property valuation or, in some cases, as set out in the Lending Criteria, the lower of such valuation and the sale price of such Property, against which the Loan was underwritten.

"X Global Note" .....	means the Rule 144A Global Note or Regulation S Global Note (as the context may require) representing the X Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Regulation S Global Note</i> ) or Schedule 2 ( <i>Form of Rule 144A Global Note</i> ) (as applicable) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
"X Noteholder" .....	means the persons who are for the time being holders of the X Notes.
"X Notes" .....	means the £23,600,000 Class X floating rate notes due December 2067 and, unless stated to the contrary, all references to "X Note" shall be construed as a reference to such Note whether in global or definitive form.
"X Residual Amount" .....	has the meaning given to such term in Notes Condition 4(h) ( <i>Deferral of Interest</i> ).
"Z Global Note" .....	means the Rule 144A Global Note or Regulation S Global Note (as the context may require) representing the Z Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Regulation S Global Note</i> ) or Schedule 2 ( <i>Form of Rule 144A Global Note</i> ) (as applicable) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
"Z Noteholder" .....	means the persons who are for the time being holders of the Z Notes.
"Z Notes" .....	means the £9,440,000 Class Z floating rate notes due December 2067 and, unless stated to the contrary, all references to "Z Note" shall be construed as a reference to such Note whether in global or definitive form.
"Z Residual Amount" .....	has the meaning given to such term in Notes Condition 4(h) ( <i>Deferral of Interest</i> ).

## CERTAIN REGULATORY DISCLOSURES

### *UK Retention Requirements and EU Retention Requirements and exposure to the UK Retained Interest and EU Retained Interest*

KHL (the "**Risk Retention Holder**") will undertake in the Retention Letter that it will retain, on an ongoing basis (save as described below in respect of EU Retention Requirements) as an originator within the meaning of the UK Securitisation Regulation and EU Securitisation Regulation, a material net economic interest of at least 5 per cent. in the securitisation, as required by (i) Article 6 of the UK Securitisation Regulation (which does not take into account any national measures) (the "**UK Retention Requirement**") and (ii) Article 6 of the EU Securitisation Regulation (which does not take into account any national measures) as at the Issue Date (the "**EU Retention Requirement**"). In order to satisfy the UK Retention Requirement and the EU Retention Requirement on the Issue Date, KHL will hold, in accordance with (i) Article 6(3)(d) of the UK Securitisation Regulation and (ii) Article 6(3)(d) of the EU Securitisation Regulation, exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool as at the Issue Date (taking into account on the Issue Date the maximum nominal value of the Loans that the Issuer can hold at any time from and including the Issue Date to (but excluding) the Final Further Purchase Date pursuant to the KHL/Issuer Mortgage Sale Agreement) (the "**UK Retained Interest**" and the "**EU Retained Interest**") respectively so as to hold exposure to the UK Retained Interest and the EU Retained Interest at not less than the UK Retention Requirement and EU Retention Requirement (as applicable). Any change to the manner in which such interest is held will be notified to investors.

Potential EU Affected Investors should note that the obligation of KHL to comply with the EU Retention Requirements is strictly contractual pursuant to the terms of the Retention Letter and apply with respect to Article 6 of the EU Securitisation Regulation together with any binding technical standards as in force on the Issue Date until such time when KHL is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirement will also satisfy the EU Retention Requirement due to the application of an equivalency regime or similar analogous concept. In addition, to the extent that Article 6 of the EU Securitisation Regulation is amended or new binding technical standards are introduced, KHL will be under no obligation to comply with such amendments. Each potential EU Affected Investor is therefore required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the EU Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Arranger, any Joint Lead Manager, KHL or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

As to the information made available to potential investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and to any other information provided separately (which information shall not form part of this Prospectus) and, after the Issue Date, to the investor reports provided to the Noteholders pursuant to the Mortgage Administration Agreement and published on the following websites: (i) <https://editor.eurodw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time) (the "**UK SR Website**"), being a website that conforms to the requirement set out in Article 7(2) of the UK Securitisation Regulation (which, for the avoidance of doubt does not form part of this Prospectus) and (ii) <https://editor.eurodw.eu/esma/viewdeal?edcode=RMBSUK000445500220212> (or such other website as may be notified by the Mortgage Administrator to the Issuer, the Cash/Bond Administrator, the Trustee, each Rating Agency, the Noteholders and the Certificateholders from time to time) (the "**EU SR Website**"), being a website that conforms to the requirement set out in Article 7(2) of the EU Securitisation Regulation as at the Issue Date (which, for the avoidance of doubt does not form part of this Prospectus).

In the Retention Letter, KHL will undertake for so long as required by the UK Retention Requirements:

- (a) to hold, on an ongoing basis, as an originator for the purposes of the UK Securitisation Regulation, a holding of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool so as to hold exposure to the UK Retained Interest at not less than the UK Retention Requirement;

- (b) to provide notice to the Issuer, the Trustee (on behalf of the Noteholders) and the Cash/Bond Administrator on or prior to the end of a Determination Period that it continues to hold exposure to the UK Retained Interest (and the Cash/Bond Administrator shall procure that the same is reflected in each of the UK SR Investor Report (in accordance with the requirements of Article 7 of the UK Securitisation Regulation) and the Performance Report that follows the date of such notice, respectively);
- (c) to provide to the Issuer and the Noteholders access to such data as they shall determine is "materially relevant data" (as defined in the UK Securitisation Regulation) for the purposes of the UK Retention Requirements on an objective basis taking into account generally accepted market practice as to disclosure and reporting, guidance from or applicable to regulation to which it is subject;
- (d) to provide notice to the Issuer and the Trustee (on behalf of the Noteholders), the Mortgage Administrator and the Cash/Bond Administrator as soon as practicable in the event it no longer holds exposure to the UK Retained Interest;
- (e) comply with the applicable disclosure obligations described in Article (7)(1)(e)(iii) of the UK Securitisation Regulation by confirming the risk retention of the Risk Retention Holder as contemplated by Article 6(1) of the UK Securitisation Regulation through the provision of, *inter alios*, the information in this Prospectus and disclosure in the UK SR Investor Reports (as prepared by the Cash/Bond Administrator and published by the Mortgage Administrator);
- (f) not to sell, short, hedge, transfer or otherwise dispose of any UK Retained Interest or otherwise enter into any transaction which would result in the UK Retained Interest becoming subject to any form of credit risk mitigation, except as may be permitted by the UK Retention Requirements;
- (g) not to enter into a transaction synthetically effecting any of the actions referred to in paragraph (f) above and referring itself or any UK Retained Interest; and
- (h) not to take any action which would reduce KHL's exposure to the economic risk of the UK Retained Interest in such a way that it ceases to indirectly or, as relevant, directly hold the UK Retained Interest otherwise than as permitted above.

In the Retention Letter, KHL will also undertake that, for so long as required by the EU Retention Requirements or until such time as KHL certifies to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirement will also satisfy the EU Retention Requirement due to the application of an equivalency regime or similar analogous concept:

- (a) to hold, on an ongoing basis, as an originator for the purposes of the EU Securitisation Regulation, a holding of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool so as to hold exposure to the EU Retained Interest at not less than the EU Retention Requirement;
- (b) to provide notice to the Issuer, the Trustee (on behalf of the Noteholders) and the Cash/Bond Administrator on or prior to the end of a Determination Period that it continues to hold exposure to the EU Retained Interest (and the Cash/Bond Administrator shall procure that the same is reflected in each of the EU SR Investor Report (in accordance with the requirements of Article 7 of the EU Securitisation Regulation) and the Performance Report that follows the date of such notice, respectively);
- (c) to provide to the Issuer and the Noteholders with access to such data as they shall determine is "materially relevant data" (as defined in the EU Securitisation Regulation) for the purposes of the EU Retention Requirements on an objective basis taking into account generally accepted market practice as to disclosure and reporting, guidance from or applicable to regulation to which it is subject;
- (d) to provide notice to the Issuer and the Trustee (on behalf of the Noteholders), the Mortgage Administrator and the Cash/Bond Administrator as soon as practicable in the event it no longer holds exposure to the EU Retained Interest;

- (e) comply with the applicable disclosure obligations described in Article (7)(1)(e)(iii) of the EU Securitisation Regulation in force on the Issue Date by confirming the risk retention of the Risk Retention Holder as contemplated by Article 6(1) of the EU Securitisation Regulation through the provision of, *inter alios*, the information in this Prospectus and disclosure in the EU SR Investor Reports (as prepared by the Cash/Bond Administrator and published by the Mortgage Administrator);
- (f) not to sell, short, hedge, transfer or otherwise dispose of any EU Retained Interest or otherwise enter into any transaction which would result in the EU Retained Interest becoming subject to any form of credit risk mitigation, except as may be permitted by the EU Retention Requirements;
- (g) not to enter into a transaction synthetically effecting any of the actions referred to in paragraph (f) above and referring itself or any EU Retained Interest; and
- (h) not to take any action which would reduce KHL's exposure to the economic risk of the EU Retained Interest in such a way that it ceases to indirectly or, as relevant, directly hold the EU Retained Interest otherwise than as permitted above.

KHL may sell, assign or transfer the UK Retained Interest and EU Retained Interest to any party (the "**Permitted Transferee**") if such sale, assignment, assignation or transfer is permitted by the UK Retention Requirements and EU Retention Requirements and the Permitted Transferee gives the same representations, warranties and undertakings and agreeing to the same obligations as set out in (a) to (e) above and certain other representations, warranties and undertakings set out in the Retention Letter.

#### ***Transparency Requirements under the UK Securitisation Regulation and EU Securitisation Regulation***

Under the Reporting Designation Letter, the Issuer has been appointed as the designated entity under Article 7(2) of the UK Securitisation Regulation. Under the Mortgage Administration Agreement the Issuer has appointed the Mortgage Administrator to perform all of the Issuer's obligations under Article 7 of the UK Securitisation Regulation and the Issuer will procure that its obligations under Article 7 are fulfilled on its behalf. For further information please refer to the section entitled "*General Information*".

Each prospective investor is required independently to assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 5 of the (i) UK Securitisation Regulation and any relevant national measures and (ii) EU Securitisation Regulation and any relevant national measures and none of the Issuer, the Arranger, the Joint Lead Managers, KHL or any Transaction Party: (i) makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes, (ii) should have any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of the UK and EU Securitisation Regulation or any other applicable legal, regulatory or other requirements, or (iii) shall have any obligation (other than the obligations in respect of Article 6 of the UK Securitisation Regulation and Article 6 of the EU Securitisation Regulation undertaken by the Risk Retention Holder in the Retention Letter) to enable compliance with the requirements of the UK Securitisation Regulation and EU Securitisation or any other applicable legal, regulatory or other requirements. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of the UK Retention Requirements and EU Retention Requirement in their relevant jurisdiction. Investors, who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

For further information please refer to the Risk Factor entitled "*Regulatory and legal risks*" and the sections titled "*UK Securitisation Regulation*" and "*EU Securitisation Regulation*".

#### ***Simple, Transparent and Standardised Securitisation***

KHL has procured that on the Issue Date an UK STS Notification shall be submitted to FCA, in accordance with Article 27(5) of the UK Securitisation Regulation confirming that the UK STS Requirements have been satisfied with respect to the Notes. It is expected that the UK STS Notification will be available on the FCA STS Register Website (<https://data.fca.org.uk/#/sts/stssecuritisations>). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.



KHL has used the services of PCS as a verification agent authorised under Article 28 of the UK Securitisation Regulation in connection with the STS Verification and to prepare an assessment of compliance with the relevant provisions of Article 243 of the UK CRR ("**UK CRR Assessment**") and Article 13 of the UK LCR Regulation ("**UK LCR Assessment**", together with the UK CRR Assessment and the UK STS Verification, the "**UK STS Assessments**"). It is expected that the STS Assessments prepared by PCS will be available on the PCS website (<https://www.pcsmarket.org/sts-verification-transactions/>) together with detailed explanations of its scope at <https://pcsmarket.org/disclaimer/> on and from the Issue Date. For the avoidance of doubt, this PCS website and the contents thereof do not form part of this Prospectus.

No assurance can be provided that the securitisation transaction described in this Prospectus does or will continue to qualify as an STS securitisation under the UK Securitisation Regulation as at the date of this Prospectus or at any point in time in the future. For further information please refer to the Risk Factor entitled "*Risk Factors – Legal and Regulatory Risks – Simple, Transparent and Standardised Securitisations*".

As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and, after the Issue Date, to the Investor Reports, Quarterly Reports and Cash Flow Model (a general description of which is set out in "*Administration, Servicing and Cash Management of the Mortgage Pool – Mortgage Administration Agreement*" and in particular the section titled "*Transparency requirements – Investor Reporting – UK Securitisation Regulation*"). Further information in respect of individual loan level data may be obtained by means of the website at <https://editor.eurowdw.co.uk/esma/viewdeal?edcode=RMBSUK000445500120214>, being a website which conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation, or any other website which may be notified by the Issuer from time to time provided that such replacement or additional website conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation. None of the reports or the website or the contents thereof form part of this Prospectus.

#### **Information Regarding the Policies and Procedures of the Originator or other group entities as relevant**

As required by Article 9(1) of the UK Securitisation Regulation, the Originator has applied the same sound and well-defined credit-granting criteria for the Loans as it has applied to equivalent mortgage loans that are not part of the Mortgage Pool. In particular:

- (a) the Originator has applied the same clearly established processes for approving and, where relevant, amending, renewing and refinancing Loans as it has applied to equivalent mortgage loans that are not part of the Mortgage Pool; and
- (b) the Originator has effective systems in place to apply those criteria and processes in order to ensure that credit-granting is based on a thorough assessment of the Borrower's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the Borrower meeting his obligations under the relevant mortgage loan agreement,

as to which please see the section titled "*Constitution of the Mortgage Pool – Lending Criteria*".

#### ***Mitigation of interest rate risks***

The Loans and the Notes are affected by interest rate risks (see the sections "*Credit Structure – Interest Rate Risk for the Notes*" in this Prospectus). The Issuer aims to hedge the relevant interest rate exposures in respect of the Loans and the Notes, as applicable, by entering into certain Swap Agreements and Interest Rate Swaps (see the sections "*Credit Structure – Interest Rate Risk for the Notes*" in this Prospectus).

#### ***Verification of data***

The Provisional Completion Mortgage Pool has been subjected to (i) an agreed upon procedures review of a representative sample of Loans selected from the Provisional Completion Mortgage Pool; and (ii) a verification of the conformity of the Loans in the Provisional Completion Mortgage Pool with the Warranties that were able to be tested, by a third party which was completed on or about 19 January 2021 with respect of the Provisional Portfolio in existence as of the Cut-off Date (the "**AUP Report**") and no significant adverse findings have been found. The AUP Report was filed with the U.S. Securities and

Exchange Commission on 22 January 2021 and is publicly available. This independent third party has also performed agreed upon procedures in order to verify that the stratification tables disclosed above in respect of the underlying exposures are accurate. The third party undertaking the review only has obligations to the parties to the engagement letters governing the performance of the agreed upon procedures subject to the limitations and exclusions contained therein.

### ***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 conclusion is based on the determination that the Issuer qualifies for the exclusion from the definition of "investment company" in the Investment Company Act provided by Section 3(c)(5)(C) thereunder.

### ***Rule 15Ga-2***

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

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

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

### ***Treatment of the Issuer as a PFIC***

The Issuer is expected to be a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes, which means that a U.S. Holder (as defined in "*U.S. Federal Income Tax Considerations*") of any Class of Equity Notes (as defined in "*U.S. Federal Income Tax Considerations – Characterisation of the Notes*") may be subject to adverse tax consequences unless such holder makes certain elections. As discussed in "*U.S. Federal Income Tax Considerations – Taxation of U.S. Holders of the Equity Notes*". U.S. Holders will not be able to make a qualified electing fund election with respect to an investment in the Issuer in the event that such U.S. Holder is treated as holding equity in the Issuer. In addition, and depending on the overall ownership of interests in the Issuer, a U.S. Holder of 10 per cent. or more of the Equity Notes may be treated as a "United States shareholder" (as such term is defined in the Code) in a controlled foreign corporation ("**CFC**") for U.S. federal income tax purposes, and required to recognise currently its proportionate share of the subpart F income and "global intangible low-taxed income" ("**GILTI**") of the Issuer, whether or not distributed to such holder. A U.S. Holder that is required to recognise currently its proportionate share of the subpart F income (and GILTI) of the Issuer will be required to include in the current income its *pro rata* share of such earnings, income or amounts whether or not the Issuer actually makes any payments to such holder.

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

### ***Characterisation of the Notes for U.S. federal income tax purposes***

The characterisation of notes as debt or equity for U.S. federal income tax purposes depends on many factors, including the form of such notes, the terms of such Notes and the debt to equity ratio of the Issuer. The Issuer intends to treat the A Notes, B Notes, C Notes and D Notes as debt for U.S. federal income tax purposes. However, there is a risk that the U.S. Internal Revenue Service could assert that the D Notes, and to a lesser extent a more senior Class of Notes, should be treated as an equity interest in the Issuer (and, potentially as an interest in a PFIC or a CFC) rather than as debt for U.S. federal income tax purposes. Characterisation of a Note as an equity interest in a PFIC or CFC rather than a debt instrument for U.S. federal income tax purposes would have certain timing and character consequences to a U.S. Holder (as defined in "*U.S. Federal Income Tax Considerations*"). Potential investors should consult their own tax advisors regarding the potential recharacterisation of the D Notes and to a lesser extent a more senior Class of Notes, as equity in the Issuer for U.S. federal income tax purposes.

### ***Plan Assets***

There can be no assurance that, notwithstanding the commercially reasonable efforts of the Issuer, the underlying assets of the Issuer will not otherwise be deemed to include "plan assets" for purposes of Title I of ERISA or Section 4975 of the Code. If the assets of the Issuer were deemed to be "plan assets", this could result in, among other things, (i) the application of the prudence and other fiduciary standards of ERISA to investments made by the Issuer and (ii) the possibility that certain transactions in which the Issuer might otherwise seek to engage in the ordinary course of its business and operation could constitute non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the Code, which could restrict the Issuer from entering into an otherwise desirable investment or from entering into an otherwise favourable transaction. In addition, fiduciaries who decide to invest in the Notes could, under certain circumstances, be liable for prohibited transactions or other violations as a result of their investment in the Notes or as co-fiduciaries for actions taken by or on behalf of the Issuer. There may be other Similar Laws that may also apply to an investment in the Notes.

## U.S. CREDIT RISK RETENTION

### U.S. Risk Retention Rules

The U.S. Risk Retention Rules generally require the "sponsor" of a securitisation transaction to acquire and retain (either directly and/or through one of its majority-owned affiliates) at least 5 per cent. of the credit risk of the "ABS interests" of the Issuer (the "**U.S. Risk Retained Interest**"). KHL (in such capacity, the "**U.S. Risk Retention Holder**") intends to comply with the requirements of the U.S. Risk Retention Rules by designating itself and/or one of its majority-owned affiliates as the entity that will acquire on the Issue Date and retain the U.S. Risk Retained Interest in the form of an eligible horizontal residual interest (an "**EHRI**") equal to at least 5 per cent of the fair value of the "ABS interests" (as defined in the U.S. Risk Retention Rules) as determined under U.S. generally accepted accounting principles ("**U.S. GAAP**").

The U.S. Risk Retention Holder is obliged by the U.S. Risk Retention Rules to retain, either directly and/or through one of its majority-owned affiliates, the U.S. Risk Retained Interest from the Issue Date until the later of: (a) the fifth anniversary of the Issue Date and (b) the date on which the aggregate Principal Balance of the Loans has been reduced to 25 per cent. of the aggregate Principal Balance of the Loans as of the Issue Date, but in any event no longer than the seventh anniversary of the Issue Date (the "**Sunset Date**"). In order to satisfy this obligation, the U.S. Risk Retention Holder will retain, either directly and/or through one of its majority-owned affiliates, the U.S. Risk Retained Interest through the Sunset Date.

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

Prior to the Sunset Date, any financing obtained by the U.S. Risk Retention Holder (or its majority-owned affiliate) during such period to purchase or carry the U.S. Risk Retained Interest that is secured by the U.S. Risk Retained Interest must provide for full recourse to the U.S. Risk Retention Holder (or its majority-owned affiliate) and otherwise comply with the U.S. Risk Retention Rules. In addition, prior to the Sunset Date, the U.S. Risk Retention Holder (or its majority-owned affiliate) may not engage in any hedging transactions if payments on the hedge instrument are materially related to the U.S. Risk Retained Interest and the hedge position would limit the credit exposure of the U.S. Risk Retention Holder or its majority-owned affiliate to the U.S. Risk Retained Interest. The retention, financing and hedging limitations set forth in the U.S. Risk Retention Rules will not apply to any Notes and Certificates held by the U.S. Risk Retention Holder that do not constitute part of the U.S. Risk Retained Interest.

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

Each of the securities retained would represent interests in the Issuer. The E Notes, the Z Notes and the Certificates are described in further detail under "*Transaction Overview – Terms and Conditions of the Notes and Certificates*". The E Notes and the Z Notes will bear interest. No repayment of principal will be made at any time on the Z Notes until the A Notes to the D Notes (inclusive) and the X Notes have been repaid in full. The E Notes and the Z Notes will have an initial principal amount outstanding of £14,160,000 and £9,440,000 respectively, and will be entitled to receive amounts from Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments to the extent applied (i) in respect of the payment of interest on the E Notes and as a credit to the E Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon; and (ii) in respect of payment of interest on the Z Notes and principal in respect of Z Notes once the A Notes to the D Notes (inclusive) and the X Notes have been repaid in full. The E Notes will also be entitled to receive Available Principal Funds to the extent of the Principal Amount Outstanding of the relevant Notes in accordance with the Pre-Enforcement Principal Priority of Payments. The Certificates are described in further detail under "*Transaction Overview – Terms and Conditions of the Notes and Certificates*". The Certificates will not bear interest. The Certificates will be entitled to receive the amounts remaining from Available Revenue Funds and Available Principal Funds after the application of items senior to the Certificates in the relevant Priority of Payments.

For an EHRI, the U.S. Risk Retention Rules require determinations of fair value or estimates of fair value for various "ABS interests" using the fair value measurement framework under U.S. GAAP. The fair value of each Class of Notes and Certificates as of the Issue Date is summarised below.

Class of Notes or Certificates	Fair Values (£mm)	Fair Values (as a percentage of all ABS interests issued)
<b>Notes</b>		
A <sup>(1)</sup> .....	£422.4	80.6%
B <sup>(1)</sup> .....	£21.2	4.1%
C <sup>(1)</sup> .....	£11.8	2.3%
D <sup>(1)</sup> .....	£2.4	0.5%
X <sup>(2)</sup> .....	£23.6	4.5%
E <sup>(3)(4)</sup> .....	£10.3	2.0%
Z <sup>(3)(4)</sup> .....	£7.4	1.4%
Certificates <sup>(3)(4)</sup> .....	£25.1	4.8%
<b>Total</b> .....	<b>£524.2<sup>(5)</sup></b>	<b>100%<sup>(5)</sup></b>

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

<sup>(2)</sup> Based on quoted prices for similar instruments

<sup>(3)</sup> EHRI Risk Retention Securities.

<sup>(4)</sup> The fair value for the relevant Class of Notes or the Certificates relates to the average present value of such Class of Notes or the Certificates in each of the Fair Value Asset Scenarios run by the U.S. Risk Retention Holder.

<sup>(5)</sup> The fair value for each Class of Notes and the Certificates has been subject to rounding and the sum thereof may not add up to the total.

The aggregate fair value of the EHRI securities retained as of the Issue Date is approximately £42.8 million, and the fair value of the EHRI securities retained as a percentage of the fair value for the 'ABS interests' issued by the Issuer as of the Issue Date is approximately 8.2 per cent.

The U.S. Risk Retention Holder determined the fair value of each Class of Notes and Certificates, and of the EHRI, using a fair value measurement framework under U.S. GAAP. In measuring fair value, the use of observable and unobservable inputs and their significance in measuring fair value are reflected in the fair value hierarchy assessment, with Level 1 inputs favoured over Level 3 inputs.

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

The fair value of the A Notes, the B Notes, the C Notes, and the D Notes are categorised within Level 1 of the hierarchy, reflecting the actual prices expected to be paid by third-party investors on the Issue Date. The fair value of the X Notes are categorised within Level 2 of the hierarchy, reflecting the use of inputs derived from quoted prices of similar instruments. The fair value of the U.S. Risk Retained Interest is categorised within Level 3 of the hierarchy, as inputs to the fair value calculation are generally not observable in the market and reflect the U.S. Risk Retention Holder's judgement about the assumptions market participants would use in pricing such Notes and Certificates.

The fair values of the A Notes, the B Notes, the C Notes and the D Notes reflects the prices to be paid by the third-party investors on the Issue Date for such Classes of Notes based on the margins in the table below. The fair values of the X Notes reflects the quoted prices that would be paid by third-party investors on similar instruments to such Class of Notes based on the margins in the table below, and the fair values of the E Notes, the Z Notes and the Certificates reflects an estimate of yield and of the price that would be paid by third-party investors for such Classes of Notes and Certificates based on the yields stated in the below table. The margins or step-up margins over Compounded Daily SONIA or yield for the Notes and the Certificates, as applicable, were determined based on recent pricing of fixed-income securities issued in similar securitisation transactions and/or market-based expectations for comparable credit risk. Set out in "Fair Value Curves" are curves that were material for calculating the fair value of the Notes and the Certificates.

Class of Notes or Certificates	Discount Margin <sup>(1)</sup> or Yield <sup>(2)</sup>	Step-Up Margin <sup>(1)</sup> or Yield <sup>(2)</sup>
<b>Notes</b>		
A .....	0.59%	0.89%
B .....	1.10%	1.65%
C .....	1.30%	1.95%
D .....	2.00%	3.00%
X .....	5.00%	5.00%
E .....	12%	12%
Z .....	12%	12%
Certificates .....	12%	12%

<sup>(1)</sup> In respect of the A Notes to D Notes and the X Notes.

<sup>(2)</sup> In respect of the E Notes, Z Notes and Certificates

### **Valuation Methodology**

To calculate the fair values of the Notes and the Certificates, the U.S. Risk Retention Holder used a fair value measurement framework under U.S. GAAP. This model projects future interest and principal payments on the Loans, the interest and principal payment on each Class of Notes and the Certificates and transaction fees and expenses. The resulting cash flows to the securities retained pursuant to the EHRI are discounted to present value based on a discount rate of 12 per cent. for the U.S. Risk Retained Interest. The discount rate was not determined based on sales of similar securities due to the lack of an actively-traded market for securities of this nature, and instead reflects a determination by the U.S. Risk Retention Holder considering, among other items, (i) a reasonable expectation of return for the future credit exposure to such cash flows (ii) various qualitative factors that reflect the subordinated nature of the securities comprising the U.S. Risk Retained Interest, and (iii) an estimated rate of return that third-party investors might require to purchase residual interests that carry similar characteristics to those of the securities comprising the U.S. Risk Retained Interest. Based on this model, the U.S. Risk Retention Holder has assessed that the estimated fair value of the Subordinated Loan is zero using factors within Level 3 of the fair value hierarchy as inputs on the basis that such inputs to the fair value calculation are generally not observable in the market and reflect the U.S. Risk Retention Holder's judgement about the assumptions market participants would use in pricing such Subordinated Loan. All of these items were considered in light of expected market conditions at the time of initial issuance. The Subordinated Loan will not be drawn on the Issue Date and, in order to comply with U.S. Risk Retention Rule, as necessary, the Subordinated Loan Provider (a majority-owned affiliate of KHL) will not be authorised to assign, transfer or novate any of its rights and/or obligations under the Subordinated Loan Agreement unless such transfer, assignment or novation is in whole (and not in part) to KHL or any of its majority-owned affiliates. With respect to the terms of the Subordinated Loan, see section of this Prospectus entitled "*Credit Structure – The Subordinated Loan*". In completing these calculations, the U.S. Risk Retention Holder made the following additional assumptions:

- (a) the Issue Date is 24 February 2021;
- (b) a deal size of £472,000,000. This is by assuming the forecasted cashflows of the Provisional Completion Mortgage Pool from 1 February 2021;
- (c) the first Interest Period will include 4 months of Principal Collections and the first Interest Period for Revenue Collections will start from the Issue Date and end on the first Interest Payment Date;
- (d) Compounded Daily SONIA ("**Fair Value Curve #1**") and 3 Month Sterling LIBOR ("**Fair Value Curve #2**") assumed to reset consistent with the applicable forward rate curve as of 1 February 2021 and set out in "Fair Value Curves" below;
- (e) the interest payment as well as the principal payment for each Loan is calculated on a loan by loan basis assuming each Loan amortises monthly (meaning the amortisation of each Loan is determined by the loan specific (i) remaining term, (ii) principal outstanding and (iii) interest rate);
- (f) 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;
- (g) the Interest Payment Dates are the 16<sup>th</sup> of March, June, September and December, not adjusted for Business Day convention;
- (h) all Loans which are not Interest Only Loans are assumed to be Repayment Loans;

- (i) no Product Switches are made on a Loan;
- (j) the remaining term of a Loan is the number of remaining months to maturity, calculated on a 30/360 basis and rounded to the nearest month.
- (k) all Principal Collections in excess of redeeming A notes to the Class A Target Notional Amount are assumed to be utilised to pursue Additional Loans, with no amount assumed to be credited to the Retained Principal Ledger in accordance with the Pre-Enforcement Principal Priority of Payments;
- (l) Additional Loans are assumed to have similar characteristics to the Provisional Completion Mortgage Pool;
- (m) below three macro-economic scenarios were assumed for the fair value analysis. Scenario 1 Moody's Baseline (as of December 2020), Scenario 2 Moody's Upside (as of December 2020) and Scenario 3 Moody's Downside (as of December 2020), (together the "**Fair Value Asset Scenarios**"). In addition payment holidays were applied for the three scenarios up to July 2021, with Scenario 1 using 2x current level of payment holidays, Scenario 2 using current level of payment holidays and Scenario 3 using 3x current level of payment holidays. These in turn will have an impact on the variable constant repayment rate ("**CRR**"), variable constant default rate ("**CDR**") and the variable loss severity on the Loans as further detailed in the "*Fair Value Curves*" below;

Scenario 1	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
House Prices (%)	97.96	96.33	95.36	95.43	95.69	96.70	97.73	98.84	100.01	101.43	103.00	104.61
Unemployment	6.75%	7.33%	7.38%	7.32%	7.19%	7.03%	6.80%	6.69%	6.42%	6.23%	6.03%	5.87%

Scenario 2	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
House Prices (%)	99.39	98.52	98.53	99.86	101.55	103.62	105.61	107.60	109.59	111.56	113.58	115.45
Unemployment	6.52%	6.80%	6.59%	6.32%	6.06%	5.90%	5.68%	5.56%	5.28%	5.19%	5.05%	4.96%

Scenario 3	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
House Prices (%)	97.49	94.37	91.69	90.06	88.79	88.45	88.53	89.02	89.77	90.76	92.02	93.51
Unemployment	7.02%	8.27%	8.90%	9.29%	9.55%	9.61%	9.35%	9.27%	9.02%	8.80%	8.52%	8.26%

- (n) for the purposes of calculating the Interest Period Swap Counterparty Amount and the Interest Period Issuer Amount for each Interest Period (i) the Interest Period Swap Counterparty Amount will be calculated on the basis of Compounded Daily SONIA; (ii) the Interest Period Issuer Amount will be calculated on the basis of 0.15 per cent.; and (iii) the notional amount of the Interest Rate Swap will reflect a fixed amortisation schedule as set out in the table below for the Fair Value Asset Scenarios;

#### Scenario 1:

##### Fixed Rate Payer Calculation Period/Floating Rate Payer Calculation Period

Start	End	Notional Amount (£)
24-Feb-21 .....	16-Jun-21	407,891,491
16-Jun-21 .....	16-Sep-21	412,319,122
16-Sep-21 .....	16-Dec-21	403,054,243
16-Dec-21 .....	16-Mar-22	378,150,624
16-Mar-22 .....	16-Jun-22	360,349,198
16-Jun-22 .....	16-Sep-22	339,241,648
16-Sep-22 .....	16-Dec-22	305,128,568
16-Dec-22 .....	16-Mar-23	242,873,923
16-Mar-23 .....	16-Jun-23	234,633,251
16-Jun-23 .....	16-Sep-23	246,517,327
16-Sep-23 .....	16-Dec-23	258,964,342
16-Dec-23 .....	16-Mar-24	267,743,237
16-Mar-24 .....	16-Jun-24	276,472,370
16-Jun-24 .....	16-Sep-24	281,495,774
16-Sep-24 .....	16-Dec-24	282,125,105
16-Dec-24 .....	16-Mar-25	276,494,420

<b>Fixed Rate Payer Calculation Period/Floating Rate Payer Calculation Period</b>		
<b>Start</b>	<b>End</b>	<b>Notional Amount (£)</b>
16-Mar-25.....	16-Jun-25	229,839,857
16-Jun-25.....	16-Sep-25	198,331,543
16-Sep-25.....	16-Dec-25	164,845,697
16-Dec-25.....	16-Mar-26	129,521,575
16-Mar-26.....	16-Jun-26	110,636,154
16-Jun-26.....	16-Sep-26	95,744,490
16-Sep-26.....	16-Dec-26	79,897,097
16-Dec-26.....	16-Mar-27	61,588,753
16-Mar-27.....	16-Jun-27	59,727,845
16-Jun-27.....	16-Sep-27	56,621,721
16-Sep-27.....	16-Dec-27	51,269,219
16-Dec-27.....	16-Mar-28	42,854,850
16-Mar-28.....	16-Jun-28	30,261,902
16-Jun-28.....	16-Sep-28	24,514,630
16-Sep-28.....	16-Dec-28	20,352,400
16-Dec-28.....	16-Mar-29	16,746,731
16-Mar-29.....	16-Jun-29	13,221,378
16-Jun-29.....	16-Sep-29	9,422,960
16-Sep-29.....	16-Dec-29	5,031,422
16-Dec-29.....	16-Mar-30	0

**Scenario 2:**

<b>Fixed Rate Payer Calculation Period/Floating Rate Payer Calculation Period</b>		
<b>Start</b>	<b>End</b>	<b>Notional Amount (£)</b>
24-Feb-21.....	16-Jun-21	407,891,491
16-Jun-21.....	16-Sep-21	413,433,524
16-Sep-21.....	16-Dec-21	405,308,709
16-Dec-21.....	16-Mar-22	381,539,708
16-Mar-22.....	16-Jun-22	365,244,462
16-Jun-22.....	16-Sep-22	347,106,760
16-Sep-22.....	16-Dec-22	317,446,429
16-Dec-22.....	16-Mar-23	260,599,143
16-Mar-23.....	16-Jun-23	259,396,733
16-Jun-23.....	16-Sep-23	271,941,303
16-Sep-23.....	16-Dec-23	284,301,888
16-Dec-23.....	16-Mar-24	293,116,250
16-Mar-24.....	16-Jun-24	301,958,431
16-Jun-24.....	16-Sep-24	306,619,553
16-Sep-24.....	16-Dec-24	306,659,255
16-Dec-24.....	16-Mar-25	300,261,349
16-Mar-25.....	16-Jun-25	248,363,905
16-Jun-25.....	16-Sep-25	215,590,510
16-Sep-25.....	16-Dec-25	181,357,631
16-Dec-25.....	16-Mar-26	145,201,345
16-Mar-26.....	16-Jun-26	125,239,207
16-Jun-26.....	16-Sep-26	108,623,538
16-Sep-26.....	16-Dec-26	90,457,853
16-Dec-26.....	16-Mar-27	69,477,292
16-Mar-27.....	16-Jun-27	67,225,625
16-Jun-27.....	16-Sep-27	63,409,198
16-Sep-27.....	16-Dec-27	57,023,310
16-Dec-27.....	16-Mar-28	47,368,495
16-Mar-28.....	16-Jun-28	33,180,839
16-Jun-28.....	16-Sep-28	27,060,768
16-Sep-28.....	16-Dec-28	22,685,161
16-Dec-28.....	16-Mar-29	18,840,363
16-Mar-29.....	16-Jun-29	15,001,266
16-Jun-29.....	16-Sep-29	10,765,685
16-Sep-29.....	16-Dec-29	5,756,901
16-Dec-29.....	16-Mar-30	0

**Scenario 3:**

<b>Fixed Rate Payer Calculation Period/Floating Rate Payer Calculation Period</b>		
<b>Start</b>	<b>End</b>	<b>Notional Amount (£)</b>
24-Feb-21.....	16-Jun-21	407,891,491
16-Jun-21.....	16-Sep-21	411,255,258
16-Sep-21.....	16-Dec-21	400,426,682
16-Dec-21.....	16-Mar-22	373,538,244
16-Mar-22.....	16-Jun-22	353,365,108
16-Jun-22.....	16-Sep-22	327,775,994



Fixed Rate Payer Calculation Period/Floating Rate Payer Calculation Period		
Start	End	Notional Amount (£)
16-Sep-22	16-Dec-22	284,261,819
16-Dec-22	16-Mar-23	210,912,069
16-Mar-23	16-Jun-23	188,858,281
16-Jun-23	16-Sep-23	196,821,724
16-Sep-23	16-Dec-23	207,451,072
16-Dec-23	16-Mar-24	215,325,785
16-Mar-24	16-Jun-24	223,106,620
16-Jun-24	16-Sep-24	227,822,306
16-Sep-24	16-Dec-24	230,152,814
16-Dec-24	16-Mar-25	226,096,124
16-Mar-25	16-Jun-25	189,741,983
16-Jun-25	16-Sep-25	162,026,453
16-Sep-25	16-Dec-25	131,090,375
16-Dec-25	16-Mar-26	97,880,766
16-Mar-26	16-Jun-26	81,339,138
16-Jun-26	16-Sep-26	69,638,118
16-Sep-26	16-Dec-26	58,152,746
16-Dec-26	16-Mar-27	45,243,149
16-Mar-27	16-Jun-27	44,024,750
16-Jun-27	16-Sep-27	42,022,037
16-Sep-27	16-Dec-27	38,846,364
16-Dec-27	16-Mar-28	32,975,767
16-Mar-28	16-Jun-28	23,516,293
16-Jun-28	16-Sep-28	18,902,884
16-Sep-28	16-Dec-28	15,491,802
16-Dec-28	16-Mar-29	12,502,715
16-Mar-29	16-Jun-29	9,663,331
16-Jun-29	16-Sep-29	6,738,350
16-Sep-29	16-Dec-29	3,544,942
16-Dec-29	16-Mar-30	0

- (o) recoveries on repossessed properties are assumed to be net of fixed repossession costs of £4,000 and variable repossession costs of 2 per cent of the sale price of the relevant repossessed Property. The sale price of a repossessed Property is a function of the indexed value of the Property based on the Fair Value Asset Scenarios stated above (the "**Indexed Property Value**") and a forced sale discount to that Indexed Property Value commensurate with the historical experience of the U.S. Risk Retention Holder and its affiliates;
- (p) the time from repossession to the sale of a Property relating to a Loan is assumed to be an average of six months;
- (q) in respect of any Loan reaching maturity, the Property associated with such Loan is sold in the month of maturity at a discount to the Indexed Property Value. Where the assumed discounted sale price of the Property is less than the then Principal Balance of the relevant Loan, a loss is assumed to occur;
- (r) other fees and expenses of the Issuer including Trustee, Agents, Corporate Services Provider, Mortgage Administrator Facilitator, Cash/Bond Administrator Facilitator and Legal Title-Holder Facilitator are estimated at £90,000 (inclusive of VAT); and
- (s) the Subordinated Loan will not be drawn on the Issue Date.

For the purposes of computing the fair value of the securities comprising the retained EHRI, the U.S. Risk Retention Holder has projected cash flows on the Mortgage Pool under the Fair Value Asset Scenarios. The fair value for the securities comprising the U.S. Risk Retained Interest will be calculated using of the margins and yields detailed above under the various Fair Value Asset Scenarios. The present value of the expected cash flows on the individual securities comprising the retained EHRI in the various Fair Value Asset Scenarios will be calculated discounting the relevant cash flows at the applicable yield and assuming the Issuer redeems the Notes in full on the Step-Up Date. The fair value of the individual securities comprising the retained EHRI, other than the Certificates, will be the average present value of applicable cash flows in each of the Fair Value Asset Scenarios discounted at the relevant yield.

With respect to the Certificates only, the U.S. Risk Retention Holder has assumed the Issuer will redeem the Notes in full on the first Step-Up Date and the Mortgage Pool will be securitised two further times following successive step-up dates that are three years from their respective refinancing date (the

**"Refinancing Scenario")**. The fair value of Certificates in the Refinancing Scenario is the average present value of the cash flows received by the Certificates from the Issue Date to the Step-Up Date, plus the average present value of cash flows associated with the successive refinancings (each, a **"Refinancing"**), under the Fair Value Asset Scenarios. For the purposes of the calculations of the fair value of the Certificates, the U.S. Risk Retention Holder has assumed that the Certificateholder is also holder of all other Notes comprising the retained EHRI and will also receive proceeds corresponding to a redemption of such other Classes of Notes on the Step-Up Date. Cash flows prior to the first Step-Up Date that are attributable to other Classes of Notes held by the Certificateholder to comply with U.S. Risk Retention Rules have been excluded from the calculation of the fair value of the Certificates. The Refinancing Scenario assumes that the Certificateholder will act as a "sponsor" under U.S. Risk Retention Rules in respect of any future Refinancing. These future cash flows will include the aggregate of any cash flows attributable to Certificates issued in such Refinancings and any cash flows associated with other Classes of Notes required to be held to comply with U.S. Risk Retention Rules, as well as the proceeds from any such Refinancing on each successive issue date net of any amounts required to redeem the Notes relating to the immediately preceding securitisation in full.

The following further assumptions are made with respect to the Refinancing Scenario:

- (a) the capital structure (including tranche sizes and the size of the reserve fund in percentage terms) and other terms associated with any Refinancing are substantially the same as this transaction except as provided herein, including but not limited to, note margins, step-up margins, non-call period, senior fees and expenses;
- (b) the General Reserve Fund Required Amount on the issue date of any Interest Payment Date of future Refinancings is 2.00 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes to E Notes (inclusive) as at the issue date of the respective Refinancings;
- (c) the issue date with respect to any Refinancing is assumed to be the step-up date corresponding to the immediately preceding securitisation;
- (d) the first Interest Period in respect of future Refinancings will include 3 months of Principal Collections and Revenue Collections;
- (e) the certificateholder, in its capacity as U.S. Risk Retention Holder of a Refinancing, is assumed to hold the E Notes, Z Notes and the Certificates issued in any such future Refinancing in order to comply with U.S. Risk Retention Rules;
- (f) any Class of Notes relating to a Refinancing that is not held to comply with U.S. Risk Retention Rules is assumed to be sold;
- (g) other fees and expenses of the Issuer including Trustee, Agents, Corporate Services Provider, Mortgage Administrator Facilitator, Cash/Bond Administrator Facilitator, Accounting Services Fee and Legal Title-Holder Facilitator are assumed to be 0.06 per cent. (inclusive of VAT) of the Principal Amount Outstanding of the aggregate of the A Notes to E Notes (inclusive);
- (h) transaction costs (excluding placement fees) associated with any Refinancing are assumed to be 0.35 per cent. of the Principal Balance of the Mortgage Pool at the time of any such Refinancing;
- (i) placement fees of the Issuer associated with any Refinancing are assumed to be 0.25 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes to D Notes (inclusive) and X Notes as at each interest payment date of the Refinancing; and
- (j) on the final Refinancing, the relevant notes relating to such final Refinancing are redeemed in full when the aggregate principal amount outstanding of the A Notes to E Notes inclusive is less than or equal to 10 per cent of the aggregate principal amount outstanding of such notes upon issue.

The U.S. Risk Retention Holder developed the inputs and assumptions described herein by considering the composition of the Loans and the performance of (i) mortgage loans similar to the Loans which were previously securitised by the U.S. Risk Retention Holder or its affiliates, (ii) similar mortgage loans originated or acquired by the U.S. Risk Retention Holder and held in its portfolio, (iii) similar mortgage loans administered by affiliates of the U.S. Risk Retention Holder, and (iv) mortgage loans similar to the Loans in securitised pools that were not issued by the U.S. Risk Retention Holder. In particular, the U.S.

Risk Retention Holder reviewed the prepayment, default and loss history of such mortgage loans in order to project an anticipated prepayment, default and loss scenario for the Loans. Based on such prepayment, default and loss assumptions, the U.S. Risk Retention Holder calculated the projected anticipated cash flows to be generated by the Loans. In addition, in estimating the value of the Notes and the Certificates, the current interest rate environment and the expectation of anticipated interest rates and macro economic environment on and following the Issue Date was also taken into account. Based on such considerations, the U.S. Risk Retention Holder calculated the fair value of each Class of the Notes and the Certificates, based on the anticipated cash flows of the Loans, the transaction structure and expectations for interest rates.

The discount rates applicable to the anticipated cash flows on the retained EHRI securities is estimated to reflect the credit exposure to such cash flows based on (i) the assumptions set forth above, (ii) the first loss exposure of the retained EHRI securities and (iii) various qualitative factors, including loan level characteristics, historical payment profile of the Mortgage Pool as well as other customary assumptions used in the market to evaluate risks for similar mortgage loans.

The U.S. Risk Retention Holder believes that the inputs and assumptions described above include the inputs and assumptions that could have a significant impact on the fair value calculation or a prospective Noteholder's ability to evaluate the fair value calculation. The fair values of the Notes and the Certificates were calculated based on the assumptions described above that likely will differ from the actual characteristics and performance of the Loans. Prospective purchasers of the Notes should be sure they understand these assumptions when considering the fair value calculation.

***Post-Issue Date Disclosure***

On the first Interest Payment Date following the Issue Date, a statement will be released with valuations prepared by the U.S. Risk Retention Holder that will set forth the following information:

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

## FAIR VALUE CURVES

Set out below are curves that were material for calculating the ranges of fair value of the Notes and the Certificates set out under "*Certain Regulatory Disclosures - U.S. Risk Retention Rules*" above.

Date	Fair Value Curve# 1	Fair Value Curve# 2	Scenario 1			Scenario 2			Scenario 3		
			CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y
Feb-21 .....	0.00%	0.00%	12.67%	0.00%	0.00%	13.01%	0.00%	0.00%	12.36%	0.00%	0.00%
Mar-21 .....	0.00%	0.00%	13.42%	0.00%	0.00%	13.98%	0.00%	0.00%	12.98%	0.00%	0.00%
Apr-21 .....	0.00%	0.00%	12.33%	0.00%	0.00%	13.02%	0.00%	0.00%	11.72%	0.00%	0.00%
May-21 .....	0.00%	0.00%	11.51%	0.00%	0.00%	12.33%	0.00%	0.00%	10.64%	0.00%	0.00%
Jun-21 .....	0.00%	0.00%	10.94%	0.00%	0.00%	11.83%	0.00%	0.00%	9.86%	0.00%	0.00%
Jul-21 .....	0.00%	0.00%	10.70%	0.00%	0.00%	11.66%	0.00%	0.00%	9.40%	0.00%	0.00%
Aug-21 .....	0.00%	0.00%	10.77%	0.00%	19.13%	11.66%	0.00%	17.61%	9.35%	0.00%	21.08%
Sep-21 .....	0.00%	0.00%	10.71%	0.00%	20.31%	11.59%	0.01%	19.02%	9.16%	0.00%	22.11%
Oct-21 .....	0.00%	0.00%	10.61%	0.01%	20.80%	11.53%	0.01%	19.40%	8.96%	0.00%	22.63%
Nov-21 .....	0.00%	0.00%	10.54%	0.02%	20.64%	11.54%	0.02%	19.00%	8.81%	0.01%	22.68%
Dec-21 .....	0.00%	0.00%	10.37%	0.03%	20.56%	11.43%	0.05%	18.63%	8.56%	0.01%	22.79%
Jan-22 .....	0.00%	0.00%	10.29%	0.05%	20.30%	11.48%	0.07%	18.07%	8.32%	0.02%	22.69%
Feb-22 .....	0.00%	0.00%	10.79%	0.06%	19.88%	12.31%	0.09%	17.41%	8.58%	0.03%	22.41%
Mar-22 .....	0.00%	0.00%	12.64%	0.13%	19.38%	14.63%	0.14%	16.72%	9.79%	0.08%	22.13%
Apr-22 .....	0.00%	0.00%	17.40%	0.15%	18.84%	20.24%	0.15%	16.04%	13.03%	0.09%	21.74%
May-22 .....	0.00%	0.00%	15.65%	0.18%	18.12%	17.95%	0.16%	15.27%	11.83%	0.10%	21.03%
Jun-22 .....	0.00%	0.00%	18.40%	0.19%	17.46%	21.25%	0.17%	14.55%	13.12%	0.11%	20.35%
Jul-22 .....	0.00%	0.00%	23.12%	0.24%	16.70%	26.47%	0.21%	13.78%	15.15%	0.14%	19.41%
Aug-22 .....	0.00%	0.00%	26.64%	0.25%	16.23%	30.45%	0.20%	13.22%	17.72%	0.17%	18.93%
Sep-22 .....	0.00%	0.00%	27.98%	0.24%	15.91%	31.53%	0.19%	12.78%	19.99%	0.17%	18.70%
Oct-22 .....	0.00%	0.00%	31.37%	0.30%	15.69%	35.01%	0.24%	12.44%	23.39%	0.21%	18.58%
Nov-22 .....	0.00%	0.00%	36.36%	0.29%	15.49%	40.37%	0.22%	12.14%	27.89%	0.20%	18.50%
Dec-22 .....	0.00%	0.00%	41.23%	0.36%	15.33%	45.39%	0.28%	11.87%	32.86%	0.25%	18.43%
Jan-23 .....	0.00%	0.00%	50.55%	0.34%	15.18%	55.26%	0.27%	11.62%	40.44%	0.23%	18.38%
Feb-23 .....	0.00%	0.00%	42.01%	0.33%	15.01%	45.51%	0.26%	11.38%	34.02%	0.22%	18.31%
Mar-23 .....	0.00%	0.00%	27.79%	0.28%	14.83%	29.37%	0.22%	11.14%	23.20%	0.19%	18.24%
Apr-23 .....	0.00%	0.00%	22.48%	0.33%	14.60%	23.57%	0.26%	10.87%	18.85%	0.22%	18.13%
May-23 .....	0.00%	0.00%	21.09%	0.33%	14.38%	22.11%	0.26%	10.62%	17.72%	0.22%	18.01%
Jun-23 .....	0.00%	0.00%	19.38%	0.31%	14.16%	20.30%	0.24%	10.38%	16.36%	0.21%	17.88%
Jul-23 .....	0.00%	0.00%	18.18%	0.35%	13.92%	18.84%	0.27%	10.14%	15.55%	0.24%	17.72%
Aug-23 .....	0.00%	0.00%	17.48%	0.34%	13.67%	18.11%	0.26%	9.89%	15.12%	0.23%	17.53%
Sep-23 .....	0.00%	0.00%	16.75%	0.31%	13.42%	17.60%	0.24%	9.65%	14.48%	0.22%	17.30%
Oct-23 .....	0.00%	0.00%	16.26%	0.37%	13.16%	17.07%	0.28%	9.43%	14.11%	0.26%	17.04%
Nov-23 .....	0.00%	0.00%	16.35%	0.35%	12.90%	17.28%	0.26%	9.22%	14.07%	0.25%	16.76%
Dec-23 .....	0.00%	0.00%	16.41%	0.43%	12.66%	17.58%	0.33%	9.03%	13.86%	0.32%	16.47%
Jan-24 .....	0.00%	0.00%	16.06%	0.39%	12.42%	17.11%	0.29%	8.85%	13.66%	0.29%	16.17%
Feb-24 .....	0.00%	0.00%	16.52%	0.34%	12.18%	17.77%	0.27%	8.68%	13.85%	0.26%	15.86%
Mar-24 .....	0.00%	0.00%	17.25%	0.30%	11.96%	18.85%	0.24%	8.53%	14.10%	0.23%	15.57%
Apr-24 .....	0.00%	0.00%	17.20%	0.34%	11.73%	18.67%	0.27%	8.39%	14.10%	0.26%	15.28%
May-24 .....	0.00%	0.00%	18.23%	0.34%	11.54%	20.05%	0.27%	8.27%	14.63%	0.26%	15.01%
Jun-24 .....	0.00%	0.00%	19.73%	0.31%	11.37%	22.06%	0.25%	8.19%	15.28%	0.24%	14.74%
Jul-24 .....	0.00%	0.00%	19.56%	0.34%	11.21%	21.66%	0.27%	8.12%	15.29%	0.27%	14.48%
Aug-24 .....	0.00%	0.00%	20.79%	0.33%	11.04%	23.19%	0.26%	8.03%	15.92%	0.26%	14.20%
Sep-24 .....	0.00%	0.00%	22.35%	0.31%	10.88%	25.10%	0.24%	7.95%	16.67%	0.24%	13.93%
Oct-24 .....	0.00%	0.00%	22.37%	0.35%	10.72%	24.90%	0.28%	7.86%	16.89%	0.29%	13.67%
Nov-24 .....	0.00%	0.00%	23.25%	0.33%	10.56%	25.90%	0.26%	7.76%	17.61%	0.27%	13.41%
Dec-24 .....	0.00%	0.00%	24.53%	0.40%	10.41%	27.35%	0.31%	7.66%	18.52%	0.34%	13.16%
Jan-25 .....	0.00%	0.00%	23.86%	0.35%	10.27%	26.30%	0.28%	7.57%	18.38%	0.31%	12.91%
Feb-25 .....	0.00%	0.00%	24.85%	0.32%	10.11%	27.36%	0.26%	7.46%	19.31%	0.27%	12.66%
Mar-25 .....	0.00%	0.00%	28.36%	0.30%	9.97%	31.54%	0.24%	7.36%	21.89%	0.25%	12.42%
Apr-25 .....	0.00%	0.00%	28.86%	0.33%	9.82%	31.40%	0.27%	7.26%	23.27%	0.29%	12.18%
May-25 .....	0.00%	0.00%	25.93%	0.33%	9.71%	27.89%	0.27%	7.18%	21.30%	0.29%	11.98%
Jun-25 .....	0.00%	0.00%	27.98%	0.32%	9.62%	30.16%	0.27%	7.13%	22.91%	0.29%	11.80%
Jul-25 .....	0.00%	0.00%	28.59%	0.35%	9.55%	30.66%	0.29%	7.10%	23.95%	0.32%	11.63%
Aug-25 .....	0.00%	0.00%	30.50%	0.35%	9.46%	32.52%	0.29%	7.05%	25.81%	0.31%	11.45%
Sep-25 .....	0.00%	0.00%	32.54%	0.34%	9.37%	34.73%	0.29%	6.99%	27.12%	0.31%	11.26%
Oct-25 .....	0.00%	0.00%	33.19%	0.39%	9.28%	35.10%	0.33%	6.95%	27.99%	0.37%	11.08%
Nov-25 .....	0.00%	0.00%	33.95%	0.37%	9.18%	35.96%	0.32%	6.89%	28.76%	0.35%	10.88%
Dec-25 .....	0.00%	0.00%	37.49%	0.47%	9.09%	40.01%	0.40%	6.83%	31.64%	0.46%	10.69%
Jan-26 .....	0.00%	0.00%	37.89%	0.43%	9.01%	40.28%	0.37%	6.79%	32.34%	0.41%	10.51%
Feb-26 .....	0.00%	0.00%	33.75%	0.40%	8.90%	35.96%	0.35%	6.71%	28.63%	0.38%	10.31%
Mar-26 .....	0.00%	0.00%	31.16%	0.39%	8.79%	33.80%	0.35%	6.63%	25.69%	0.35%	10.11%
Apr-26 .....	0.00%	0.00%	28.58%	0.42%	8.68%	30.99%	0.37%	6.55%	23.73%	0.40%	9.93%
May-26 .....	0.00%	0.00%	28.14%	0.42%	8.60%	30.77%	0.37%	6.48%	23.14%	0.39%	9.76%
Jun-26 .....	0.00%	0.00%	29.15%	0.42%	8.54%	32.28%	0.38%	6.44%	23.35%	0.39%	9.62%
Jul-26 .....	0.00%	0.00%	28.25%	0.44%	8.51%	31.20%	0.39%	6.41%	22.67%	0.43%	9.50%
Aug-26 .....	0.00%	0.00%	27.91%	0.44%	8.44%	30.94%	0.39%	6.34%	22.33%	0.41%	9.35%
Sep-26 .....	0.00%	0.00%	29.08%	0.43%	8.36%	32.58%	0.40%	6.28%	22.90%	0.40%	9.19%
Oct-26 .....	0.00%	0.00%	27.82%	0.47%	8.29%	30.86%	0.42%	6.22%	22.29%	0.46%	9.05%
Nov-26 .....	0.00%	0.00%	27.44%	0.46%	8.20%	30.49%	0.41%	6.14%	22.02%	0.44%	8.89%
Dec-26 .....	0.00%	0.00%	28.68%	0.56%	8.12%	32.22%	0.49%	6.06%	22.56%	0.56%	8.74%
Jan-27 .....	0.00%	0.00%	26.19%	0.50%	8.04%	28.82%	0.44%	6.00%	21.40%	0.50%	8.60%
Feb-27 .....	0.00%	0.00%	24.50%	0.47%	7.93%	26.60%	0.42%	5.91%	20.52%	0.44%	8.44%
Mar-27 .....	0.00%	0.00%	24.35%	0.45%	7.83%	26.44%	0.41%	5.83%	20.45%	0.41%	8.28%

Date	Fair Value Curve# 1	Fair Value Curve #2	Scenario 1			Scenario 2			Scenario 3		
			CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y
Apr-27.....	0.00%	0.00%	23.83%	0.47%	7.71%	25.75%	0.42%	5.73%	20.21%	0.45%	8.11%
May-27.....	0.00%	0.00%	24.63%	0.46%	7.61%	26.79%	0.42%	5.66%	20.64%	0.44%	7.98%
Jun-27.....	0.00%	0.00%	26.04%	0.46%	7.54%	28.58%	0.43%	5.60%	21.45%	0.43%	7.86%
Jul-27.....	0.00%	0.00%	25.53%	0.48%	7.50%	27.87%	0.43%	5.56%	21.22%	0.47%	7.78%
Aug-27.....	0.00%	0.00%	26.58%	0.47%	7.42%	29.21%	0.43%	5.50%	21.79%	0.45%	7.66%
Sep-27.....	0.00%	0.00%	27.93%	0.47%	7.35%	30.87%	0.43%	5.44%	22.60%	0.43%	7.55%
Oct-27.....	0.00%	0.00%	27.86%	0.50%	7.27%	30.74%	0.45%	5.37%	22.67%	0.49%	7.44%
Nov-27.....	0.00%	0.00%	28.56%	0.48%	7.19%	31.59%	0.44%	5.31%	23.13%	0.46%	7.32%
Dec-27.....	0.00%	0.00%	29.51%	0.57%	7.10%	32.75%	0.51%	5.24%	23.73%	0.57%	7.20%
Jan-28.....	0.00%	0.00%	28.66%	0.51%	7.03%	31.64%	0.46%	5.18%	23.32%	0.51%	7.11%
Feb-28.....	0.00%	0.00%	29.10%	0.48%	6.93%	32.18%	0.44%	5.10%	23.60%	0.46%	6.99%
Mar-28.....	0.00%	0.00%	29.67%	0.47%	6.84%	32.86%	0.44%	5.02%	23.98%	0.43%	6.88%
Apr-28.....	0.00%	0.00%	27.81%	0.48%	6.73%	30.46%	0.44%	4.94%	22.97%	0.47%	6.77%
May-28.....	0.00%	0.00%	27.03%	0.48%	6.65%	29.45%	0.44%	4.87%	22.50%	0.46%	6.69%
Jun-28.....	0.00%	0.00%	27.15%	0.48%	6.57%	29.59%	0.45%	4.81%	22.56%	0.45%	6.62%
Jul-28.....	0.00%	0.00%	26.01%	0.49%	6.53%	28.19%	0.45%	4.77%	21.90%	0.49%	6.59%
Aug-28.....	0.00%	0.00%	25.89%	0.48%	6.46%	28.11%	0.44%	4.71%	21.77%	0.47%	6.52%
Sep-28.....	0.00%	0.00%	26.33%	0.48%	6.39%	28.73%	0.45%	4.66%	21.98%	0.46%	6.45%
Oct-28.....	0.00%	0.00%	25.48%	0.50%	6.32%	27.69%	0.45%	4.60%	21.48%	0.51%	6.37%
Nov-28.....	0.00%	0.00%	25.91%	0.49%	6.24%	28.28%	0.45%	4.54%	21.75%	0.48%	6.29%
Dec-28.....	0.00%	0.00%	26.43%	0.57%	6.15%	29.12%	0.50%	4.48%	21.84%	0.59%	6.19%
Jan-29.....	0.00%	0.01%	25.70%	0.51%	6.08%	28.23%	0.45%	4.43%	21.40%	0.53%	6.11%
Feb-29.....	0.00%	0.01%	26.22%	0.47%	5.99%	29.02%	0.44%	4.36%	21.57%	0.48%	6.01%
Mar-29.....	0.00%	0.01%	27.26%	0.46%	5.90%	30.48%	0.43%	4.30%	22.05%	0.45%	5.91%
Apr-29.....	0.00%	0.01%	26.43%	0.47%	5.79%	29.43%	0.43%	4.23%	21.59%	0.48%	5.79%
May-29.....	0.00%	0.01%	26.70%	0.46%	5.71%	29.92%	0.42%	4.17%	21.64%	0.47%	5.70%
Jun-29.....	0.00%	0.01%	27.14%	0.46%	5.64%	30.59%	0.44%	4.12%	21.80%	0.46%	5.63%
Jul-29.....	0.00%	0.01%	26.74%	0.46%	5.59%	30.13%	0.43%	4.08%	21.52%	0.48%	5.59%
Aug-29.....	0.00%	0.01%	26.49%	0.46%	5.53%	29.91%	0.43%	4.03%	21.30%	0.46%	5.52%
Sep-29.....	0.00%	0.01%	26.41%	0.46%	5.47%	29.88%	0.43%	3.99%	21.19%	0.45%	5.45%
Oct-29.....	0.00%	0.01%	25.15%	0.47%	5.41%	28.22%	0.43%	3.94%	20.51%	0.49%	5.38%
Nov-29.....	0.00%	0.01%	24.62%	0.46%	5.34%	27.58%	0.43%	3.89%	20.16%	0.46%	5.31%
Dec-29.....	0.00%	0.01%	24.14%	0.52%	5.27%	26.99%	0.48%	3.84%	19.87%	0.55%	5.23%
Jan-30.....	0.00%	0.01%	22.34%	0.46%	5.21%	24.53%	0.43%	3.80%	18.95%	0.49%	5.16%
Feb-30.....	0.00%	0.01%	20.83%	0.44%	5.13%	22.46%	0.41%	3.74%	18.18%	0.44%	5.08%
Mar-30.....	0.00%	0.01%	20.09%	0.42%	5.05%	21.47%	0.40%	3.69%	17.78%	0.42%	4.99%
Apr-30.....	0.00%	0.01%	19.66%	0.42%	4.96%	20.92%	0.39%	3.63%	17.52%	0.44%	4.90%
May-30.....	0.00%	0.01%	19.31%	0.41%	4.89%	20.47%	0.38%	3.57%	17.31%	0.42%	4.82%
Jun-30.....	0.00%	0.01%	19.07%	0.41%	4.83%	20.16%	0.39%	3.53%	17.18%	0.42%	4.76%
Jul-30.....	0.00%	0.01%	18.81%	0.41%	4.79%	19.83%	0.38%	3.49%	16.99%	0.43%	4.73%
Aug-30.....	0.00%	0.01%	19.31%	0.40%	4.73%	20.35%	0.37%	3.45%	17.45%	0.41%	4.67%
Sep-30.....	0.00%	0.01%	18.32%	0.39%	4.67%	19.26%	0.37%	3.40%	16.62%	0.40%	4.61%
Oct-30.....	0.00%	0.01%	18.11%	0.40%	4.62%	19.01%	0.36%	3.36%	16.47%	0.43%	4.55%
Nov-30.....	0.00%	0.01%	17.92%	0.38%	4.55%	18.78%	0.35%	3.31%	16.32%	0.41%	4.48%
Dec-30.....	0.00%	0.01%	17.73%	0.43%	4.48%	18.54%	0.39%	3.26%	16.17%	0.48%	4.41%
Jan-31.....	0.00%	0.01%	17.55%	0.38%	4.43%	18.34%	0.34%	3.22%	16.04%	0.42%	4.35%
Feb-31.....	0.00%	0.01%	17.40%	0.36%	4.35%	18.15%	0.32%	3.16%	15.93%	0.38%	4.28%
Mar-31.....	0.00%	0.01%	17.24%	0.34%	4.28%	17.95%	0.32%	3.11%	15.81%	0.36%	4.20%
Apr-31.....	0.00%	0.01%	17.09%	0.34%	4.19%	17.76%	0.31%	3.05%	15.70%	0.37%	4.11%
May-31.....	0.00%	0.01%	16.94%	0.33%	4.12%	17.58%	0.30%	2.99%	15.59%	0.36%	4.04%
Jun-31.....	0.00%	0.01%	16.80%	0.33%	4.06%	17.39%	0.30%	2.95%	15.47%	0.36%	3.99%
Jul-31.....	0.00%	0.01%	16.63%	0.32%	4.02%	17.20%	0.29%	2.91%	15.34%	0.36%	3.95%
Aug-31.....	0.00%	0.01%	16.49%	0.31%	3.97%	17.03%	0.28%	2.87%	15.22%	0.35%	3.90%
Sep-31.....	0.00%	0.01%	16.34%	0.31%	3.91%	16.85%	0.28%	2.82%	15.11%	0.34%	3.84%
Oct-31.....	0.00%	0.01%	16.20%	0.31%	3.86%	16.68%	0.27%	2.78%	14.98%	0.36%	3.79%
Nov-31.....	0.00%	0.01%	16.06%	0.30%	3.80%	16.52%	0.27%	2.73%	14.87%	0.34%	3.73%
Dec-31.....	0.00%	0.01%	15.91%	0.34%	3.74%	16.36%	0.29%	2.69%	14.74%	0.40%	3.67%
Jan-32.....	0.00%	0.01%	15.77%	0.29%	3.68%	16.21%	0.26%	2.64%	14.63%	0.35%	3.62%
Feb-32.....	0.00%	0.01%	16.57%	0.27%	3.62%	17.03%	0.24%	2.59%	15.41%	0.32%	3.56%
Mar-32.....	0.00%	0.01%	15.54%	0.26%	3.55%	15.95%	0.24%	2.54%	14.46%	0.30%	3.49%
Apr-32.....	0.00%	0.01%	15.42%	0.26%	3.48%	15.80%	0.23%	2.48%	14.36%	0.31%	3.42%
May-32.....	0.00%	0.01%	15.31%	0.25%	3.41%	15.68%	0.22%	2.43%	14.27%	0.30%	3.36%
Jun-32.....	0.00%	0.01%	15.19%	0.25%	3.36%	15.56%	0.22%	2.39%	14.17%	0.29%	3.31%
Jul-32.....	0.00%	0.01%	15.08%	0.25%	3.32%	15.43%	0.22%	2.35%	14.07%	0.30%	3.29%
Aug-32.....	0.00%	0.01%	14.97%	0.24%	3.27%	15.30%	0.21%	2.31%	13.98%	0.29%	3.24%
Sep-32.....	0.00%	0.01%	14.83%	0.23%	3.22%	15.16%	0.21%	2.27%	13.87%	0.28%	3.19%
Oct-32.....	0.00%	0.01%	16.27%	0.23%	3.17%	16.61%	0.20%	2.23%	15.24%	0.29%	3.15%
Nov-32.....	0.00%	0.01%	15.03%	0.23%	3.12%	15.27%	0.20%	2.19%	14.25%	0.28%	3.10%
Dec-32.....	0.00%	0.01%	15.00%	0.25%	3.07%	15.25%	0.22%	2.15%	14.14%	0.32%	3.04%
Jan-33.....	0.00%	0.01%	14.38%	0.22%	3.02%	14.65%	0.19%	2.11%	13.46%	0.28%	3.00%
Feb-33.....	0.00%	0.01%	14.28%	0.21%	2.96%	14.54%	0.18%	2.07%	13.38%	0.26%	2.94%
Mar-33.....	0.00%	0.01%	14.19%	0.20%	2.90%	14.45%	0.18%	2.02%	13.32%	0.24%	2.88%
Apr-33.....	0.00%	0.01%	14.11%	0.19%	2.84%	14.37%	0.17%	1.98%	13.26%	0.25%	2.82%
May-33.....	0.00%	0.01%	14.04%	0.19%	2.78%	14.28%	0.17%	1.94%	13.19%	0.24%	2.77%
Jun-33.....	0.00%	0.01%	13.95%	0.19%	2.74%	14.18%	0.17%	1.90%	13.11%	0.23%	2.73%
Jul-33.....	0.00%	0.01%	13.88%	0.18%	2.70%	14.11%	0.16%	1.87%	13.04%	0.24%	2.70%
Aug-33.....	0.00%	0.01%	13.82%	0.18%	2.66%	14.04%	0.16%	1.84%	12.99%	0.22%	2.66%
Sep-33.....	0.00%	0.01%	14.03%	0.17%	2.62%	14.27%	0.15%	1.81%	13.20%	0.22%	2.62%
Oct-33.....	0.00%	0.01%	13.59%	0.17%	2.58%	13.81%	0.15%	1.78%	12.79%	0.23%	2.59%
Nov-33.....	0.00%	0.01%	13.52%	0.17%	2.53%	13.73%	0.15%	1.75%	12.74%	0.21%	2.55%
Dec-33.....	0.00%	0.01%	13.45%	0.19%	2.49%	13.65%	0.16%	1.72%	12.66%	0.25%	2.50%

Date	Fair Value Curve# 1	Fair Value Curve #2	Scenario 1			Scenario 2			Scenario 3		
			CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y
Jan-34.....	0.00%	0.01%	13.39%	0.16%	2.45%	13.59%	0.14%	1.69%	12.61%	0.22%	2.46%
Feb-34.....	0.00%	0.01%	13.33%	0.15%	2.40%	13.52%	0.13%	1.66%	12.56%	0.20%	2.42%
Mar-34.....	0.00%	0.01%	13.63%	0.15%	2.36%	13.83%	0.13%	1.62%	12.92%	0.18%	2.37%
Apr-34.....	0.00%	0.01%	13.24%	0.14%	2.31%	13.44%	0.13%	1.59%	12.49%	0.19%	2.32%
May-34.....	0.00%	0.01%	13.17%	0.14%	2.26%	13.36%	0.12%	1.55%	12.43%	0.18%	2.27%
Jun-34.....	0.00%	0.01%	13.31%	0.14%	2.23%	13.44%	0.12%	1.53%	12.69%	0.18%	2.24%
Jul-34.....	0.00%	0.01%	13.64%	0.13%	2.20%	13.77%	0.12%	1.51%	12.99%	0.18%	2.22%
Aug-34.....	0.00%	0.01%	13.02%	0.13%	2.17%	13.20%	0.11%	1.48%	12.29%	0.17%	2.18%
Sep-34.....	0.00%	0.01%	13.34%	0.13%	2.13%	13.48%	0.11%	1.46%	12.70%	0.17%	2.15%
Oct-34.....	0.00%	0.01%	12.91%	0.13%	2.10%	13.08%	0.11%	1.44%	12.20%	0.17%	2.12%
Nov-34.....	0.00%	0.01%	14.25%	0.12%	2.07%	14.36%	0.11%	1.41%	13.65%	0.16%	2.08%
Dec-34.....	0.00%	0.01%	12.75%	0.14%	2.03%	12.91%	0.12%	1.39%	12.04%	0.19%	2.05%
Jan-35.....	0.00%	0.01%	12.79%	0.12%	2.00%	12.95%	0.10%	1.36%	12.10%	0.17%	2.02%
Feb-35.....	0.00%	0.01%	12.80%	0.11%	1.96%	12.96%	0.10%	1.34%	12.10%	0.15%	1.98%
Mar-35.....	0.00%	0.01%	12.97%	0.11%	1.93%	13.16%	0.10%	1.31%	12.31%	0.14%	1.94%
Apr-35.....	0.00%	0.01%	12.62%	0.11%	1.89%	12.78%	0.09%	1.29%	11.97%	0.14%	1.90%
May-35.....	0.00%	0.01%	12.64%	0.10%	1.85%	12.81%	0.09%	1.26%	11.98%	0.14%	1.87%
Jun-35.....	0.00%	0.01%	12.54%	0.10%	1.83%	12.69%	0.09%	1.24%	11.90%	0.13%	1.84%
Jul-35.....	0.00%	0.01%	12.53%	0.10%	1.80%	12.68%	0.09%	1.23%	11.89%	0.13%	1.83%
Aug-35.....	0.00%	0.01%	12.57%	0.09%	1.78%	12.74%	0.08%	1.21%	11.92%	0.13%	1.80%
Sep-35.....	0.00%	0.01%	12.40%	0.09%	1.75%	12.64%	0.08%	1.19%	11.80%	0.12%	1.78%
Oct-35.....	0.00%	0.01%	12.37%	0.09%	1.73%	12.53%	0.08%	1.17%	11.77%	0.13%	1.76%
Nov-35.....	0.00%	0.01%	12.43%	0.09%	1.70%	12.61%	0.08%	1.15%	11.81%	0.12%	1.73%
Dec-35.....	0.00%	0.01%	12.48%	0.10%	1.67%	12.61%	0.09%	1.13%	11.96%	0.14%	1.70%
Jan-36.....	0.00%	0.01%	12.28%	0.09%	1.65%	12.43%	0.08%	1.12%	11.69%	0.12%	1.68%
Feb-36.....	0.00%	0.01%	12.38%	0.08%	1.62%	12.54%	0.07%	1.09%	11.79%	0.11%	1.65%
Mar-36.....	0.00%	0.01%	12.20%	0.08%	1.59%	12.36%	0.07%	1.07%	11.64%	0.10%	1.62%
Apr-36.....	0.00%	0.01%	12.21%	0.08%	1.56%	12.33%	0.07%	1.05%	11.67%	0.10%	1.59%
May-36.....	0.00%	0.01%	12.34%	0.07%	1.53%	12.51%	0.07%	1.03%	11.77%	0.10%	1.56%
Jun-36.....	0.00%	0.01%	12.20%	0.07%	1.51%	12.35%	0.07%	1.02%	11.66%	0.10%	1.54%
Jul-36.....	0.00%	0.01%	12.16%	0.07%	1.49%	12.31%	0.06%	1.00%	11.64%	0.10%	1.52%
Aug-36.....	0.00%	0.01%	12.32%	0.07%	1.47%	12.47%	0.06%	0.99%	11.78%	0.09%	1.50%
Sep-36.....	0.00%	0.01%	12.18%	0.07%	1.45%	12.34%	0.06%	0.97%	11.67%	0.09%	1.48%
Oct-36.....	0.00%	0.01%	15.26%	0.07%	1.43%	15.62%	0.06%	0.96%	14.41%	0.09%	1.46%
Nov-36.....	0.00%	0.01%	12.29%	0.07%	1.41%	12.46%	0.06%	0.94%	11.77%	0.09%	1.44%
Dec-36.....	0.00%	0.01%	12.08%	0.07%	1.38%	12.23%	0.06%	0.93%	11.60%	0.10%	1.42%
Jan-37.....	0.00%	0.01%	12.05%	0.07%	1.36%	12.19%	0.06%	0.91%	11.58%	0.09%	1.40%
Feb-37.....	0.00%	0.01%	12.21%	0.06%	1.34%	12.37%	0.05%	0.90%	11.73%	0.08%	1.38%
Mar-37.....	0.00%	0.01%	12.08%	0.06%	1.32%	12.24%	0.05%	0.88%	11.65%	0.07%	1.36%
Apr-37.....	0.00%	0.01%	12.04%	0.06%	1.29%	12.20%	0.05%	0.87%	11.63%	0.07%	1.33%
May-37.....	0.00%	0.01%	12.22%	0.05%	1.27%	12.39%	0.05%	0.85%	11.77%	0.07%	1.31%
Jun-37.....	0.00%	0.01%	12.10%	0.05%	1.25%	12.25%	0.05%	0.84%	11.68%	0.07%	1.30%
Jul-37.....	0.00%	0.01%	12.06%	0.05%	1.24%	12.21%	0.05%	0.83%	11.66%	0.07%	1.29%
Aug-37.....	0.00%	0.01%	12.22%	0.05%	1.22%	12.38%	0.04%	0.82%	11.82%	0.07%	1.27%
Sep-37.....	0.00%	0.01%	12.06%	0.05%	1.20%	12.22%	0.04%	0.80%	11.69%	0.06%	1.26%
Oct-37.....	0.00%	0.01%	11.99%	0.05%	1.19%	12.15%	0.04%	0.79%	11.62%	0.07%	1.24%
Nov-37.....	0.00%	0.01%	12.10%	0.05%	1.17%	12.26%	0.04%	0.78%	11.72%	0.06%	1.23%
Dec-37.....	0.00%	0.01%	11.98%	0.06%	1.15%	12.12%	0.05%	0.77%	11.59%	0.07%	1.21%
Jan-38.....	0.00%	0.01%	12.85%	0.05%	1.14%	12.97%	0.04%	0.75%	12.51%	0.06%	1.20%
Feb-38.....	0.00%	0.01%	13.85%	0.04%	1.12%	14.05%	0.04%	0.74%	13.46%	0.06%	1.18%
Mar-38.....	0.00%	0.01%	11.97%	0.04%	1.10%	12.12%	0.04%	0.73%	11.61%	0.05%	1.16%
Apr-38.....	0.00%	0.01%	11.93%	0.04%	1.08%	12.08%	0.04%	0.71%	11.58%	0.05%	1.14%
May-38.....	0.00%	0.01%	12.59%	0.04%	1.07%	12.77%	0.04%	0.70%	12.21%	0.05%	1.12%
Jun-38.....	0.00%	0.01%	12.03%	0.04%	1.05%	12.17%	0.04%	0.69%	11.67%	0.05%	1.11%
Jul-38.....	0.00%	0.01%	12.00%	0.04%	1.04%	12.14%	0.03%	0.68%	11.65%	0.05%	1.10%
Aug-38.....	0.00%	0.01%	12.10%	0.04%	1.03%	12.24%	0.03%	0.67%	11.73%	0.05%	1.08%
Sep-38.....	0.00%	0.01%	12.00%	0.04%	1.01%	12.15%	0.03%	0.66%	11.66%	0.05%	1.07%
Oct-38.....	0.00%	0.01%	12.01%	0.04%	1.00%	12.17%	0.03%	0.65%	11.67%	0.05%	1.06%
Nov-38.....	0.00%	0.01%	12.99%	0.04%	0.99%	13.03%	0.03%	0.64%	12.88%	0.05%	1.05%
Dec-38.....	0.00%	0.01%	12.03%	0.04%	0.97%	12.17%	0.03%	0.63%	11.67%	0.05%	1.03%
Jan-39.....	0.00%	0.01%	12.07%	0.04%	0.96%	12.20%	0.03%	0.62%	11.71%	0.05%	1.02%
Feb-39.....	0.00%	0.01%	12.14%	0.03%	0.95%	12.27%	0.03%	0.61%	11.79%	0.04%	1.01%
Mar-39.....	0.00%	0.01%	12.11%	0.03%	0.94%	12.25%	0.03%	0.60%	11.78%	0.04%	1.00%
Apr-39.....	0.00%	0.01%	12.18%	0.03%	0.92%	12.32%	0.03%	0.59%	11.84%	0.04%	0.98%
May-39.....	0.00%	0.01%	12.21%	0.03%	0.91%	12.34%	0.03%	0.58%	11.87%	0.04%	0.97%
Jun-39.....	0.00%	0.01%	12.23%	0.03%	0.90%	12.37%	0.03%	0.57%	11.90%	0.04%	0.96%
Jul-39.....	0.00%	0.01%	12.29%	0.03%	0.89%	12.42%	0.03%	0.56%	11.94%	0.04%	0.95%
Aug-39.....	0.00%	0.01%	14.03%	0.03%	0.88%	14.31%	0.03%	0.56%	13.48%	0.04%	0.94%
Sep-39.....	0.00%	0.01%	12.33%	0.03%	0.87%	12.49%	0.02%	0.55%	12.01%	0.04%	0.94%
Oct-39.....	0.00%	0.01%	12.40%	0.03%	0.86%	12.55%	0.02%	0.54%	12.06%	0.04%	0.93%
Nov-39.....	0.00%	0.01%	12.39%	0.03%	0.85%	12.54%	0.02%	0.53%	12.07%	0.04%	0.92%
Dec-39.....	0.00%	0.01%	12.36%	0.03%	0.84%	12.52%	0.03%	0.52%	12.04%	0.04%	0.91%
Jan-40.....	0.00%	0.01%	12.45%	0.03%	0.83%	12.62%	0.02%	0.52%	12.12%	0.04%	0.90%
Feb-40.....	0.00%	0.01%	12.43%	0.03%	0.82%	12.57%	0.02%	0.51%	12.12%	0.03%	0.89%
Mar-40.....	0.00%	0.01%	12.45%	0.03%	0.81%	12.60%	0.02%	0.50%	12.14%	0.03%	0.88%
Apr-40.....	0.00%	0.01%	12.75%	0.03%	0.81%	12.92%	0.02%	0.49%	12.43%	0.03%	0.87%
May-40.....	0.00%	0.01%	12.55%	0.03%	0.80%	12.70%	0.02%	0.48%	12.24%	0.03%	0.86%
Jun-40.....	0.00%	0.01%	12.59%	0.03%	0.79%	12.74%	0.02%	0.47%	12.27%	0.03%	0.85%
Jul-40.....	0.00%	0.01%	16.03%	0.03%	0.78%	16.39%	0.02%	0.47%	15.32%	0.03%	0.85%
Aug-40.....	0.00%	0.01%	12.70%	0.03%	0.78%	12.86%	0.02%	0.46%	12.37%	0.03%	0.84%
Sep-40.....	0.00%	0.01%	12.74%	0.02%	0.77%	12.91%	0.02%	0.46%	12.41%	0.03%	0.83%

Date	Fair Value Curve# 1	Fair Value Curve #2	Scenario 1			Scenario 2			Scenario 3		
			CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y
Oct-40 .....	0.00%	0.01%	12.90%	0.03%	0.76%	13.07%	0.02%	0.45%	12.54%	0.03%	0.83%
Nov-40 .....	0.00%	0.01%	12.78%	0.02%	0.76%	12.95%	0.02%	0.44%	12.47%	0.03%	0.82%
Dec-40 .....	0.00%	0.01%	12.75%	0.03%	0.75%	12.91%	0.02%	0.44%	12.43%	0.04%	0.82%
Jan-41 .....	0.00%	0.01%	12.94%	0.03%	0.74%	13.09%	0.02%	0.43%	12.61%	0.03%	0.81%
Feb-41 .....	0.00%	0.01%	12.81%	0.02%	0.74%	12.96%	0.02%	0.42%	12.49%	0.03%	0.80%
Mar-41 .....	0.00%	0.01%	12.87%	0.02%	0.73%	13.02%	0.02%	0.42%	12.55%	0.03%	0.80%
Apr-41 .....	0.00%	0.01%	13.02%	0.02%	0.73%	13.18%	0.02%	0.41%	12.71%	0.03%	0.79%
May-41 .....	0.00%	0.01%	12.97%	0.02%	0.72%	13.14%	0.02%	0.40%	12.66%	0.03%	0.79%
Jun-41 .....	0.00%	0.01%	13.05%	0.02%	0.72%	13.22%	0.02%	0.40%	12.72%	0.03%	0.78%
Jul-41 .....	0.00%	0.01%	13.20%	0.02%	0.71%	13.37%	0.02%	0.39%	12.86%	0.03%	0.78%
Aug-41 .....	0.00%	0.01%	13.18%	0.02%	0.71%	13.36%	0.02%	0.39%	12.83%	0.03%	0.77%
Sep-41 .....	0.00%	0.01%	13.20%	0.02%	0.71%	13.38%	0.02%	0.38%	12.86%	0.03%	0.77%
Oct-41 .....	0.00%	0.01%	15.30%	0.02%	0.70%	15.74%	0.02%	0.38%	14.77%	0.03%	0.77%
Nov-41 .....	0.00%	0.01%	13.30%	0.02%	0.70%	13.48%	0.02%	0.37%	12.95%	0.03%	0.76%
Dec-41 .....	0.00%	0.01%	13.32%	0.03%	0.69%	13.49%	0.02%	0.37%	12.95%	0.03%	0.76%
Jan-42 .....	0.00%	0.01%	13.42%	0.02%	0.69%	13.58%	0.02%	0.36%	13.05%	0.03%	0.75%
Feb-42 .....	0.00%	0.01%	13.34%	0.02%	0.69%	13.50%	0.02%	0.36%	13.01%	0.03%	0.75%
Mar-42 .....	0.00%	0.01%	13.43%	0.02%	0.69%	13.58%	0.02%	0.35%	13.07%	0.02%	0.75%
Apr-42 .....	0.00%	0.01%	13.57%	0.02%	0.68%	13.74%	0.02%	0.35%	13.21%	0.03%	0.74%
May-42 .....	0.00%	0.01%	13.56%	0.02%	0.68%	13.71%	0.02%	0.34%	13.20%	0.02%	0.74%
Jun-42 .....	0.00%	0.01%	13.66%	0.02%	0.68%	13.83%	0.01%	0.34%	13.31%	0.02%	0.74%
Jul-42 .....	0.00%	0.01%	13.76%	0.02%	0.68%	13.92%	0.01%	0.33%	13.40%	0.02%	0.74%
Aug-42 .....	0.00%	0.01%	16.65%	0.02%	0.67%	16.88%	0.01%	0.33%	16.25%	0.02%	0.73%
Sep-42 .....	0.00%	0.01%	13.64%	0.02%	0.67%	13.81%	0.01%	0.32%	13.29%	0.02%	0.73%
Oct-42 .....	0.00%	0.01%	13.61%	0.02%	0.67%	13.77%	0.01%	0.32%	13.27%	0.03%	0.73%
Nov-42 .....	0.00%	0.01%	13.49%	0.02%	0.67%	13.64%	0.01%	0.31%	13.16%	0.02%	0.72%
Dec-42 .....	0.00%	0.01%	13.31%	0.02%	0.67%	13.47%	0.02%	0.31%	13.01%	0.03%	0.72%
Jan-43 .....	0.00%	0.01%	13.32%	0.02%	0.66%	13.47%	0.02%	0.31%	13.01%	0.03%	0.72%
Feb-43 .....	0.00%	0.01%	13.28%	0.02%	0.66%	13.41%	0.01%	0.30%	13.00%	0.02%	0.72%
Mar-43 .....	0.00%	0.01%	13.24%	0.02%	0.66%	13.36%	0.01%	0.30%	12.97%	0.02%	0.72%
Apr-43 .....	0.00%	0.01%	13.31%	0.02%	0.66%	13.44%	0.01%	0.29%	13.03%	0.02%	0.72%
May-43 .....	0.00%	0.01%	13.40%	0.02%	0.66%	13.53%	0.01%	0.29%	13.11%	0.02%	0.72%
Jun-43 .....	0.00%	0.01%	13.96%	0.02%	0.66%	14.10%	0.01%	0.29%	13.70%	0.02%	0.71%
Jul-43 .....	0.00%	0.01%	13.54%	0.02%	0.66%	13.67%	0.01%	0.28%	13.25%	0.02%	0.71%
Aug-43 .....	0.00%	0.01%	13.63%	0.02%	0.66%	13.75%	0.01%	0.28%	13.35%	0.02%	0.71%
Sep-43 .....	0.00%	0.01%	13.68%	0.02%	0.66%	13.82%	0.01%	0.28%	13.38%	0.02%	0.71%
Oct-43 .....	0.00%	0.01%	13.72%	0.02%	0.66%	13.86%	0.01%	0.27%	13.41%	0.02%	0.71%
Nov-43 .....	0.00%	0.01%	13.78%	0.02%	0.66%	13.94%	0.01%	0.27%	13.49%	0.02%	0.70%
Dec-43 .....	0.00%	0.01%	13.84%	0.02%	0.66%	13.99%	0.02%	0.27%	13.53%	0.03%	0.70%
Jan-44 .....	0.00%	0.01%	13.88%	0.02%	0.66%	14.04%	0.01%	0.26%	13.58%	0.03%	0.70%
Feb-44 .....	0.00%	0.01%	13.99%	0.02%	0.66%	14.15%	0.01%	0.26%	13.71%	0.02%	0.70%
Mar-44 .....	0.00%	0.01%	14.11%	0.02%	0.66%	14.27%	0.01%	0.26%	13.83%	0.02%	0.70%
Apr-44 .....	0.00%	0.01%	14.20%	0.02%	0.66%	14.36%	0.01%	0.25%	13.91%	0.02%	0.70%
May-44 .....	0.00%	0.01%	14.33%	0.02%	0.66%	14.49%	0.01%	0.25%	14.04%	0.02%	0.70%
Jun-44 .....	0.00%	0.01%	14.42%	0.02%	0.66%	14.58%	0.01%	0.25%	14.13%	0.02%	0.70%
Jul-44 .....	0.00%	0.01%	14.53%	0.02%	0.66%	14.69%	0.01%	0.24%	14.22%	0.02%	0.70%
Aug-44 .....	0.00%	0.01%	14.68%	0.02%	0.66%	14.85%	0.01%	0.24%	14.34%	0.02%	0.70%
Sep-44 .....	0.00%	0.01%	14.72%	0.02%	0.66%	14.88%	0.01%	0.24%	14.40%	0.02%	0.70%
Oct-44 .....	0.00%	0.01%	14.78%	0.02%	0.66%	14.95%	0.01%	0.23%	14.47%	0.02%	0.70%
Nov-44 .....	0.00%	0.01%	14.84%	0.02%	0.66%	15.02%	0.01%	0.23%	14.53%	0.02%	0.70%
Dec-44 .....	0.00%	0.01%	14.90%	0.02%	0.66%	15.07%	0.01%	0.23%	14.59%	0.03%	0.70%
Jan-45 .....	0.00%	0.01%	15.01%	0.02%	0.66%	15.18%	0.01%	0.23%	14.69%	0.03%	0.70%
Feb-45 .....	0.00%	0.01%	15.13%	0.02%	0.67%	15.31%	0.01%	0.22%	14.81%	0.02%	0.70%
Mar-45 .....	0.00%	0.01%	15.16%	0.02%	0.67%	15.34%	0.01%	0.22%	14.89%	0.02%	0.70%
Apr-45 .....	0.00%	0.01%	15.29%	0.02%	0.67%	15.46%	0.01%	0.22%	14.94%	0.02%	0.70%
May-45 .....	0.00%	0.01%	15.83%	0.02%	0.67%	16.01%	0.01%	0.21%	15.47%	0.02%	0.70%
Jun-45 .....	0.00%	0.01%	15.64%	0.02%	0.68%	15.83%	0.01%	0.21%	15.29%	0.02%	0.70%
Jul-45 .....	0.00%	0.01%	23.73%	0.02%	0.67%	24.79%	0.01%	0.21%	22.25%	0.02%	0.70%
Aug-45 .....	0.00%	0.01%	16.11%	0.02%	0.67%	16.33%	0.01%	0.21%	15.69%	0.02%	0.70%
Sep-45 .....	0.00%	0.01%	15.80%	0.02%	0.68%	16.00%	0.01%	0.20%	15.38%	0.02%	0.70%
Oct-45 .....	0.00%	0.01%	15.88%	0.02%	0.68%	16.09%	0.01%	0.20%	15.46%	0.02%	0.70%
Nov-45 .....	0.00%	0.01%	15.93%	0.02%	0.68%	16.14%	0.01%	0.20%	15.50%	0.02%	0.70%
Dec-45 .....	0.00%	0.01%	15.95%	0.02%	0.68%	16.18%	0.01%	0.20%	15.52%	0.03%	0.70%
Jan-46 .....	0.00%	0.01%	15.88%	0.02%	0.68%	16.11%	0.01%	0.20%	15.46%	0.03%	0.70%
Feb-46 .....	0.00%	0.01%	16.06%	0.02%	0.69%	16.28%	0.01%	0.19%	15.62%	0.02%	0.71%
Mar-46 .....	0.00%	0.01%	16.19%	0.02%	0.69%	16.42%	0.01%	0.19%	15.75%	0.02%	0.71%
Apr-46 .....	0.00%	0.01%	16.35%	0.02%	0.69%	16.59%	0.01%	0.19%	15.89%	0.02%	0.71%
May-46 .....	0.00%	0.01%	16.54%	0.02%	0.70%	16.77%	0.01%	0.19%	16.06%	0.02%	0.71%
Jun-46 .....	0.00%	0.01%	16.71%	0.02%	0.70%	16.95%	0.01%	0.19%	16.23%	0.02%	0.71%
Jul-46 .....	0.00%	0.01%	16.88%	0.02%	0.70%	17.13%	0.01%	0.18%	16.39%	0.02%	0.71%
Aug-46 .....	0.00%	0.01%	17.07%	0.02%	0.70%	17.33%	0.01%	0.18%	16.57%	0.02%	0.71%
Sep-46 .....	0.00%	0.01%	17.15%	0.02%	0.70%	17.41%	0.01%	0.18%	16.65%	0.02%	0.71%
Oct-46 .....	0.00%	0.01%	17.21%	0.02%	0.71%	17.46%	0.01%	0.18%	16.70%	0.02%	0.72%
Nov-46 .....	0.00%	0.01%	17.37%	0.02%	0.71%	17.63%	0.01%	0.18%	16.87%	0.02%	0.72%
Dec-46 .....	0.00%	0.01%	22.83%	0.02%	0.71%	23.77%	0.01%	0.18%	21.59%	0.03%	0.72%
Jan-47 .....	0.00%	0.01%	17.73%	0.02%	0.71%	18.02%	0.01%	0.18%	17.21%	0.03%	0.72%
Feb-47 .....	0.00%	0.01%	17.94%	0.02%	0.72%	18.23%	0.01%	0.18%	17.41%	0.02%	0.72%
Mar-47 .....	0.00%	0.01%	18.05%	0.02%	0.72%	18.33%	0.01%	0.17%	17.51%	0.02%	0.73%
Apr-47 .....	0.00%	0.01%	18.22%	0.02%	0.73%	18.52%	0.01%	0.17%	17.69%	0.02%	0.73%
May-47 .....	0.00%	0.01%	18.45%	0.02%	0.73%	18.75%	0.01%	0.17%	17.92%	0.02%	0.73%
Jun-47 .....	0.00%	0.01%	18.76%	0.02%	0.73%	19.07%	0.01%	0.17%	18.18%	0.02%	0.73%

Date	Fair Value Curve# 1	Fair Value Curve #2	Scenario 1			Scenario 2			Scenario 3		
			CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y
Jul-47.....	0.00%	0.01%	18.89%	0.02%	0.73%	19.21%	0.01%	0.17%	18.31%	0.02%	0.73%
Aug-47 ....	0.00%	0.01%	18.92%	0.02%	0.74%	19.22%	0.01%	0.17%	18.37%	0.02%	0.74%
Sep-47 .....	0.00%	0.01%	19.67%	0.02%	0.74%	20.08%	0.01%	0.17%	19.15%	0.02%	0.74%
Oct-47 .....	0.00%	0.01%	18.39%	0.02%	0.74%	18.63%	0.01%	0.17%	17.95%	0.02%	0.74%
Nov-47 ....	0.00%	0.01%	17.95%	0.02%	0.75%	18.14%	0.01%	0.17%	17.60%	0.02%	0.74%
Dec-47 .....	0.00%	0.01%	17.95%	0.02%	0.75%	18.12%	0.01%	0.17%	17.62%	0.03%	0.74%
Jan-48 .....	0.00%	0.01%	17.66%	0.02%	0.75%	17.80%	0.01%	0.17%	17.41%	0.03%	0.75%
Feb-48 .....	0.00%	0.01%	17.47%	0.02%	0.76%	17.61%	0.01%	0.16%	17.27%	0.02%	0.75%
Mar-48.....	0.00%	0.01%	17.42%	0.02%	0.76%	17.50%	0.01%	0.16%	17.24%	0.02%	0.75%
Apr-48.....	0.00%	0.01%	17.54%	0.02%	0.77%	17.63%	0.01%	0.16%	17.33%	0.02%	0.75%
May-48.....	0.00%	0.01%	17.75%	0.02%	0.77%	17.84%	0.01%	0.16%	17.54%	0.02%	0.76%
Jun-48.....	0.00%	0.01%	17.82%	0.02%	0.77%	17.93%	0.01%	0.16%	17.57%	0.02%	0.76%
Jul-48.....	0.00%	0.01%	17.91%	0.02%	0.77%	18.07%	0.01%	0.16%	17.62%	0.02%	0.76%
Aug-48 ....	0.00%	0.01%	18.02%	0.02%	0.78%	18.18%	0.01%	0.16%	17.71%	0.02%	0.76%
Sep-48 .....	0.00%	0.01%	18.26%	0.02%	0.78%	18.39%	0.01%	0.16%	17.94%	0.02%	0.76%
Oct-48 .....	0.00%	0.01%	18.36%	0.02%	0.78%	18.54%	0.01%	0.16%	18.04%	0.03%	0.76%
Nov-48 ....	0.00%	0.01%	18.49%	0.02%	0.79%	18.68%	0.01%	0.16%	18.18%	0.02%	0.77%
Dec-48.....	0.00%	0.01%	18.60%	0.02%	0.79%	18.80%	0.01%	0.16%	18.29%	0.03%	0.77%
Jan-49 .....	0.00%	0.01%	18.72%	0.02%	0.79%	18.92%	0.01%	0.15%	18.43%	0.03%	0.77%
Feb-49 .....	0.00%	0.01%	18.92%	0.02%	0.80%	19.11%	0.01%	0.15%	18.65%	0.02%	0.77%
Mar-49.....	0.00%	0.01%	19.29%	0.02%	0.80%	19.49%	0.01%	0.15%	18.99%	0.02%	0.78%
Apr-49 .....	0.00%	0.01%	19.45%	0.02%	0.81%	19.67%	0.01%	0.15%	19.16%	0.02%	0.78%
May-49.....	0.00%	0.01%	19.64%	0.02%	0.82%	19.85%	0.01%	0.15%	19.36%	0.02%	0.78%
Jun-49.....	0.00%	0.01%	20.01%	0.02%	0.82%	20.23%	0.01%	0.15%	19.71%	0.02%	0.78%
Jul-49.....	0.00%	0.01%	20.19%	0.02%	0.82%	20.40%	0.01%	0.15%	19.90%	0.02%	0.78%
Aug-49 ....	0.00%	0.01%	20.32%	0.02%	0.82%	20.54%	0.01%	0.15%	20.00%	0.02%	0.79%
Sep-49 .....	0.00%	0.01%	20.45%	0.02%	0.83%	20.65%	0.01%	0.15%	20.16%	0.02%	0.79%
Oct-49 .....	0.00%	0.01%	20.53%	0.02%	0.83%	20.73%	0.01%	0.15%	20.26%	0.03%	0.79%
Nov-49 ....	0.00%	0.01%	20.79%	0.02%	0.83%	20.99%	0.01%	0.15%	20.51%	0.02%	0.79%
Dec-49.....	0.00%	0.01%	20.85%	0.02%	0.84%	21.03%	0.01%	0.15%	20.58%	0.03%	0.80%
Jan-50 .....	0.00%	0.01%	21.09%	0.02%	0.84%	21.26%	0.01%	0.14%	20.83%	0.03%	0.80%
Feb-50 .....	0.00%	0.01%	21.35%	0.02%	0.85%	21.51%	0.01%	0.14%	21.10%	0.02%	0.80%
Mar-50.....	0.00%	0.01%	21.64%	0.02%	0.85%	21.78%	0.01%	0.14%	21.37%	0.02%	0.81%
Apr-50 .....	0.00%	0.01%	21.74%	0.02%	0.86%	21.92%	0.01%	0.14%	21.43%	0.02%	0.81%
May-50.....	0.00%	0.01%	21.99%	0.02%	0.86%	22.16%	0.01%	0.14%	21.67%	0.02%	0.81%
Jun-50.....	0.00%	0.01%	22.12%	0.02%	0.87%	22.29%	0.01%	0.14%	21.75%	0.02%	0.82%
Jul-50.....	0.00%	0.01%	22.26%	0.02%	0.87%	22.47%	0.01%	0.14%	21.86%	0.02%	0.82%
Aug-50 ....	0.00%	0.01%	22.24%	0.02%	0.87%	22.49%	0.01%	0.14%	21.79%	0.02%	0.82%
Sep-50 .....	0.00%	0.01%	22.28%	0.02%	0.88%	22.53%	0.01%	0.14%	21.81%	0.02%	0.82%
Oct-50 .....	0.00%	0.01%	22.27%	0.02%	0.88%	22.54%	0.01%	0.14%	21.78%	0.02%	0.83%
Nov-50 ....	0.00%	0.01%	22.09%	0.02%	0.89%	22.36%	0.01%	0.14%	21.58%	0.02%	0.83%
Dec-50.....	0.00%	0.01%	22.04%	0.02%	0.89%	22.33%	0.01%	0.14%	21.51%	0.03%	0.83%
Jan-51 .....	0.00%	0.01%	21.90%	0.02%	0.90%	22.22%	0.01%	0.14%	21.33%	0.03%	0.84%
Feb-51 .....	0.00%	0.01%	22.24%	0.02%	0.90%	22.58%	0.01%	0.13%	21.67%	0.02%	0.84%
Mar-51.....	0.00%	0.01%	22.33%	0.02%	0.91%	22.68%	0.01%	0.13%	21.76%	0.02%	0.85%
Apr-51 .....	0.00%	0.01%	22.68%	0.02%	0.92%	23.05%	0.01%	0.13%	22.11%	0.02%	0.86%
May-51 .....	0.00%	0.01%	23.09%	0.02%	0.93%	23.47%	0.01%	0.13%	22.49%	0.02%	0.86%
Jun-51 .....	0.00%	0.01%	23.47%	0.02%	0.94%	23.87%	0.01%	0.13%	22.84%	0.02%	0.87%
Jul-51.....	0.00%	0.01%	23.85%	0.02%	0.94%	24.27%	0.01%	0.13%	23.18%	0.03%	0.87%
Aug-51 ....	0.00%	0.01%	24.27%	0.02%	0.95%	24.69%	0.01%	0.13%	23.57%	0.03%	0.87%
Sep-51 .....	0.00%	0.01%	24.59%	0.02%	0.95%	24.96%	0.01%	0.13%	23.89%	0.03%	0.88%
Oct-51 .....	0.00%	0.01%	24.96%	0.02%	0.96%	25.34%	0.01%	0.13%	24.27%	0.03%	0.88%
Nov-51 ....	0.00%	0.01%	25.31%	0.02%	0.96%	25.68%	0.01%	0.13%	24.62%	0.03%	0.88%
Dec-51.....	0.00%	0.01%	25.54%	0.03%	0.97%	25.88%	0.01%	0.13%	24.87%	0.04%	0.88%
Jan-52.....	0.00%	0.01%	25.86%	0.02%	0.98%	26.19%	0.01%	0.13%	25.20%	0.03%	0.89%
Feb-52 .....	0.00%	0.01%	26.30%	0.02%	0.98%	26.63%	0.01%	0.12%	25.63%	0.03%	0.89%
Mar-52.....	0.00%	0.01%	26.62%	0.02%	0.99%	26.94%	0.00%	0.12%	25.96%	0.02%	0.89%
Apr-52 .....	0.00%	0.01%	26.94%	0.02%	1.00%	27.33%	0.00%	0.12%	26.27%	0.03%	0.89%
May-52.....	0.00%	0.01%	27.47%	0.02%	1.00%	27.87%	0.00%	0.12%	26.75%	0.03%	0.90%
Jun-52.....	0.00%	0.01%	27.86%	0.02%	1.01%	28.28%	0.00%	0.12%	27.14%	0.03%	0.90%
Jul-52.....	0.00%	0.01%	28.25%	0.02%	1.01%	28.74%	0.00%	0.12%	27.47%	0.03%	0.90%
Aug-52 ....	0.00%	0.01%	28.68%	0.02%	1.01%	29.18%	0.00%	0.12%	27.89%	0.03%	0.90%
Sep-52 .....	0.00%	0.01%	28.30%	0.02%	1.01%	28.74%	0.00%	0.12%	27.59%	0.02%	0.90%
Oct-52 .....	0.00%	0.01%	28.02%	0.02%	1.02%	28.40%	0.00%	0.12%	27.35%	0.03%	0.89%
Nov-52 ....	0.00%	0.01%	27.38%	0.02%	1.02%	27.57%	0.00%	0.12%	26.85%	0.03%	0.89%
Dec-52.....	0.00%	0.01%	36.36%	0.02%	1.02%	38.20%	0.01%	0.12%	34.24%	0.03%	0.89%
Jan-53 .....	0.00%	0.01%	26.57%	0.02%	1.03%	26.42%	0.00%	0.12%	26.21%	0.03%	0.89%
Feb-53 .....	0.00%	0.01%	25.93%	0.02%	1.03%	25.66%	0.00%	0.12%	25.70%	0.03%	0.89%
Mar-53.....	0.00%	0.01%	25.61%	0.02%	1.03%	25.26%	0.00%	0.12%	25.50%	0.02%	0.89%
Apr-53 .....	0.00%	0.01%	25.86%	0.02%	1.04%	25.49%	0.00%	0.12%	25.81%	0.02%	0.89%
May-53.....	0.00%	0.01%	26.16%	0.02%	1.04%	25.78%	0.00%	0.12%	26.14%	0.02%	0.90%
Jun-53.....	0.00%	0.01%	26.26%	0.02%	1.05%	26.01%	0.00%	0.12%	26.26%	0.02%	0.90%
Jul-53.....	0.00%	0.01%	26.30%	0.02%	1.04%	26.38%	0.00%	0.12%	26.39%	0.02%	0.90%
Aug-53 ....	0.00%	0.01%	26.77%	0.02%	1.05%	26.85%	0.00%	0.12%	26.89%	0.02%	0.90%
Sep-53 .....	0.00%	0.01%	27.08%	0.02%	1.05%	27.14%	0.00%	0.12%	27.24%	0.02%	0.90%
Oct-53 .....	0.00%	0.01%	27.59%	0.02%	1.05%	27.65%	0.00%	0.12%	27.77%	0.02%	0.90%
Nov-53 ....	0.00%	0.01%	27.99%	0.02%	1.05%	28.03%	0.00%	0.12%	28.16%	0.02%	0.90%
Dec-53.....	0.00%	0.01%	28.36%	0.02%	1.05%	28.44%	0.00%	0.12%	28.55%	0.03%	0.90%
Jan-54 .....	0.00%	0.01%	28.67%	0.02%	1.05%	28.76%	0.00%	0.12%	28.89%	0.02%	0.90%
Feb-54 .....	0.00%	0.01%	29.14%	0.02%	1.05%	29.20%	0.00%	0.12%	29.42%	0.02%	0.90%
Mar-54.....	0.00%	0.01%	29.68%	0.01%	1.05%	29.72%	0.00%	0.12%	30.00%	0.02%	0.90%



Date	Fair Value Curve# 1	Fair Value Curve #2	Scenario 1			Scenario 2			Scenario 3		
			CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y	CRR	CDR	Loss Severit y
Apr-54.....	0.00%	0.01%	30.26%	0.02%	1.06%	30.29%	0.00%	0.12%	30.63%	0.02%	0.90%
May-54.....	0.00%	0.01%	30.89%	0.01%	1.06%	30.91%	0.00%	0.12%	31.31%	0.02%	0.90%
Jun-54.....	0.00%	0.01%	31.37%	0.01%	1.05%	31.38%	0.00%	0.12%	31.84%	0.02%	0.90%
Jul-54.....	0.00%	0.01%	31.97%	0.01%	1.05%	31.96%	0.00%	0.12%	32.49%	0.02%	0.90%
Aug-54.....	0.00%	0.01%	32.70%	0.01%	1.04%	32.67%	0.00%	0.12%	33.28%	0.02%	0.90%
Sep-54.....	0.00%	0.01%	32.86%	0.01%	1.04%	32.77%	0.00%	0.12%	33.58%	0.02%	0.90%
Oct-54.....	0.00%	0.01%	33.49%	0.01%	1.04%	33.33%	0.00%	0.13%	34.29%	0.02%	0.90%
Nov-54.....	0.00%	0.01%	34.01%	0.01%	1.03%	33.84%	0.00%	0.13%	34.88%	0.02%	0.90%
Dec-54.....	0.00%	0.01%	34.64%	0.02%	1.03%	34.44%	0.00%	0.13%	35.61%	0.02%	0.89%
Jan-55.....	0.00%	0.01%	35.36%	0.01%	1.02%	35.15%	0.00%	0.13%	36.40%	0.02%	0.89%
Feb-55.....	0.00%	0.01%	36.25%	0.01%	1.02%	36.13%	0.00%	0.13%	37.39%	0.01%	0.89%
Mar-55.....	0.00%	0.01%	36.55%	0.01%	1.02%	36.53%	0.00%	0.13%	37.51%	0.01%	0.89%
Apr-55.....	0.00%	0.01%	37.30%	0.01%	1.02%	37.34%	0.00%	0.13%	38.20%	0.01%	0.89%
May-55.....	0.00%	0.01%	38.16%	0.01%	1.01%	38.25%	0.00%	0.13%	39.07%	0.01%	0.89%
Jun-55.....	0.00%	0.01%	38.04%	0.01%	1.00%	38.26%	0.00%	0.13%	38.17%	0.01%	0.88%
Jul-55.....	0.00%	0.01%	38.34%	0.01%	0.99%	38.61%	0.00%	0.13%	38.04%	0.01%	0.87%
Aug-55.....	0.00%	0.01%	38.49%	0.01%	0.97%	38.68%	0.00%	0.13%	38.10%	0.01%	0.86%
Sep-55.....	0.00%	0.01%	38.30%	0.01%	0.96%	38.48%	0.00%	0.14%	37.85%	0.01%	0.86%
Oct-55.....	0.00%	0.01%	37.74%	0.01%	0.94%	37.84%	0.00%	0.14%	37.24%	0.01%	0.84%
Nov-55.....	0.00%	0.01%	36.26%	0.01%	0.92%	36.46%	0.00%	0.14%	35.56%	0.01%	0.83%
Dec-55.....	0.00%	0.01%	35.76%	0.01%	0.90%	35.93%	0.00%	0.14%	35.02%	0.01%	0.82%
Jan-56.....	0.00%	0.01%	32.18%	0.01%	0.87%	32.42%	0.00%	0.14%	31.25%	0.01%	0.81%
Feb-56.....	0.00%	0.01%	32.70%	0.00%	0.84%	32.93%	0.00%	0.14%	31.75%	0.00%	0.79%
Mar-56.....	0.00%	0.01%	32.79%	0.00%	0.81%	33.24%	0.00%	0.14%	31.71%	0.00%	0.77%
Apr-56.....	0.00%	0.01%	33.36%	0.00%	0.78%	33.87%	0.00%	0.15%	32.16%	0.00%	0.75%
May-56.....	0.00%	0.01%	33.89%	0.00%	0.73%	34.59%	0.00%	0.15%	32.63%	0.00%	0.71%
Jun-56.....	0.00%	0.01%	34.47%	0.00%	0.67%	35.22%	0.00%	0.15%	33.17%	0.00%	0.67%
Jul-56.....	0.00%	0.01%	35.13%	0.00%	0.58%	36.01%	0.00%	0.15%	33.64%	0.00%	0.59%
Aug-56.....	0.00%	0.01%	35.91%	0.00%	0.49%	36.82%	0.00%	0.15%	34.37%	0.00%	0.51%
Sep-56.....	0.00%	0.01%	36.35%	0.00%	0.41%	37.29%	0.00%	0.15%	34.78%	0.00%	0.44%
Oct-56.....	0.00%	0.01%	36.99%	0.00%	0.34%	37.92%	0.00%	0.15%	35.42%	0.00%	0.37%
Nov-56.....	0.00%	0.01%	37.46%	0.00%	0.29%	38.39%	0.00%	0.15%	35.92%	0.00%	0.32%
Dec-56.....	0.00%	0.01%	37.92%	0.00%	0.26%	38.84%	0.00%	0.15%	36.40%	0.00%	0.28%
Jan-57.....	0.00%	0.01%	38.56%	0.00%	0.23%	39.50%	0.00%	0.15%	37.00%	0.00%	0.25%
Feb-57.....	0.00%	0.01%	39.35%	0.00%	0.21%	40.33%	0.00%	0.15%	37.73%	0.00%	0.22%
Mar-57.....	0.00%	0.01%	40.15%	0.00%	0.19%	41.14%	0.00%	0.15%	38.53%	0.00%	0.20%
Apr-57.....	0.00%	0.01%	41.12%	0.00%	0.18%	42.14%	0.00%	0.15%	39.49%	0.00%	0.19%
May-57.....	0.00%	0.01%	41.80%	0.00%	0.17%	42.87%	0.00%	0.15%	40.06%	0.00%	0.18%
Jun-57.....	0.00%	0.01%	42.51%	0.00%	0.17%	43.59%	0.00%	0.15%	40.79%	0.00%	0.17%
Jul-57.....	0.00%	0.01%	43.47%	0.00%	0.16%	44.57%	0.00%	0.15%	41.76%	0.00%	0.17%
Aug-57.....	0.00%	0.01%	43.87%	0.00%	0.16%	44.99%	0.00%	0.15%	42.05%	0.00%	0.16%
Sep-57.....	0.00%	0.01%	43.23%	0.00%	0.16%	44.27%	0.00%	0.15%	41.41%	0.00%	0.16%
Oct-57.....	0.00%	0.01%	43.39%	0.00%	0.15%	44.36%	0.00%	0.15%	41.72%	0.00%	0.16%
Nov-57.....	0.00%	0.01%	42.80%	0.00%	0.16%	43.70%	0.00%	0.15%	41.24%	0.00%	0.16%
Dec-57.....	0.00%	0.01%	41.97%	0.00%	0.16%	42.70%	0.00%	0.15%	40.74%	0.00%	0.16%
Jan-58.....	0.00%	0.01%	41.62%	0.00%	0.16%	42.32%	0.00%	0.15%	40.49%	0.00%	0.16%
Feb-58.....	0.00%	0.01%	40.60%	0.00%	0.16%	41.16%	0.00%	0.16%	39.59%	0.00%	0.16%
Mar-58.....	0.00%	0.01%	38.68%	0.00%	0.16%	38.96%	0.00%	0.16%	38.12%	0.00%	0.16%
Apr-58.....	0.00%	0.01%	39.26%	0.00%	0.16%	39.54%	0.00%	0.16%	38.76%	0.00%	0.16%
May-58.....	0.00%	0.01%	39.70%	0.00%	0.16%	39.97%	0.00%	0.16%	39.20%	0.00%	0.16%
Jun-58.....	0.00%	0.01%	39.73%	0.00%	0.16%	39.96%	0.00%	0.16%	39.35%	0.00%	0.16%
Jul-58.....	0.00%	0.01%	40.46%	0.00%	0.16%	40.68%	0.00%	0.16%	40.14%	0.00%	0.16%
Aug-58.....	0.00%	0.01%	40.87%	0.00%	0.16%	41.08%	0.00%	0.16%	40.53%	0.00%	0.16%
Sep-58.....	0.00%	0.01%	41.16%	0.00%	0.16%	41.36%	0.00%	0.16%	40.92%	0.00%	0.16%
Oct-58.....	0.00%	0.01%	41.88%	0.00%	0.16%	42.07%	0.00%	0.16%	41.69%	0.00%	0.16%
Nov-58.....	0.00%	0.01%	41.87%	0.00%	0.16%	42.00%	0.00%	0.16%	41.74%	0.00%	0.16%
Dec-58.....	0.00%	0.01%	42.07%	0.01%	0.16%	42.15%	0.00%	0.16%	42.07%	0.00%	0.16%
Jan-59.....	0.00%	0.01%	42.82%	0.00%	0.16%	42.86%	0.00%	0.16%	42.90%	0.00%	0.16%
Feb-59.....	0.00%	0.01%	43.32%	0.00%	0.16%	43.32%	0.00%	0.16%	43.45%	0.00%	0.16%
Mar-59.....	0.00%	0.01%	43.66%	0.01%	0.16%	43.55%	0.00%	0.16%	43.97%	0.00%	0.16%
Apr-59.....	0.00%	0.01%	44.35%	0.00%	0.16%	44.14%	0.00%	0.16%	44.86%	0.00%	0.16%
May-59.....	0.00%	0.01%	44.98%	0.00%	0.16%	44.65%	0.00%	0.16%	45.62%	0.00%	0.16%
Jun-59.....	0.00%	0.01%	44.73%	0.01%	0.16%	44.49%	0.01%	0.16%	45.53%	0.00%	0.17%
Jul-59.....	0.00%	0.01%	44.52%	0.01%	0.16%	44.35%	0.00%	0.16%	45.52%	0.00%	0.17%
Aug-59.....	0.00%	0.01%	45.34%	0.01%	0.17%	45.03%	0.01%	0.16%	46.68%	0.00%	0.17%
Sep-59.....	0.00%	0.01%	45.55%	0.01%	0.17%	45.01%	0.01%	0.17%	47.44%	0.01%	0.17%
Oct-59.....	0.00%	0.01%	46.35%	0.01%	0.17%	45.61%	0.01%	0.17%	48.71%	0.01%	0.17%
Nov-59.....	0.00%	0.01%	46.16%	0.01%	0.17%	45.30%	0.01%	0.17%	48.86%	0.01%	0.17%
Dec-59.....	0.00%	0.01%	46.53%	0.01%	0.17%	45.46%	0.01%	0.17%	49.80%	0.01%	0.17%
Jan-60.....	0.00%	0.01%	47.84%	0.01%	0.17%	46.64%	0.01%	0.17%	51.47%	0.01%	0.17%
Feb-60.....	0.00%	0.01%	49.78%	0.01%	0.17%	48.48%	0.01%	0.17%	53.72%	0.01%	0.17%
Mar-60.....	0.00%	0.01%	50.88%	0.01%	0.17%	49.70%	0.01%	0.17%	55.11%	0.01%	0.17%
Apr-60.....	0.00%	0.01%	52.99%	0.01%	0.17%	51.62%	0.01%	0.17%	57.71%	0.01%	0.17%
May-60.....	0.00%	0.01%	52.88%	0.01%	0.17%	51.61%	0.01%	0.17%	56.43%	0.01%	0.17%
Jun-60.....	0.00%	0.01%	52.54%	0.01%	0.17%	51.98%	0.01%	0.17%	55.13%	0.01%	0.17%
Jul-60.....	0.00%	0.01%	50.72%	0.01%	0.17%	50.46%	0.01%	0.17%	51.70%	0.01%	0.17%
Aug-60.....	0.00%	0.01%	50.69%	0.01%	0.17%	50.49%	0.01%	0.17%	51.18%	0.01%	0.17%
Sep-60.....	0.00%	0.01%	51.21%	0.01%	0.17%	50.87%	0.01%	0.17%	51.88%	0.01%	0.17%
Oct-60.....	0.00%	0.01%	49.99%	0.01%	0.17%	49.62%	0.01%	0.17%	50.60%	0.01%	0.17%
Nov-60.....	0.00%	0.01%	47.39%	0.01%	0.17%	47.11%	0.01%	0.17%	47.81%	0.01%	0.17%
Dec-60.....	0.00%	0.01%	47.10%	0.01%	0.17%	46.83%	0.01%	0.17%	47.44%	0.01%	0.17%

Date	Fair Value Curve# 1	Fair Value Curve #2	Scenario 1			Scenario 2			Scenario 3		
			CRR	CDR	Loss Severity	CRR	CDR	Loss Severity	CRR	CDR	Loss Severity
Jan-61 .....	0.00%	0.01%	41.79%	0.01%	0.17%	41.71%	0.01%	0.17%	41.45%	0.01%	0.17%
Feb-61 .....	0.00%	0.01%	43.01%	0.01%	0.17%	42.96%	0.01%	0.17%	42.67%	0.01%	0.17%
Mar-61 .....	0.00%	0.01%	44.16%	0.01%	0.17%	44.10%	0.01%	0.17%	43.82%	0.01%	0.17%
Apr-61 .....	0.00%	0.01%	45.12%	0.01%	0.17%	44.97%	0.01%	0.17%	44.85%	0.01%	0.17%
May-61 .....	0.00%	0.01%	46.50%	0.01%	0.17%	46.42%	0.01%	0.17%	46.21%	0.01%	0.17%
Jun-61 .....	0.00%	0.01%	47.66%	0.01%	0.17%	47.59%	0.01%	0.17%	47.36%	0.01%	0.17%
Jul-61 .....	0.00%	0.01%	48.80%	0.01%	0.17%	48.61%	0.01%	0.17%	48.65%	0.01%	0.17%
Aug-61 .....	0.00%	0.01%	50.34%	0.01%	0.17%	50.26%	0.01%	0.17%	50.17%	0.01%	0.17%
Sep-61 .....	0.00%	0.01%	51.69%	0.01%	0.17%	51.64%	0.01%	0.17%	51.54%	0.01%	0.17%
Oct-61 .....	0.00%	0.01%	52.80%	0.01%	0.17%	52.60%	0.01%	0.17%	52.84%	0.01%	0.17%
Nov-61 .....	0.00%	0.01%	54.59%	0.01%	0.17%	54.46%	0.01%	0.17%	54.66%	0.01%	0.17%
Dec-61 .....	0.00%	0.01%	56.30%	0.01%	0.17%	56.15%	0.01%	0.17%	56.41%	0.01%	0.17%
Jan-62 .....	0.00%	0.01%	57.49%	0.01%	0.17%	57.20%	0.01%	0.17%	57.78%	0.01%	0.17%
Feb-62 .....	0.00%	0.01%	59.35%	0.01%	0.17%	59.15%	0.01%	0.17%	59.73%	0.01%	0.17%
Mar-62 .....	0.00%	0.01%	61.20%	0.01%	0.17%	60.93%	0.01%	0.17%	61.72%	0.01%	0.17%
Apr-62 .....	0.00%	0.01%	62.66%	0.01%	0.17%	62.26%	0.01%	0.17%	63.22%	0.01%	0.17%
May-62 .....	0.00%	0.01%	64.41%	0.01%	0.17%	64.18%	0.01%	0.17%	65.03%	0.01%	0.17%
Jun-62 .....	0.00%	0.01%	66.05%	0.01%	0.17%	65.72%	0.01%	0.17%	66.80%	0.01%	0.17%
Jul-62 .....	0.00%	0.01%	66.93%	0.01%	0.17%	66.43%	0.01%	0.17%	67.59%	0.01%	0.17%
Aug-62 .....	0.00%	0.01%	68.47%	0.01%	0.17%	68.21%	0.01%	0.17%	69.05%	0.01%	0.17%

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